

# 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 reached 59.2% in April

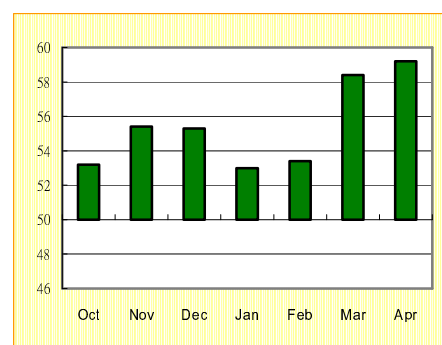
**Output, New Orders, New Export Orders, Purchases of Inputs, Imports, Backlogs of Orders, Input Prices, Stocks of Major Inputs, expanding.**

**Stocks of Finished Goods, contracting.**

**Suppliers' Delivery faster.**

### CFLP China Manufacturing PMI

07/08	Index	S. Adj
Oct	53.1	53.2
Nov	55.8	55.4
Dec	55.7	55.3
Jan	53.1	53.0
Feb	44.7	53.4
Mar	63.1	58.4
Apr	59.3	59.2



The PMI reached 59.2% in April 2008, up by 0.8 ppt. from the previous month. It is the highest reading since the PMI launch in January 2005. Except stocks of finished goods, all sub-indices recorded expansion in April, indicating a buoyant manufacturing sector. 4 sub-Indices hit record high: output, purchases of inputs, input prices, and stocks of major inputs. Note that input prices index further surged to 75.1%, indicating the continuous upward cost pressures for manufacturers. The PMI has stayed above 50% for 40 consecutive months since its launch.

All of the 20 industries surveyed recorded PMI above 50%. 4 industries surveyed registered readings of above 60%: *Electrical machinery & equipment*; *Garments, footwear & related products*; *General machinery*; and *Papermaking, printing, stationery & sporting goods*.

In April, output index recorded the highest reading of 66.5% since the PMI launch, up from 64.1% in March. Except *Smelting of non-ferrous metals*, all industries recorded expansion. 4 industries surveyed registered indices of above 70%: *Electrical machinery & equipment*; *Garments, footwear & related products*; *General machinery*; and *Papermaking, printing, stationery & sporting goods*.

In line with the acceleration of output expansion, new orders index surged to 65.0% in April, up 1.2 ppt. from the previous month. Except *Wood processing & furniture*, all industries surveyed recorded expansion in new orders. Note that 14 of the 20 industries surveyed registered indices of above 60%. Of which, *Electrical machinery & equipment*; *Garments, footwear & related products*; and *General machinery* registered readings of above 70%.

New export orders index moderated to 58.9% in April, down slightly from 59.1% in March. 18 of the 20 industries surveyed recorded expansion in new export orders. Of which, 6 of them recorded readings of above 60%. It is noteworthy that *Tobacco* registered the highest reading (77.7%).

Backlogs of orders dropped by 1.2 ppt. from March to 53.4% in April. 14 of the 20 industries surveyed recorded expansion of backlogs of orders. Of which, 2 industries registered readings of above 60%: *Garments, footwear & related products*; and *Metal products*.

Stocks of finished goods index dropped slightly by 0.1 ppt. from March to 47.2% in April. Inventories have declined for 40 consecutive months. 13 of the 20 industries surveyed recorded lower levels of inventories, compared with the previous month. *Papermaking, printing, stationery & sporting goods* recorded the lowest reading of 35.2% while *Wood processing & furniture* recorded the highest readings of 59.1%.

Purchases of inputs index grew slightly by 0.6 ppt. in March to 64.6% in April. The index is the highest since its launch in January 2005. Except *Metal products*, all industries recorded expansion in purchases of inputs. Of which, 13 of them registered indices of above 60%. Note that *Electrical machinery & equipment* recorded the highest reading (81.3%).

Imports index slowed down to 56.1% in April, down from 57.5% in March. Of the 20 industries surveyed, 14 of them recorded expansion of imports, compared with the previous month. Note that *General machinery* recorded the highest reading of 68.7% while *Metal products* registered the lowest reading of 42.2%.

Input prices index went up further to 75.1% in April, a record high since the PMI launch. All 20 industries surveyed recorded rising input prices. 15 of them registered readings of above 70%. Of which, *Oil refining & coking* recorded particularly high reading of 92.6%.

Stocks of major inputs index reached a record high of 51.2% in April, up from 50.8% in March. Of the 20 industries surveyed, 10 of them recorded expansion of stocks of major inputs, compared with March. Of which, *Food* recorded the highest reading of 60.8%.

Employment index was 52.9% in April, down from 53.4% 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. 13 of the 20 industries surveyed reported increases in employment.

Suppliers' delivery time index rose to 51.0% in April, up slightly from 50.5% in March. 10 of the 20 industries reported faster suppliers' delivery while only 4 industries recorded slower 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 — April 2008

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	59.2	Higher	Expanding
Output	66.5	Higher	Expanding
New Orders	65.0	Higher	Expanding
New Export Orders	58.9	Lower	Expanding
Backlogs of Orders	53.4	Lower	Expanding
Stocks of Finished Goods	47.2	Lower	Contracting
Purchases of Inputs	64.6	Higher	Expanding
Imports	56.1	Lower	Expanding
Input Prices	75.2	Higher	Expanding
Stocks of Major Inputs	51.2	Higher	Expanding
Employment	52.9	Lower	Expanding
Suppliers' Delivery Time	51.0	Higher	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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