

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 rose to 55.2% in October

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

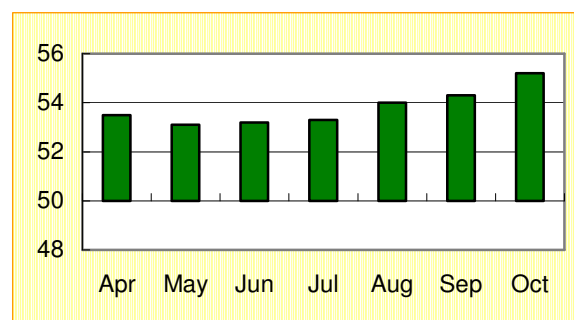
Stocks of Finished Goods, Stocks of Major Inputs, contracting.

Backlogs of Orders, unchanged.

Suppliers' Delivery, faster.

CFLP China Manufacturing PMI, seasonally adjusted

2009	PMI
Apr	53.5
May	53.1
Jun	53.2
Jul	53.3
Aug	54.0
Sep	54.3
Oct	55.2



The PMI came in at 55.2% in October 2009, up by 0.9 ppt. from the previous month. The index has stayed in the expansionary zone of higher than 50% for eight consecutive months, indicating that the manufacturing sector in China has continued to improve steadily. 7 out of 11 sub-indices were higher than their respective levels in the previous month. New export orders index rose by 1.2 ppt. in October, compared to the previous month, and output index and new orders index continued their upward trend in October. Note that input prices index dropped from 57.5% in September to 56.9% in October, falling for two consecutive months.

Except *Tobacco*, all industries surveyed recorded PMIs above 50% in October. Of which, *Food* registered the highest reading of 61.9%.

Output index rose by 1.3 ppt. to 59.3% in October, compared to the previous month. 19 of the 20 industries surveyed recorded expansion of output. Of which, 8 registered readings above 60%. *Food* recorded the highest reading of 73.5%, whilst *Tobacco* registered the lowest reading of 27.9%.

New orders index improved further to 58.5% in October, up from 56.8% in September. 18 of the 20 industries surveyed registered expansion of new orders. Of which, 8 registered readings higher than 60%. *Garments, footwear & related products* recorded the highest reading of 68.9%, whilst *Tobacco* scored the lowest reading of 35.3%.

New export orders index rose by 1.2 ppt. to 54.5% in October, compared to the previous month. 13 of the 20 industries surveyed recorded expansion of new export orders. Of which, *Papermaking, printing, stationery & sporting goods* recorded the highest reading of 64.2%. Meanwhile, *Beverages* and *Pharmaceuticals* recorded the lowest readings of 43.0%.

Backlogs of orders index jumped to 50.0% in October, compared to 48.5% in the previous month. 9 of the 20 industries surveyed recorded contraction of backlogs of orders. *Wood processing & furniture* registered the lowest reading of 37.8%.

Stocks of finished goods index decreased from 46.0% in September to 43.4% in October. Compared to the previous month, 17 of the 20 industries surveyed recorded lower stock level. *Non-metal minerals* recorded the lowest reading of 32.1%, whilst *Oil refining & coking* showed the biggest increase in stock (52.0%).

Purchases of inputs index was 59.0% in October, up from 58.4% in September. Except *Oil refining & coking*, all industries surveyed recorded more purchasing activities. Of which, *Wood processing & furniture* scored the highest reading of 74.9%.

Imports index rebounded from 50.7% in September to 52.8% in October. 13 of the 20 industries surveyed recorded expansion of imports. Of which, the industry with the highest reading was *Communications, IT & electronic equipment* (62.3%).

Input prices index dropped by 0.6 ppt. to 56.9% in October, compared to the previous month. 16 of 20 industries surveyed reported increases in input prices. Of which, *Papermaking, printing, stationery & sporting goods* recorded the highest reading of 72.9%.

Stocks of major inputs index was 49.0% in October, up from 47.9% in September. Of the 20 industries surveyed, 13 of them recorded contraction. *Specialized machinery* recorded the lowest reading of 36.7%, while *Wood processing & furniture* recorded the highest reading of 68.1%.

Employment index was 52.4% in October, down from 53.2% in the previous month. 17 of the 20 industries surveyed reported increases in employment. It is noteworthy that *Wood processing & furniture* registered the highest reading of 59.2%.

Suppliers' delivery time index decreased to 50.7% in October, compared to 51.0% 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 —October 2009

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	55.2	Higher	Expanding
Output	59.3	Higher	Expanding
New Orders	58.5	Higher	Expanding
New Export Orders	54.5	Higher	Expanding
Backlogs of Orders	50.0	Higher	Unchanged
Stocks of Finished Goods	43.4	Lower	Contracting
Purchases of Inputs	59.0	Higher	Expanding
Imports	52.8	Higher	Expanding
Input Prices	56.9	Lower	Expanding
Stocks of Major Inputs	49.0	Higher	Contracting
Employment	52.4	Lower	Expanding
Suppliers' Delivery Time	50.7	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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