Major Price Indicators

1. CPI growth eases in March

The year-on-year growth rate of China’s consumer price index (CPI)\(^1\) slowed from 5.2% in February to 4.3% in March, the lowest in five months (*see exhibits 1 & 2*).

The main reason for the sharp slowdown in CPI growth in March was a decline in food inflation. The year-on-year growth in the food component in the CPI went down from 21.9% in February to 18.3% in March, due largely to a fall in the prices of pork and vegetable. Meanwhile, the year-on-year growth in the non-food component went down from 0.9% in February to 0.7% in March, attributable to a weak domestic demand and a drop in energy and related prices.

Looking ahead, we expect that China’s CPI growth will continue to ease in the coming months, as the domestic demand is likely to remain sluggish amid the economic uncertainty brought about by the COVID-19 global pandemic.

\(^1\) The CPI, compiled by the National Bureau of Statistics (NBS) of China, measures the price of a basket of goods and services purchased by a typical household.
Exhibit 1: China’s CPI growth, April 2018 to March 2020

<table>
<thead>
<tr>
<th></th>
<th>Apr 19</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan 20</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPI</td>
<td>2.5%</td>
<td>2.7%</td>
<td>2.7%</td>
<td>2.8%</td>
<td>2.8%</td>
<td>3.0%</td>
<td>3.8%</td>
<td>4.5%</td>
<td>4.5%</td>
<td>5.4%</td>
<td>5.2%</td>
<td>4.3%</td>
</tr>
</tbody>
</table>

*yoy change (%)*

Source: National Bureau of Statistics, PRC

Exhibit 2: China’s CPI growth by commodity, October 2019 to March 2020

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Oct 19</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan 20</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clothing</td>
<td>1.2</td>
<td>1.1</td>
<td>0.8</td>
<td>0.6</td>
<td>0.5</td>
<td>-0.3</td>
</tr>
<tr>
<td>Household articles and services</td>
<td>0.6</td>
<td>0.4</td>
<td>0.4</td>
<td>0.2</td>
<td>0.1</td>
<td>0.3</td>
</tr>
<tr>
<td>Education, culture and recreation</td>
<td>1.9</td>
<td>1.7</td>
<td>1.8</td>
<td>2.2</td>
<td>1.0</td>
<td>2.5</td>
</tr>
</tbody>
</table>

*yoy growth (%)*

Source: National Bureau of Statistics, PRC

2. Ex-factory prices of industrial products go down in March

The year-on-year growth in China’s producer price index of industrial products (PPI) fell from minus 0.5% in February to minus 1.5% in March (see exhibits 3 & 4).

On a month-on-month basis, the PPI went down by 1.0% in March, after dropping by 0.4% in February. The decline in the PPI in March was mainly attributed to a fall in ex-factory prices in the crude oil, ferrous metals, and non-ferrous metals industries, driven by a reduced demand for upstream industrial products amid a weak global economy and a plunge in global commodity prices in the month.
Going forward, a sluggish external demand is likely to continue to drag down the ex-factory prices of industrial products in China. Therefore, we expect that the year-on-year growth in the PPI will go down further, and the month-on-month growth will stay negative in the coming months.

Exhibit 3: China’s PPI growth, April 2018 to March 2020

<table>
<thead>
<tr>
<th>Month</th>
<th>Apr 19</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan 20</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td>yoy change (%)</td>
<td>0.9%</td>
<td>0.6%</td>
<td>0.0%</td>
<td>-0.3%</td>
<td>-0.8%</td>
<td>-1.2%</td>
<td>-1.6%</td>
<td>-1.4%</td>
<td>-0.5%</td>
<td>0.1%</td>
<td>-0.5%</td>
<td>-1.5%</td>
</tr>
</tbody>
</table>

Source: National Bureau of Statistics, PRC

Exhibit 4: China’s PPI growth by selected industry, October 2019 to March 2020

<table>
<thead>
<tr>
<th>Industry</th>
<th>Oct 19</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan 20</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textile</td>
<td>-3.0</td>
<td>-3.0</td>
<td>-2.9</td>
<td>-3.0</td>
<td>-3.0</td>
<td>-3.2</td>
</tr>
<tr>
<td>Textile wearing apparel and ornament</td>
<td>0.1</td>
<td>-0.3</td>
<td>-0.7</td>
<td>-0.5</td>
<td>-0.5</td>
<td>-0.9</td>
</tr>
<tr>
<td>Processing of timbers, manufacture of wood, bamboo, rattan, palm, and straw products</td>
<td>0.4</td>
<td>0.4</td>
<td>0.5</td>
<td>0.3</td>
<td>0.0</td>
<td>-0.1</td>
</tr>
</tbody>
</table>

Source: National Bureau of Statistics, PRC

3. Domestic prices of production inputs drop in March

The year-on-year growth rate of the purchaser price index of industrial products declined from minus 0.5% in February to minus 1.6% in March (see exhibits 5 & 6). On a month-on-month basis, the purchaser price index went down by 1.1% in March.
Going forward, a weak global economy is likely to continue to hamper the recovery of industrial production in China, leading to a fall in the demand for production inputs. Therefore, we expect that the year-on-year growth in input prices will go down further, and the month-on-month growth will stay negative in the near future.

**Exhibit 5: Growth of China’s purchaser price index of industrial products, April 2018 to March 2020**

<table>
<thead>
<tr>
<th></th>
<th>Apr 19</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan 20</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td>growth (%)</td>
<td>0.4%</td>
<td>0.2%</td>
<td>-0.3%</td>
<td>-0.6%</td>
<td>-1.3%</td>
<td>-1.7%</td>
<td>-2.1%</td>
<td>-2.2%</td>
<td>-1.3%</td>
<td>-0.3%</td>
<td>-0.5%</td>
<td>-1.6%</td>
</tr>
</tbody>
</table>

Source: National Bureau of Statistics, PRC

**Exhibit 6: China’s purchaser price index of industrial products by selected commodity, October 2019 to March 2020**

<table>
<thead>
<tr>
<th>Commodities</th>
<th>Oct 19</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan 20</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel and power</td>
<td>-5.5</td>
<td>-5.8</td>
<td>-3.3</td>
<td>-0.2</td>
<td>-1.0</td>
<td>-4.0</td>
</tr>
<tr>
<td>Non-ferrous metal materials and wires</td>
<td>-2.4</td>
<td>-2.3</td>
<td>-1.9</td>
<td>-0.7</td>
<td>-1.2</td>
<td>-4.8</td>
</tr>
<tr>
<td>Chemical raw materials</td>
<td>-8.5</td>
<td>-8.4</td>
<td>-7.4</td>
<td>-6.1</td>
<td>-6.0</td>
<td>-7.2</td>
</tr>
<tr>
<td>Wood and pulp</td>
<td>-4.4</td>
<td>-3.7</td>
<td>-3.1</td>
<td>-2.9</td>
<td>-2.7</td>
<td>-2.0</td>
</tr>
<tr>
<td>Textile raw materials</td>
<td>-2.9</td>
<td>-2.9</td>
<td>-2.9</td>
<td>-2.8</td>
<td>-2.8</td>
<td>-2.9</td>
</tr>
</tbody>
</table>

Source: National Bureau of Statistics, PRC
(i) Purchaser price index of fuel and power

The purchaser price index of fuel and power dropped at a much faster pace, by 4.0% yoy, in March, after falling by 1.0% yoy in February (see exhibit 6).

(ii) Purchaser price index of non-ferrous metal materials and wires

The year-on-year growth rate of the purchaser price index of non-ferrous metal materials and wires registered minus 4.8% in March, down from minus 1.2% in the previous month (see exhibit 6).

(iii) Purchaser price index of chemical raw materials

The purchaser price index of chemical raw materials fell by 7.2% yoy in March, compared with a 6.0% yoy drop last month (see exhibit 6).

(iv) Purchaser price index of wood and pulp

The year-on-year growth rate of the purchaser price index of wood and pulp improved to minus 2.0% in March from minus 2.7% in February (see exhibit 6).

(v) Purchaser price index of textile raw materials

The year-on-year growth rate of the purchaser price index of textile raw materials edged down to minus 2.9% in March from minus 2.8% in the previous month (see exhibit 6).
Fung Business Intelligence collects, analyses and interprets global market data on sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to monitor, research and report on these global issues with a particular focus on business trends and developments in China. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational corporation, Fung Business Intelligence also provides expertise, advice and consulting services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

About Fung Group

Fung Holdings (1937) Limited, a privately-held business entity headquartered in Hong Kong, is the major shareholder of the Fung Group of companies, whose core businesses operate across the entire global supply chain for consumer goods including trading, logistics, distribution and retail.

The Fung Group has over 34,000 people working in more than 40 economies worldwide. We have a rich history and heritage in export trading and global supply chain management that dates back to 1906 and traces the story of how Hong Kong and the Pearl River Delta emerged as one of the world’s foremost manufacturing and trading regions. We are focused on both creating the Supply Chain of the Future to help brands and retailers navigate the digital economy as well as creating new opportunities, product categories and market expansion for brands on a global scale.

Listed entities of the Group include Li & Fung Limited (SEHK: 00494), Global Brands Group Holding Limited (SEHK: 00787) and Convenience Retail Asia Limited (SEHK: 00831), as well as an investment in Trinity Limited (SEHK: 00891). Privately-held entities include Branded Lifestyle Holdings Limited, Fung Kids (Holdings) Limited and Suhyang Networks and investments in LH Pegasus and Toys"R"Us Asia.

For more information, please visit www.funggroup.com.
CONTACT

Helen Chin
Vice President
helenchin@fung1937.com
(852) 2300 2471

William Kong
Senior Research Manager
williamkong@fung1937.com
(852) 2300 2404

Global Sourcing
Fung Business Intelligence
10/F LiFung Tower
888 Cheung Sha Wan Road
Kowloon, Hong Kong

T: (852) 2300 2470
F: (852) 2635 1598
E: fbicgroup@fung1937.com
W: http://www.fbicgroup.com

© Copyright 2020 Fung Business Intelligence. All rights reserved.
Though Fung Business Intelligence endeavours to ensure the information provided in this publication is accurate and updated, no legal liability can be attached as to the contents hereof. Reproduction or redistribution of this material without prior written consent of Fung Business Intelligence is prohibited.