

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 improved further to 54.0% in August

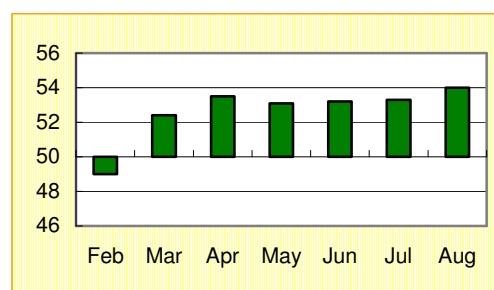
Output, New Orders, New Export Orders, Purchases of Inputs, Import, Input Prices, expanding.

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

Suppliers' Delivery faster.

CFLP China Manufacturing PMI, seasonally adjusted

2009	PMI
Feb	49.0
Mar	52.4
Apr	53.5
May	53.1
Jun	53.2
Jul	53.3
Aug	54.0



The PMI improved further to 54.0% in August 2009, up from 53.3% in July. The index has stayed in the expansionary zone of higher than 50% for six consecutive months, indicating continued expansion of the manufacturing sector in China. Except new export orders index and suppliers' delivery time index, all sub-indices were higher than their respective levels in the previous month. Output index and new orders index rose by 0.6 ppt. and 0.8 ppt. respectively in August, compared to the previous month. New export orders index stood at 52.1% in August, staying above the critical level of 50% for four consecutive months. Note that cost pressure for manufacturers continued to build up, with input prices index increasing from 59.9% in July to 62.6% in August.

In August, 18 of the 20 industries surveyed recorded PMIs above 50%. Of which, *Beverages* registered the highest reading of 63.2% whilst *Pharmaceuticals* recorded the lowest reading of 46.6%.

Output index rose by 0.6 ppt. to 57.9% in August, compared to the previous month. 16 of the 20 industries surveyed recorded expansion of output. Of which, 7 registered readings above 60%. *Beverages* recorded the highest reading of 70.7%; whilst *Pharmaceuticals*; and *Wood processing & furniture* scored the lowest readings of 45.2%.

New orders index improved further to 56.3% in August, up from 55.5% in July. 17 of the 20 industries surveyed registered expansion of new orders. Of which, 6 registered readings higher than 60%. *Beverages* recorded the highest reading of 70.5%. On the other hand, 3 industries recorded contraction of new orders: *Chemical fibres, rubber & plastics*; *Pharmaceuticals*; and *Textiles*.

Compared to the previous month, new export orders index remained unchanged at 52.1% in August. 8 of the 20 industries surveyed recorded expansion of new export orders. Of which, *Papermaking, printing, stationery & sporting goods* recorded the highest reading of 68.2%. Meanwhile, *General machinery* recorded the lowest reading of 37.4%.

Backlogs of orders index was up to 48.9% in August, compared to 47.2% in the previous month. 12 of the 20 industries surveyed recorded contraction of backlogs of orders. *Chemical fibres, rubber & plastics* registered the lowest reading of 37.9%.

Stocks of finished goods index increased from 45.6% in July to 46.5% in August. Compared to the previous month, 13 of the 20 industries surveyed recorded lower stock level. *Wood processing & furniture* recorded the lowest reading of 22.7%, whilst *Beverages* showed the biggest increase in stock (57.9%).

Purchases of inputs index was 58.1% in August, up from 55.7% in July. 16 of the 20 industries surveyed recorded more purchasing activities. Of which, *Smelting of non-ferrous metals* scored the highest reading of 69.6%.

Imports index jumped from 48.9% in July to 51.3% in August. 8 of the 20 industries surveyed recorded expansion of imports. Of which, the industry with the highest reading was *Communications, IT & electronic equipment* (60.6%).

Input prices index grew by 2.7 ppt. to 62.6% in August, compared to the previous month. 18 of 20 industries surveyed reported increases in input prices. Of which, 4 industries recorded readings higher than 70%: *Electrical machinery & equipment; Metal products; Papermaking, printing, stationery & sporting goods; and Smelting of non-ferrous metals*.

Stocks of major inputs index was 48.8% in August, up from 48.1% in July. Of the 20 industries surveyed, 12 of them recorded contraction. *Garments, footwear & related products* recorded the lowest reading of 35.4%, while *Smelting of non-ferrous metals* recorded the highest reading of 62.3%.

Employment index was 51.4% in August, up from 50.8% in the previous month. 10 of the 20 industries surveyed reported increases in employment whilst 5 industries registered decreases in employment. It is noteworthy that *Non-metal minerals* registered the highest reading of 56.4%.

Suppliers' delivery time index decreased to 50.4% in August, compared to 50.8% in the previous month. 15 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 — August 2009

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	54.0	Higher	Expanding
Output	57.9	Higher	Expanding
New Orders	56.3	Higher	Expanding
New Export Orders	52.1	Unchanged	Expanding
Backlogs of Orders	48.9	Higher	Contracting
Stocks of Finished Goods	46.5	Higher	Contracting
Purchases of Inputs	58.1	Higher	Expanding
Imports	51.3	Higher	Expanding
Input Prices	62.6	Higher	Expanding
Stocks of Major Inputs	48.8	Higher	Contracting
Employment	51.4	Higher	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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