

PMI Report on China Manufacturing

CFLP

中國物流與採購聯合會

China Federation of Logistics & Purchasing (CFLP) is the 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. The government authorizes the CFLP to produce industry statistics and set industry standards. CFLP is also China's representative in the Asian-Pacific Logistics Federation (APLF) and the International Federation of Purchasing and Supply Management (IFPSM).

NBS

國家統計局

The National Bureau of Statistics (NBS), an agency directly under the State Council in China, is in charge of the country's statistics. It is responsible for formulating statistical policies and establishing the national statistical system, drafting and enforcing the statistical laws and regulations, setting up and improving the national economic accounting system, conducting censuses, as well as making statistical analyses and forecasts of the macroeconomy, social development, scientific advancement, resources and environment.

China Manufacturing PMI

中國製造業採購經理指數

The CFLP China Manufacturing Purchasing Managers' Index (PMI) provides an early indication each month of economic activities in the Chinese manufacturing sector. The CFLP and the NBS collaborate to collect data, compile and publish the index.

Global Sourcing

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PMI plunges to 35.7 in February

Output, New Orders, New Export Orders, Backlogs of Orders, Stocks of Finished Goods, Purchases of Inputs, Stocks of Major Inputs, Imports, Employment, Contracting.

Input Prices, Rising.

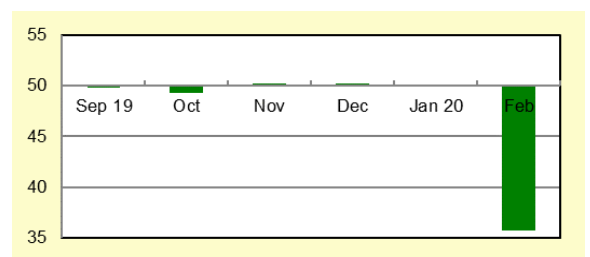
Ex-factory Prices, Falling.

Suppliers' Delivery, Slower.

Business Expectations, Pessimistic.

China Manufacturing PMI, seasonally adjusted

Month	PMI
Sep 19	49.8
Oct	49.3
Nov	50.2
Dec	50.2
Jan 20	50.0
Feb	35.7



China's manufacturing PMI dropped from 50.0 in January to 35.7 in February, the lowest since its launch in January 2005. The latest PMI reading indicates a rapid contraction of the manufacturing sector amid the COVID-19 outbreak in China.

Except the stocks of finished goods index, all sub-indices were lower than their respective levels in the previous month. For example, both the new orders index and the new export orders index went down by no less than 20.0 pts from the previous month, indicating that both domestic demand and export demand have weakened considerably recently. Against this backdrop, production activities have contracted sharply: the output index dropped by 23.5 pts from the previous month to 27.8 in February. In response to the sluggish demand, Chinese manufacturers have slashed the prices of their products lately: the ex-factory prices index fell to 44.3 in February, down markedly by 4.6 pts from the previous month.

By size of enterprises, the PMI of 'large enterprises' came in at 36.3 in February, down from 50.4 in January. The PMI of 'medium enterprises' dropped to 35.5 in February from 50.1 in January. The PMI of 'small enterprises' went down to 34.1 in February from 48.6 in January.

The output index came in at 27.8 in February, down from 51.3 in January. The output indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all dropped below the critical 50-mark, registering 28.3, 28.1 and 26.1 respectively in February.

The new orders index fell to 29.3 in February from 51.4 in January. By size of enterprises, the new orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all in the contractionary zone, registering 30.2, 29.3 and 26.8 in the month.

The new export orders index was 28.7 in February, down from 48.7 in January. The new export orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 29.5, 26.1 and 31.0 respectively in February.

The backlogs of orders index came in at 35.6 in February, down from 46.3 in January. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all stayed below the critical 50-mark, registering 39.4, 34.2 and 26.9 respectively in February.

The stocks of finished goods index was 46.1 in February, up from 46.0 in January. The stocks of finished goods index of 'large enterprises' rose above the critical 50-mark, registering 52.7 in February. Meanwhile, the stocks of finished goods indices of 'medium enterprises' and 'small enterprises' remained in the contractionary zone, registering 41.8 and 33.7 respectively in the month.

The purchases of inputs index went down to 29.3 in February from 51.6 in January. The purchases of inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 31.0, 27.1 and 27.8 respectively in February.

The imports index fell to 31.9 in February from 49.0 in January. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the critical 50-mark, registering 31.6, 31.1 and 37.3 respectively in February.

The input prices index went down to 51.4 in February from 53.8 in January. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above 50, registering 51.3, 51.2 and 52.0 respectively in February.

The ex-factory prices index was 44.3 in February, down from 49.0 in January.¹ The ex-factory prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 42.7, 45.6 and 47.0 respectively in February.

The stocks of major inputs index declined to 33.9 in February from 47.1 in January. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 34.2, 33.3 and 34.1 respectively in February.

The employment index was 31.8 in February, down from 47.5 in January. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 32.0, 32.1 and 30.8 respectively in February.

The suppliers' delivery time index came in at 32.1 in February, compared with 49.9 in January. A reading above 50 implies faster delivery; below 50, slower delivery. The suppliers' delivery time indices of 'large enterprises', 'medium enterprises' and 'small enterprises' registered 30.9, 33.5 and 33.4 respectively in February.

The business expectations index went down to 41.8 in February from 57.9 in January.² The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 44.3, 40.0 and 37.4 respectively in February.

¹ The ex-factory prices index has been published since January 2017.

² Since January 2017, a new method of seasonal adjustment to the business expectations index has been adopted; and accordingly, the historical readings of the index have been revised.

China Manufacturing at a Glance – February 2020			
Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	35.7	Lower	Contracting
Output	27.8	Lower	Contracting
New Orders	29.3	Lower	Contracting
New Export Orders	28.7	Lower	Contracting
Backlogs of Orders	35.6	Lower	Contracting
Stocks of Finished Goods	46.1	Higher	Contracting
Purchases of Inputs	29.3	Lower	Contracting
Imports	31.9	Lower	Contracting
Input Prices	51.4	Lower	Rising
Ex-factory Prices	44.3	Lower	Falling
Stocks of Major Inputs	33.9	Lower	Contracting
Employment	31.8	Lower	Contracting
Suppliers' Delivery Time	32.1	Lower	Slowing
Business Expectations	41.8	Lower	Pessimistic

About China Manufacturing PMI:

China Manufacturing Purchasing Managers' Index (PMI) provides an early indication each month of economic activities in the Chinese manufacturing sector. It is jointly published by China Federation of Logistics & Purchasing (CFLP) and the National Bureau of Statistics (NBS). Fung Business Intelligence is responsible for drafting and disseminating the English PMI report.

Every month questionnaires are sent to 3,000 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.

3,000 manufacturing enterprises in 31 industries from Eastern, Northeastern, 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.

There are 13 sub-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, Ex-factory Prices, Employment, Suppliers' Delivery Time and Business Expectations. An index reading above 50 indicates an overall positive change in a sub-indicator; below 50, an overall negative change.

The PMI is a composite index based on the seasonally adjusted indices for five of the sub-indicators with varying weights: New Orders—30%; Output—25%; Employment—20%; Suppliers' Delivery Time—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 more than twenty countries and regions conducting the PMI survey and compilation, based on an internationally standardized methodology.



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 comprises 42,000 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.

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