

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 declined to 52.0% in February

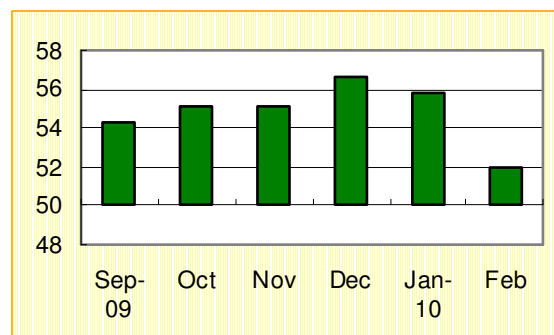
Output, New Orders, New Export Orders, Purchases of Inputs, Input Prices, expanding.

Stocks of Finished Goods, Backlogs of Orders, Import, Stocks of Major Inputs, contracting.

Suppliers' Delivery, slower.

CFLP China Manufacturing PMI, seasonally adjusted

09/10	PMI
Aug	54.0
Sep	54.3
Oct	55.2
Nov	55.2
Dec	56.6
Jan	55.8
Feb	52.0



The PMI declined from 55.8% in January 2010 to 52.0% in February, the lowest in twelve months. Except stocks of finished goods, all sub-indices were lower than their respective levels in the previous month. Particularly noteworthy is that both output index and new orders index dropped sharply by 6.2 ppt. in February, compared to the previous month. The PMI has stayed in the expansionary zone of higher than 50% for twelve consecutive months.

In February, 14 of the 20 industries surveyed recorded PMIs above 50%. Of which, *Smelting of non-ferrous metals* registered the highest reading of 59.6%, whilst *Textiles* recorded the lowest reading of 41.1%.

Output index decreased from 60.5% in January to 54.3% in February. 11 of the 20 industries surveyed recorded expansion of output. Of which, 6 registered readings above 60%. *Smelting of ferrous metals* recorded the highest reading of 73.7%, whilst *Tobacco* registered the lowest reading of 33.2%.

New orders index was 53.7% in February, down from 59.9% in the previous month. 14 of the 20 industries surveyed registered expansion of new orders. Of which, 7 registered readings higher than 60%. *Smelting of non-ferrous metals* recorded the highest reading of 71.0%, whilst *Tobacco* scored the lowest reading of 30.4%.

New export orders index fell to 50.3% in February, compared to 53.2% in January. 10 of the 20 industries surveyed recorded expansion of new export orders. Of which, *General machinery* recorded the highest reading of 66.4%. Meanwhile, *Beverages* recorded the lowest reading of 33.4%.

Backlogs of orders index came down to 47.1% in February, compared to 49.9% in the previous month. 15 of the 20 industries surveyed recorded contraction of backlogs of orders. *Wood processing & furniture* registered the lowest reading of 32.8%.

Stocks of finished goods index remained unchanged at 47.3% in February. Compared to the previous month, 11 of the 20 industries surveyed recorded lower stock level. *Beverages* recorded the lowest reading of 31.7%, whilst *Non-metal minerals* showed the biggest increase in stock (66.9%).

Purchases of inputs index was 51.9% in February, down significantly from 60.5% in January. 10 of the 20 industries surveyed recorded more purchasing activities. Of which, *Specialized machinery* scored the highest reading of 66.9%.

Imports index dropped from 53.4% in January to 49.1% in February. 12 of the 20 industries surveyed recorded contraction of imports. Of which, the industry with the lowest reading was *Wood processing & furniture* (27.0%).

Input prices index fell to 61.1% in February, compared to 68.5% in January. Of the 20 industries surveyed, all of them reported rising input prices. Of which, *Chemical fibres, rubber & plastics* recorded the highest reading of 76.5%.

Stocks of major inputs index declined from 52.2% in January to 48.1% in February. Of the 20 industries surveyed, 11 of them recorded contraction. *Papermaking, printing, stationery & sporting goods* recorded the lowest reading of 33.7%, while *General machinery* recorded the highest reading of 55.2%.

Employment index was 49.9% in February, down from 50.6% in the previous month. 9 of the 20 industries surveyed reported decreases in employment. It is noteworthy that *Textiles* registered the lowest reading of 41.6%.

Suppliers' delivery time index came in at 49.7% in February, down from 51.0% in the previous month. 8 of the 20 industries reported 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 — February 2010

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	52.0	Lower	Expanding
Output	54.3	Lower	Expanding
New Orders	53.7	Lower	Expanding
New Export Orders	50.3	Lower	Expanding
Backlogs of Orders	47.1	Lower	Contracting
Stocks of Finished Goods	47.3	Unchanged	Contracting
Purchases of Inputs	51.9	Lower	Expanding
Imports	49.1	Lower	Contracting
Input Prices	61.1	Lower	Expanding
Stocks of Major Inputs	48.1	Lower	Contracting
Employment	49.9	Lower	Contracting
Suppliers' Delivery Time	49.7	Lower	Slackening

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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