

# 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.

### Li & Fung Research Centre

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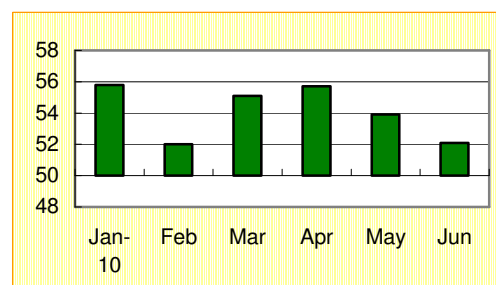
## PMI declined to 52.1% in June

**Output, New Orders, New Export Orders, Purchases of Inputs, Input Prices, Import, Stocks of Finished Goods, expanding.**

**Backlogs of Orders, Stocks of Major Inputs, contracting. Suppliers' Delivery, unchanged.**

### CFLP China Manufacturing PMI, seasonally adjusted

2010	PMI
Jan	55.8
Feb	52.0
Mar	55.1
Apr	55.7
May	53.9
Jun	52.1



China's manufacturing PMI declined from 53.9% in May to 52.1% in June. Growth momentum of China's manufacturing sector has continued to moderate, suggesting that the impact of the property tightening measures and the European debt crisis on business sentiment has gradually unfolded. Nevertheless, the headline PMI was still above the critical level of 50% in June, indicating continuous expansion of the sector.

Except stocks of finished goods index, all sub-indices were lower than their respective levels in the previous month. New orders index and new export orders index fell by 2.7 ppt and 2.1 ppt respectively from the previous month to 52.1% and 51.7% in June, indicating slowing domestic and global demand.

On the other hand, input cost pressure has continued to ease - Input price index dropped to the lowest level in fourteen months.

In June, 14 of the 20 industries recorded PMIs above 50%. Exceptions included *Chemicals; Oil refining & coking; Papermaking, printing, stationery & sporting goods; Smelting of ferrous metals; Smelting of non-ferrous metals; and Wood processing & furniture.*

Output index decreased from 58.2% in May to 55.8% in June. 15 of the 20 industries surveyed recorded expansion of output, of which, 9 registered readings above 60%. On the other hand, 5 industries recorded contraction of output: *Oil refining & coking; Papermaking, printing, stationery & sporting goods; Smelting of ferrous metals; Smelting of non-ferrous metals; and Wood processing & furniture.*

New orders index was 52.1% in June, down from 54.8% in the previous month. 14 of the 20 industries surveyed registered expansion of new orders. In particular, *Metal products; Textiles; and Tobacco* registered readings higher than 60%.

New export orders index declined to 51.7% in June, compared to 53.8% in May. 15 of the 20 industries surveyed recorded expansion of new export orders. Of which, 2 registered index readings above 60%: *Metal products*; and *Oil refining & coking*.

Backlogs of orders index went down to 47.4% in June, compared to 49.7% in the previous month. 15 of the 20 industries surveyed recorded contraction of backlogs of orders. *Non-metal minerals*; and *Wood processing & furniture* were the industries with index readings below 40%.

Stocks of finished goods index came in at 51.3% in June, up from 49.8% in May. Compared to the previous month, 10 of the 20 industries surveyed recorded higher stock level. 2 industries recorded readings above 60%: *Beverages*; and *Smelting of ferrous metals*.

Purchases of inputs index fell to 53.5% in June, compared to 56.0% in the previous month. 16 of the 20 industries surveyed recorded more purchasing activities. Exceptions included *Oil refining & coking*; *Papermaking, printing, stationery & sporting goods*; *Smelting of ferrous metals*; and *Smelting of non-ferrous metals*.

Imports index softened to 50.4% in June, compared to 50.9% in May. 11 of the 20 industries surveyed recorded expansion of imports. *Communications, IT & electronic equipment*; and *Metal products* registered readings higher than 60%.

Input prices index decreased markedly to 51.3% in June, compared to 58.9% in May. 12 of 20 industries reported rising input prices. Of which, 3 registered index readings above 60%: *Pharmaceuticals*; *Textiles*; and *Wood processing & furniture*.

Stocks of major inputs index moderated from 51.0% in May to 49.4% in June. Of the 20 industries surveyed, 9 recorded expansion. *Beverages* was the only industry with index reading above 60%.

Employment index was 50.6% in June, down from 52.1% in the previous month. 11 of the 20 industries surveyed reported increases in employment.

Suppliers' delivery time index fell by 0.9 ppt from the previous month to 50.0% in June. 8 of the 20 industries reported faster suppliers' delivery, whilst 6 industries recorded slower 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 — June 2010

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	52.1	Lower	Expanding
Output	55.8	Lower	Expanding
New Orders	52.1	Lower	Expanding
New Export Orders	51.7	Lower	Expanding
Backlogs of Orders	47.4	Lower	Contracting
Stocks of Finished Goods	51.3	Higher	Expanding
Purchases of Inputs	53.5	Lower	Expanding
Imports	50.4	Lower	Expanding
Input Prices	51.3	Lower	Expanding
Stocks of Major Inputs	49.4	Lower	Contracting
Employment	50.6	Lower	Expanding
Suppliers' Delivery Time	50.0	Lower	Unchanged

## 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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