

PMI Report on China Manufacturing

CFLP

中國物流與採購聯合會

China Federation of Logistics & Purchasing (CFLP) is the first 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. CFLP is also China's representative in the Asian-Pacific Logistics Federation (APLF) and the International Federation of Purchasing and Materials Management (IFPMM).

CLIC

中國物流信息中心

Administered by the State-owned Assets Supervision and Administration Commission, China Logistics Information Centre is also a sub-division of CFLP. CLIC collects logistics data and conducts researches on logistics enterprises, monitors and analyzes market situations of factors of production such as steel, oil, coal, aluminum and copper, promotes IT applications in the logistics and purchasing industry, and participates in the establishment and dissemination of the PMI.

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ESO

國家統計局企業調查總隊

Enterprise Survey Organization (ESO) is an organization under the National Bureau of Statistics (NBS) of China. It conducts regular statistical surveys on all kinds of enterprises in China, as well as on enterprise reforms and the development of market system. It also analyzes and researches on government economic decisions and corporate management related to enterprises and the market.

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PMI improved to 56.6% in December

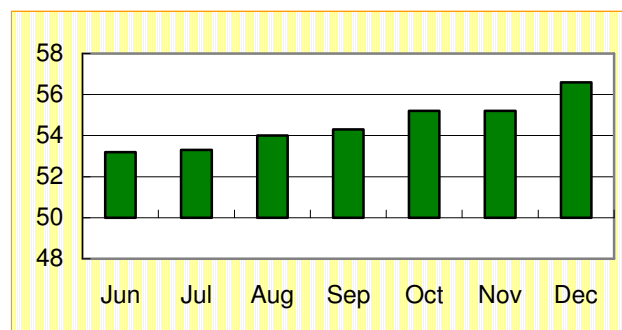
Output, New Orders, New Export Orders, Purchases of Inputs, Import, Input Prices, Backlogs of Orders, Stocks of Major Inputs, expanding.

Stocks of Finished Goods, contracting.

Suppliers' Delivery, faster.

CFLP China Manufacturing PMI, seasonally adjusted

2009	PMI
Jun	53.2
Jul	53.3
Aug	54.0
Sep	54.3
Oct	55.2
Nov	55.2
Dec	56.6



The PMI improved to 56.6% in December 2009, up from 55.2% in the previous month. The index has stayed in the expansionary zone of higher than 50% for ten consecutive months, indicating that the manufacturing sector in China has maintained strong momentum. 9 out of 11 sub-indices were higher than their respective levels in the previous month. The rise in the PMI was mainly driven by the expansion of output and new orders. Output index and new orders index picked up to 61.4% and 61.0% respectively in December. Nevertheless, cost pressure for manufacturers has continued to increase, with input prices index rising from 63.4% in November to 66.7% in December.

In December, 17 of the 20 industries surveyed recorded PMIs above 50%. Of which, *Metal products* registered the highest reading of 66.7% whilst *Tobacco* recorded the lowest reading of 44.5%.

Output index gained 2.0 ppt from the previous month to reach 61.4% in December. 17 of the 20 industries surveyed recorded expansion of output. Of which, 13 registered readings above 60%. *Transport equipment* recorded the highest reading of 77.9%, whilst *Tobacco* registered the lowest reading of 33.2%.

New orders index reached 61.0% in December, up from 58.4% in November. 18 of the 20 industries surveyed registered expansion of new orders. Of which, 10 registered readings higher than 60%. *Metal products* recorded the highest reading of 79.9%, whilst *Tobacco* scored the lowest reading of 42.0%.

New export orders index declined from 53.6% in November to 52.6% in December, falling for two consecutive months. 13 of the 20 industries surveyed recorded expansion of new export orders. Of which, *Metal products* recorded the highest reading of 71.3%. Meanwhile, *General machinery* recorded the lowest reading of 40.0%.

Backlogs of orders index jumped to 52.4% in December, compared to 50.9% in the previous month. 13 of the 20 industries surveyed recorded expansion of backlogs of orders. *Metal products* registered the highest reading of 68.1%.

Stocks of finished goods index increased from 45.4% in November to 47.1% in December. Compared to the previous month, 15 of the 20 industries surveyed recorded lower stock level. *Textiles* recorded the lowest reading of 40.4%, whilst *Beverages* showed the biggest increase in stock (57.8%).

Purchases of inputs index was 61.0% in December, up from 58.2% in November. 17 of the 20 industries surveyed recorded more purchasing activities. Of which, *Metal products* scored the highest reading of 72.6%.

Imports index rose slightly from 52.2% in November to 52.5% in December. 9 of the 20 industries surveyed recorded expansion of imports. Of which, the industry with the highest reading was *Metal products* (70.1%).

Input prices index went up to 66.7% in December, compared to 63.4% in November. 19 of 20 industries surveyed reported rising input prices. Of which, *Chemicals* recorded the highest reading of 81.4%.

Stocks of major inputs index remained unchanged at 51.4% in December, same as the November reading. Of the 20 industries surveyed, 11 of them recorded expansion. *Metal products* recorded the highest reading of 57.8%, while *Communications, IT & electronic equipment* recorded the lowest reading of 43.3%.

Employment index was 52.2% in December, up from 51.1% in the previous month. 12 of the 20 industries surveyed reported increases in employment. It is noteworthy that *Metal products* registered the highest reading of 60.4%.

Suppliers' delivery time index came in at 50.8% in December, up from 50.4% in the previous month. 11 of the 20 industries reported faster suppliers' delivery. In general, a reading above 50% implies faster delivery and a cooling-down economy; below 50%, slower delivery time and a booming economy.

China Manufacturing at a Glance —December 2009

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	56.6	Higher	Expanding
Output	61.4	Higher	Expanding
New Orders	61.0	Higher	Expanding
New Export Orders	52.6	Lower	Expanding
Backlogs of Orders	52.4	Higher	Expanding
Stocks of Finished Goods	47.1	Higher	Contracting
Purchases of Inputs	61.0	Higher	Expanding
Imports	52.5	Higher	Expanding
Input Prices	66.7	Higher	Expanding
Stocks of Major Inputs	51.4	Unchanged	Expanding
Employment	52.2	Higher	Expanding
Suppliers' Delivery Time	50.8	Higher	Quickening

About the CFLP China Manufacturing PMI:

The CFLP China Manufacturing Purchasing Managers' Index (PMI) provides an early indication each month of economic activities in the Chinese manufacturing sector. It is compiled by China Federation of Logistics & Purchasing (CFLP) and China Logistics Information Centre (CLIC), based on data collected by the National Bureau of Statistics (NBS). Li & Fung Research Centre is responsible for drafting and disseminating the English PMI report.

Every month questionnaires are sent to over 700 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.

727 manufacturing enterprises in 20 industries from Eastern, 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 11 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 and Suppliers' Delivery Times. 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 Times—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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