

# 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 rebounded to over 50% in March

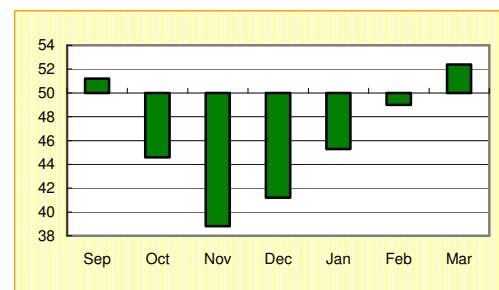
**Output, New Orders, Purchases of Inputs, expanding.**

**Input Prices, 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

08/09	PMI
Sep	51.2
Oct	44.6
Nov	38.8
Dec	41.2
Jan	45.3
Feb	49.0
Mar	52.4



The PMI rebounded to 52.4% in March 2009, up from 49.0% in the previous month. The index was back to the expansionary zone of higher than 50% for the first time since October last year. Output index, new orders index and purchases of inputs index were also higher than the critical level of 50% in March. Except stocks of finished goods, all sub-indices were higher than their respective levels in the previous month. Of which, imports index grew strongly by 7.0 ppt. to 48.8% in March, compared to the previous month.

14 of the 20 industries surveyed recorded PMIs above 50%, whilst 5 industries reported PMIs below 50%. Of which, both *Electrical machinery & equipment* and *Transport equipment* registered readings higher than 60%. *Wood processing & furniture* recorded the lowest reading of 41.6%.

Output index rose by 5.7 ppt. to 56.9% in March, compared to the previous month. 16 of the 20 industries surveyed registered expansion of output. Of which, 5 registered readings higher than 60%. *Electrical machinery & equipment* recorded the highest reading of 70.7%. On the other hand, 3 industries recorded output contraction: *Smelting of non-ferrous metals*; *Garments, footwear & related products*; and *Wood processing & furniture*.

New orders index grew by 4.2 ppt. to 54.6% in March, compared to the previous month. 16 of the 20 industries surveyed recorded expansion of new orders. *Electrical machinery & equipment*; *General machinery*; and *Transport equipment* registered readings above 60%; whilst *Wood processing & furniture* scored the lowest reading of 39.4%.

New export orders index jumped to 47.5% in March 2009, up from 43.4% in February. 6 of the 20 industries surveyed recorded expansion of new export orders. Of which, *Electrical machinery & equipment* recorded the highest reading of 65.5%. Meanwhile, *Smelting of ferrous metals* recorded the lowest reading of 27.7%.

Backlogs of orders index gained 4.6 ppt. to reach 48.8% in March, compared to the previous month. 9 of the 20 industries surveyed recorded expansion of backlogs of orders. *Transport equipment* registered the highest reading of 61.3%.

Stocks of finished goods index dropped from 47.7% in February to 46.7% in March. Compared to the previous month, 18 of the 20 industries surveyed recorded lower stock level, whilst only *Beverages* and *Smelting of ferrous metals* had more stocks. *Garments, footwear & related products* recorded the lowest reading of 30.7%.

Purchases of inputs index was 54.0% in March 2009, up from 49.5% in February. It is noteworthy that the index was above 50% for the first time since October last year. 14 of the 20 industries surveyed recorded more purchasing activities. Of which, *Transport equipment*, *General machinery*, and *Electrical machinery & equipment* registered readings higher than 60%.

Imports index grew strongly by 7.0 ppt. to 48.8% in March, compared to the previous month. Half of the 20 industries surveyed recorded expansion in imports. Of which, the industry with the highest reading was *Chemicals* (60.4%).

Input prices index rose by 1.8 ppt. to 48.3% in March, compared to the previous month. 11 of 20 industries surveyed reported decreases in input prices. 2 industries with readings below 40% were *Metal products* and *Smelting of ferrous metals*.

Stocks of major inputs index was 47.5% in March 2009, up from 45.6% in February. Of the 20 industries surveyed, 14 of them recorded contraction, compared to the previous month. Of which, *Wood processing & furniture* recorded the lowest reading of 31.7%, while *Beverages* recorded the highest reading of 60.4%.

Employment index was 48.6% in March, up from 46.1% in the previous month. 15 of the 20 industries surveyed reported decreases in employment whilst 5 industries registered increases in employment.

Suppliers' delivery time index remained unchanged at 51.3 in March, compared to the previous month. 14 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 — March 2009

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	52.4	Higher	Expanding
Output	56.9	Higher	Expanding
New Orders	54.6	Higher	Expanding
New Export Orders	47.5	Higher	Contracting
Backlogs of Orders	48.8	Higher	Contracting
Stocks of Finished Goods	46.7	Lower	Contracting
Purchases of Inputs	54.0	Higher	Expanding
Imports	48.8	Higher	Contracting
Input Prices	48.3	Higher	Contracting
Stocks of Major Inputs	47.5	Higher	Contracting
Employment	48.6	Higher	Contracting
Suppliers' Delivery Time	51.3	Unchanged	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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