

# 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 rose to 49.9 in February

**Output, New Orders, expanding.**

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

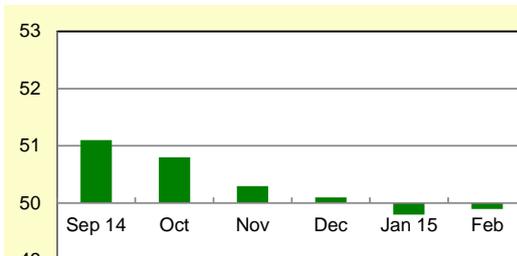
**Input Prices, falling.**

**Suppliers' Delivery, slower**

**Business Expectations, optimistic**

### China Manufacturing PMI, seasonally adjusted

14/15	PMI
Sep	51.1
Oct	50.8
Nov	50.3
Dec	50.1
Jan	49.8
Feb	49.9



China's manufacturing PMI stayed low at 49.9 in February, indicating weakness in the manufacturing sector.

6 of the 12 sub-indices were lower than their respective levels in the previous month. Production growth has continued to decelerate: The output index fell to 51.4 in February, the lowest level in two years. The new export orders index stayed in the contractionary zone in the month, indicating the month-on-month drop of new export orders. Nevertheless, despite facing difficult situations, purchasing managers have become more optimistic about the near-term outlook for their respective industries: The business expectation index rose markedly to 54.0 in February from 47.4 in January.

By size of enterprises, the PMI of 'large enterprises' went up to 50.4 in February from 50.3 in January, and the PMI of 'small enterprises' improved to 48.1 in February from 46.4 in January. On the contrary, the PMI of 'medium enterprises' dropped to 49.4 in February from 49.9 in January.

The output index dropped to 51.4 in February from 51.7 in January. The output index of 'large enterprises' was 52.4 in February. The output indices of 'medium enterprises' and 'small enterprises' were in the contractionary zone, registering 49.9 and 49.2 respectively in February.

The new orders index was 50.4 in February, up slightly from 50.2 in January. By size of enterprises, the new orders indices of 'large enterprises' and 'small enterprises' were 51.6 and 48.2 respectively in February, up from 50.8 and 45.1 respectively in January. On the contrary, the new orders index of 'medium enterprises' was 48.4 in February, down from 50.9 in January.

The new export orders index rose slightly to 48.5 in February, compared to 48.4 in January. The new export orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, ranging from 46.4 to 48.6 in February.

The backlogs of orders index fell slightly to 43.8 in February, compared to 44.0 in January. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, ranging from 37.4 to 44.7 in February.

The stocks of finished goods index came in at 47.0 in February, down from 48.0 in January. 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 43.1 to 48.1 in February.

The purchases of inputs index went down to 49.4 in February, compared to 49.6 in January. The purchases of inputs indices of 'large enterprises' and 'small enterprises' were both below the neutral level of 50, registering 48.9 and 44.3 respectively in February. Meanwhile, the purchases of inputs index of 'medium enterprises' was 52.8 in the month.

The imports index was 47.5 in February, up from 46.4 in January. Both the imports indices of 'medium enterprises' and 'small enterprises' have returned to the expansionary zone, registering 50.1 and 52.4 respectively in February. Meanwhile, the imports index of 'large enterprises' was 46.5 in the month, staying in the contractionary zone.

The input prices index went up to 43.9 in February, compared to 41.9 in January. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, ranging from 43.1 to 46.0 in February.

The stocks of major inputs index came in at 48.2 in February, up from 47.3 in January. The stocks of major inputs indices of 'large enterprises' and 'small enterprises' were both below the neutral level of 50, registering 48.1 and 43.6 respectively in February. Meanwhile, the stocks of major inputs index of 'medium enterprises' rose to 50.2 in February.

The employment index came in at 47.8 in February, down slightly from 47.9 in January. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, ranging from 47.3 to 49.0 in February.

The suppliers' delivery time index went down to 49.9 in February, compared to 50.2 in January. A reading above 50 implies faster delivery; below 50, slower delivery time. The suppliers' delivery time indices of 'large enterprises', 'medium enterprises' and 'small enterprises' registered 50.1, 49.6 and 50.0 respectively in February.

The business expectations index rose markedly from 47.4 in January to 54.0 in February. The figure indicates that purchasing managers have become optimistic about the near term outlook for their respective industries. The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above the neutral level of 50, ranging from 50.2 to 54.6 in February.

### China Manufacturing at a Glance — February 2015

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	<b>49.9</b>	Higher	Contracting
Output	<b>51.4</b>	Lower	Expanding
New Orders	<b>50.4</b>	Higher	Expanding
New Export Orders	48.5	Higher	Contracting
Backlogs of Orders	43.8	Lower	Contracting
Stocks of Finished Goods	47.0	Lower	Contracting
Purchases of Inputs	49.4	Lower	Contracting
Imports	47.5	Higher	Contracting
Input Prices	43.9	Higher	Falling
Stocks of Major Inputs	48.2	Higher	Contracting
Employment	47.8	Lower	Contracting
Suppliers' Delivery Time	49.9	Lower	Slowing
Business Expectations	54.0	Higher	Optimistic

## 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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