

# 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 remained unchanged at 55.2% in November

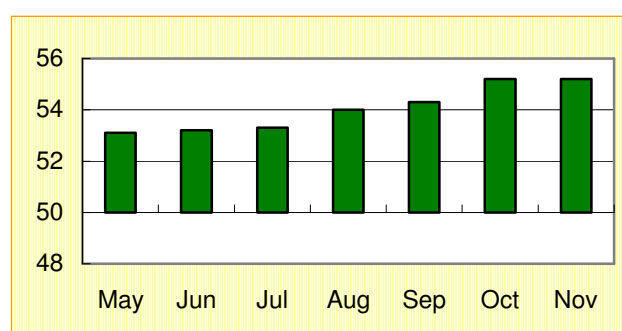
**Output, New Orders, New Export Orders, Purchases of Inputs, Import, Input Prices, Backlogs of Orders, Stocks of Major Inputs, expanding.**

**Stocks of Finished Goods, contracting.**

**Suppliers' Delivery, faster.**

### CFLP China Manufacturing PMI, seasonally adjusted

2009	PMI
May	53.1
Jun	53.2
Jul	53.3
Aug	54.0
Sep	54.3
Oct	55.2
Nov	55.2



The PMI remained unchanged at 55.2% in November 2009, compared to the previous month. The index has stayed in the expansionary zone of higher than 50% for nine consecutive months, indicating that the manufacturing sector in China has continued to improve steadily. 5 out of 11 sub-indices were higher than their respective levels in the previous month. Output index continued its upward trend in November. New orders index and new export orders index dropped by 0.1 ppt. and 0.9 ppt. respectively in November, compared to the previous month. Note that cost pressure for manufacturers increased, with input prices index rebounding strongly from 56.9% in October to 63.4% in November.

In November, 17 of the 20 industries surveyed recorded PMIs above 50%. Of which, *Tobacco* registered the highest reading of 63.6% whilst *Beverages* recorded the lowest reading of 44.5%.

Output index rose slightly by 0.1 ppt. to 59.4% in November, compared to the previous month. 17 of the 20 industries surveyed recorded expansion of output. Of which, 8 registered readings above 60%. *Tobacco* recorded the highest reading of 78.2%, whilst *Oil refining & coking* registered the lowest reading of 39.8%.

New orders index was 58.4% in November, down from 58.5% in October. 17 of the 20 industries surveyed registered expansion of new orders. Of which, 7 registered readings higher than 60%. *Textiles* recorded the highest reading of 71.0%, whilst *Beverages* scored the lowest reading of 41.8%.

New export orders index declined by 0.9 ppt. to 53.6% in November, compared to the previous month. 13 of the 20 industries surveyed recorded expansion of new export orders. Of which, *Wood processing & furniture* recorded the highest reading of 71.2%. Meanwhile, *Chemical fibres, rubber & plastics* recorded the lowest reading of 43.7%.

Backlogs of orders index jumped to 50.9% in November, compared to 50.0% in the previous month. 8 of the 20 industries surveyed recorded expansion of backlogs of orders. *Textiles* registered the highest reading of 60.2%.

Stocks of finished goods index increased from 43.4% in October to 45.4% in November. Compared to the previous month, 15 of the 20 industries surveyed recorded lower stock level. *Pharmaceuticals* recorded the lowest reading of 34.1%, whilst *Non-metal minerals* showed the biggest increase in stock (55.1%).

Purchases of inputs index was 58.2% in November, down from 59.0% in October. All industries surveyed recorded more purchasing activities. Of which, *Garments, footwear & related products* scored the highest reading of 72.3%.

Imports index fell from 52.8% in October to 52.2% in November. 10 of the 20 industries surveyed recorded expansion of imports. Of which, the industry with the highest reading was *Garments, footwear & related products* (64.4%).

Compared to the previous month, input prices index rose strongly by 6.5 ppt. to 63.4% in November, the highest in sixteen months. 19 of 20 industries surveyed reported increases in input prices. Of which, *Chemical fibres, rubber & plastics* recorded the highest reading of 83.2%.

Stocks of major inputs index was 51.4% in November, up from 49.0% in October. Of the 20 industries surveyed, 13 of them recorded expansion. *Smelting of non-ferrous metals* recorded the highest reading of 62.9%, while *Textiles* recorded the lowest reading of 43.2%.

Employment index was 51.1% in November, down from 52.4% in the previous month. 10 of the 20 industries surveyed reported increases in employment. It is noteworthy that *Metal products* registered the highest reading of 60.5%.

Suppliers' delivery time index decreased to 50.4% in November, compared to 50.7% in the previous month. 9 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 —November 2009

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	55.2	Unchanged	Expanding
Output	59.4	Higher	Expanding
New Orders	58.4	Lower	Expanding
New Export Orders	53.6	Lower	Expanding
Backlogs of Orders	50.9	Higher	Expanding
Stocks of Finished Goods	45.4	Higher	Contracting
Purchases of Inputs	58.2	Lower	Expanding
Imports	52.2	Lower	Expanding
Input Prices	63.4	Higher	Expanding
Stocks of Major Inputs	51.4	Higher	Expanding
Employment	51.1	Lower	Expanding
Suppliers' Delivery Time	50.4	Lower	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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