

# 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.

(8610) 6839 2179

pmi@cflp.org.cn

http://www.cflp.org.cn

## 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

Helen Chin, Timothy Cheung

(852) 2635 5595

helenchin@lf1937.com

timothycheung@lf1937.com

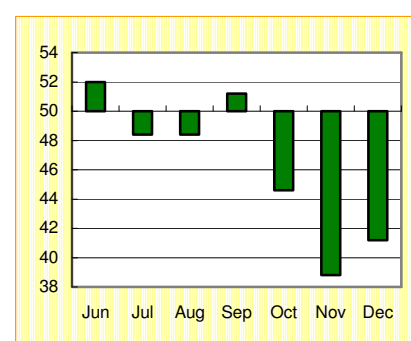
## PMI rebounded to 41.2% in December

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

**Suppliers' Delivery faster.**

### CFLP China Manufacturing PMI, seasonally adjusted

2008	PMI
Jun	52.0
Jul	48.4
Aug	48.4
Sep	51.2
Oct	44.6
Nov	38.8
Dec	41.2



The PMI rebounded to 41.2% in December 2008, up from 38.8% in the previous month. Except suppliers' delivery time, all sub-indices registered readings below 50%, indicating a weakening manufacturing sector in China. Input prices index was 32.7% in December, suggesting the softening of input cost pressure for manufacturers.

18 of the 20 industries surveyed recorded PMIs below 50%. Of which, 10 of the industries surveyed registered readings lower than 40%. Only *Beverages*; and *Pharmaceuticals* registered readings above 50%.

Output index rose by 3.9 ppt to 39.4% in December, compared to the previous month. 18 of the 20 industries surveyed recorded contraction in outputs. *Smelting of non-ferrous metals*; *Transport equipment*; and *Wood processing & furniture* registered readings below 30% whilst *Beverages*; and *Pharmaceuticals* scored readings above 50%.

New orders index grew by 5.0 ppt to 37.3% in December, compared to the previous month. 16 of the 20 industries surveyed registered contraction in new orders. Of which, 7 industries scored indices below 30%. *Smelting of non-ferrous metals*; and *Wood processing & furniture* recorded readings below 20%.

New export orders index was 30.7% in December, up slightly from 29.0% in November. Except *Beverages*; and *Oil refining & coking*, all industries surveyed recorded contraction in new export orders. Of which, half of the 20 industries surveyed registered readings below 30%. *Non-metal minerals* recorded the lowest reading of 18.6%.

Backlogs of orders index fell slightly by 0.2 ppt to 35.8% in December, compared to the previous month. 17 of the 20 industries surveyed recorded contraction of backlogs of orders as only *Beverages*; *Oil refining & coking*; and *Tobacco* registered the expansion. *Wood processing & furniture* registered the lowest reading of 19.9%.

Stocks of finished goods index dropped from 50.8% in November to 44.7% in December. 11 of the 20 industries surveyed recorded lower stock level, while 3 industries had more stock, compared to the previous month. *Metal products* recorded the lowest reading of 21.1%.

Purchases of inputs index grew to 36.2% in December, up from 34.2% in November. 17 of the 20 industries surveyed recorded decreases in purchasing activities. Of which, 8 of the industries surveyed registered readings lower than 30%. *Wood processing & furniture* recorded the lowest reading of 13.4%.

Imports index came in at 33.3% in December, up by 1.1 ppt from the previous month. All industries surveyed recorded contraction of imports. 6 industries registered readings lower than 30%. Of which, the industry with the lowest reading was *Wood processing & furniture* (16.6%).

Input prices index climbed by 6.1 ppt to 32.7% in December, compared to the previous month. Except *Tobacco*, all industries surveyed reported decreases in input prices in December. 3 industries with readings below 20% were *Electrical machinery & equipment*; *Smelting of non-ferrous metals*; and *Oil refining & coking*.

Stocks of major inputs index reached 40.6% in December, up from 39.5% in November. Of the 20 industries surveyed, 16 of them recorded contraction, compared to the previous month. Of which, 9 industries surveyed registered readings below 40%. *Metal products*; and *Wood processing & furniture* recorded readings lower than 20%.

Employment index was 43.3% in December, down from 44.3% in the previous month. Due to socio-economic and political reasons, employment index did not follow closely the trends of the PMI or the economy. 19 of the 20 industries surveyed reported decreases in employment whilst *Beverages* registered increases in employment.

Suppliers' delivery time index was 50.4% in December, down by 0.3 ppt from the previous month. 7 of the 20 industries reported faster suppliers' delivery. In general, a reading above 50% implies faster delivery and a cooling-down economy; below, slower delivery time and a booming economy.

### China Manufacturing at a Glance — December 2008

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	41.2	Higher	Contracting
Output	39.4	Higher	Contracting
New Orders	37.3	Higher	Contracting
New Export Orders	30.7	Higher	Contracting
Backlogs of Orders	35.8	Lower	Contracting
Stocks of Finished Goods	44.7	Lower	Contracting
Purchases of Inputs	36.2	Higher	Contracting
Imports	33.3	Higher	Contracting
Input Prices	32.7	Higher	Contracting
Stocks of Major Inputs	40.6	Higher	Contracting
Employment	43.3	Lower	Contracting
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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Li & Fung Research Centre.  
13/F Li Fung Centre, 2 On Ping Street Hong Kong  
Tel: (852) 2635 5563 Fax: (852) 2635 1598 E-mail: lfdc@lf1937.com

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