

# PMI Report on China Manufacturing

## CFLP

### 中國物流與採購聯合會

China Federation of Logistics & Purchasing (CFLP) is the logistics and purchasing industry association approved by the State Council. CFLP's mission is to push forward the development of the logistics industry and the procurement businesses of both government and enterprises, as well as the circulation of factors of production in China. The government authorizes the CFLP to produce industry statistics and set industry standards. CFLP is also China's representative in the Asian-Pacific Logistics Federation (APLF) and the International Federation of Purchasing and Supply Management (IFPSM).

## NBS

### 國家統計局

The National Bureau of Statistics (NBS), an agency directly under the State Council in China, is in charge of the country's statistics. It is responsible for formulating statistical policies and establishing the national statistical system, drafting and enforcing the statistical laws and regulations, setting up and improving the national economic accounting system, conducting censuses, as well as making statistical analyses and forecasts of the macroeconomy, social development, scientific advancement, resources and environment.

## China Manufacturing PMI

### 中國製造業採購經理指數

The CFLP China Manufacturing Purchasing Managers' Index (PMI) provides an early indication each month of economic activities in the Chinese manufacturing sector. The CFLP and the NBS collaborate to collect data, compile and publish the index.

### The Fung Business Intelligence Centre

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## PMI fell to 49.8 in January

**Output, New Orders, expanding.**

**New Export Orders, Stocks of Finished Goods, Backlogs of Orders, Purchases of Inputs, Imports, Stocks of Major Inputs, contracting.**

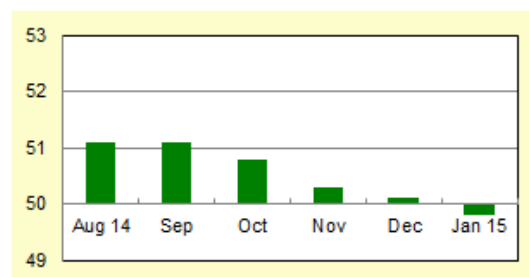
**Input Prices, falling.**

**Suppliers' Delivery, faster.**

**Business Expectations, pessimistic**

### China Manufacturing PMI, seasonally adjusted

14/15	PMI
Aug	51.1
Sep	51.1
Oct	50.8
Nov	50.3
Dec	50.1
Jan	49.8



China's manufacturing PMI came in at 49.8 in January, falling below the critical 50-mark for the first time since October 2012. The figure indicates that China's manufacturing sector has started to contract.

9 of the 12 sub-indices were lower than their respective levels in the previous month. Both domestic and export demand moderated in January: The new orders index and the new export orders index went down by 0.2 pts and 0.7 pts respectively in the month. Production growth has also decelerated: The output index fell by 0.5 pts from the previous month to 51.7 in January. The purchases of inputs index fell below 50 in January, pointing to weaker business confidence as purchasing activities of manufacturers have been slowing.

By size of enterprises, the PMI of 'large enterprises' went down to 50.3 in January from 51.4 in December. Meanwhile, the PMI of 'medium enterprises' rose to 49.9 in January from 48.7 in December. and the PMI of 'small enterprises' improved to 46.4 in January from 45.5 in December.

The output index dropped to 51.7 in January from 52.2 in December. The output indices of 'large enterprises' and 'medium enterprises' were 52.7 and 51.5 respectively in January. The output index of 'small enterprises' remained in the contractionary zone, registering 46.6 in January.

The new orders index was 50.2 in January, down slightly from 50.4 in December. By size of enterprises, the new orders index of 'large enterprises' was 50.8 in January, down from 52.7 in December. The new orders indices of 'medium enterprises' and 'small enterprises' were 50.9 and 45.1 respectively in January, up from 47.7 and 43.5 respectively in December.

The new export orders index dropped to 48.4 in January, compared to 49.1 in December. The new export orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, ranging from 46.0 to 48.6 in January.

The backlogs of orders index edged up to 44.0 in January, compared to 43.8 in December. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, ranging from 41.1 to 44.4 in January.

The stocks of finished goods index came in at 48.0 in January, up slightly from 47.8 in December. By size of enterprises, the stocks of finished goods indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, ranging from 46.9 to 48.5 in January.

The purchases of inputs index went down to 49.6 in January, compared to 50.1 in December. The purchases of inputs indices of 'medium enterprises' and 'small enterprises' were both below the neutral level of 50, registering 48.8 and 45.2 respectively in January. Meanwhile, the purchases of inputs index of 'large enterprises' was 50.7 in the month, staying above the critical 50-mark.

The imports index was 46.4 in January, down from 47.8 in December. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below 50, ranging from 41.9 to 46.9 in January.

The input prices index fell to 41.9 in January, compared to 43.2 in December. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, ranging from 41.1 to 44.3 in January.

The stocks of major inputs index came in at 47.3 in January, down slightly from 47.5 in December. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, ranging from 43.0 to 47.9 in January.

The employment index came in at 47.9 in January, down slightly from 48.1 in December. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, ranging from 47.3 to 48.2 in January.

The suppliers' delivery time index went up to 50.2 in January, compared to 49.9 in December. A reading above 50 implies faster delivery; below 50, slower delivery time. The suppliers' delivery time index of 'large enterprises' was 50.3 in January. Meanwhile, the suppliers' delivery time indices of 'medium enterprises' and 'small enterprises' came in at 50.0 in the month.

The business expectations index fell from 49.9 in December to 47.4 in January. The figure indicates that purchasing managers have become more pessimistic about the near term outlook for their respective industries. The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, ranging 42.5 to 48.7 in January.

### China Manufacturing at a Glance — January 2015

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	49.8	Lower	Contracting
Output	51.7	Lower	Expanding
New Orders	50.2	Lower	Expanding
New Export Orders	48.4	Lower	Contracting
Backlogs of Orders	44.0	Higher	Contracting
Stocks of Finished Goods	48.0	Higher	Contracting
Purchases of Inputs	49.6	Lower	Contracting
Imports	46.4	Lower	Contracting
Input Prices	41.9	Lower	Falling
Stocks of Major Inputs	47.3	Lower	Contracting
Employment	47.9	Lower	Contracting
Suppliers' Delivery Time	50.2	Higher	Quickening
Business Expectations	47.4	Lower	Pessimistic

## About China Manufacturing PMI:

China Manufacturing Purchasing Managers' Index (PMI) provides an early indication each month of economic activities in the Chinese manufacturing sector. It is jointly published by China Federation of Logistics & Purchasing (CFLP) and the National Bureau of Statistics (NBS). The Fung Business Intelligence Centre is responsible for drafting and disseminating the English PMI report.

Every month questionnaires are sent to 3,000 manufacturing enterprises all over China. The data presented herein is compiled from the enterprises' responses about their purchasing activities and supply situations. CFLP makes no representation regarding the data collection procedures, nor does it disclose any data of individual enterprises. The PMI should be compared to other economic data sources when used in decision-making.

3,000 manufacturing enterprises in 21 industries from Eastern, Northeastern, Central and Western China are surveyed. The sampling of the enterprises involves the use of Probability Proportional to Size Sampling (PPS), which means the selection of enterprises surveyed is largely based on each industry's contribution to GDP, and the representation of each geographical region.

Survey responses reflect the change of each indicator, if any, in the current month compared to the previous month. There are 12 indicators in the survey: Output, New Orders, New Export Orders, Backlogs of Orders, Stocks of Finished Goods, Purchases of Inputs, Imports, Input Prices, Stocks of Major Inputs, Employment, Suppliers' Delivery Time and Business Expectation. For each of the indicators, this report shows the percentage of enterprises reporting each response, the difference between the percentage of responses in the positive economic direction and the negative economic direction, and the diffusion index. The diffusion index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indices have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change and the scope of change. An index reading above 50 indicates an overall positive change in that variable; below 50, an overall negative change.

The PMI is a composite index based on the seasonally adjusted diffusion indices for five of the indicators with varying weights: New Orders—30%; Output—25%; Employment—20%; Suppliers' Delivery Time—15%; and Stocks of Major Inputs—10%. A PMI reading above 50 indicates an overall expansion in the manufacturing sector; below 50, an overall contraction.

Currently there are 22 countries and regions conducting the PMI survey and compilation, based on an internationally standardized methodology.

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