

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

Fung Business Intelligence

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PMI rises to 52.0 in March

Output, New Orders, Purchases of Inputs, Employment, Expanding.

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

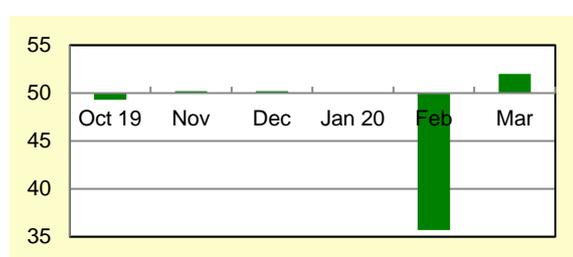
Input Prices, Ex-factory Prices, Falling.

Suppliers' Delivery, Slower.

Business Expectations, Optimistic.

China Manufacturing PMI, seasonally adjusted

Month	PMI
Oct 19	49.3
Nov	50.2
Dec	50.2
Jan 20	50.0
Feb	35.7
Mar	52.0



China's manufacturing PMI jumped from 35.7 in February to 52.0 in March, the highest since September 2017. The latest PMI reading indicates an expansion of the manufacturing sector amid significant resumption of production after the COVID-19 outbreak had been brought under control in China since mid-February.

11 of the 13 sub-indices were higher than their respective levels in the previous month. For example, the new orders index went up by 22.7 pts from the previous month, indicating that the domestic demand has improved considerably. Meanwhile, the new export orders index rose by 17.7 pts from the previous month to 46.4 in March, indicating that new export orders have dropped at a slower pace recently. Against this backdrop, production activities have expanded sharply: the output index increased by 26.3 pts from the previous month to 54.1 in March. Besides, the purchases of inputs index returned to the expansionary zone in the month, indicating a recovery in purchasing activities.

By size of enterprises, the PMI of 'large enterprises' came in at 52.6 in March, up from 36.3 in February. The PMI of 'medium enterprises' rose to 51.5 in March from 35.5 in February. The PMI of 'small enterprises' went up to 50.9 in March from 34.1 in February.

The output index came in at 54.1 in March, up from 27.8 in February. The output indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all rose above the critical 50-mark, registering 55.3, 53.5 and 51.6 respectively in March.

The new orders index rose to 52.0 in March from 29.3 in February. By size of enterprises, the new orders indices of 'large enterprises' and 'medium enterprises' rose above the critical 50-mark, registering 53.2 and 51.4 respectively in March. Meanwhile, the new orders index of 'small enterprises' remained in the contractionary zone, registering 49.7 in the month.

The new export orders index was 46.4 in March, up from 28.7 in February. The new export orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all stayed below the neutral level of 50, registering 47.3, 44.2 and 46.3 respectively in March.

The backlogs of orders index came in at 46.3 in March, up from 35.6 in February. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all remained below the critical 50-mark, registering 46.4, 45.2 and 47.7 respectively in March.

The stocks of finished goods index was 49.1 in March, up from 46.1 in February. The stocks of finished goods index of 'small enterprises' rose above the critical 50-mark, registering 51.1 in March. Meanwhile, the stocks of finished goods indices of 'large enterprises' and 'medium enterprises' were in the contractionary zone, registering 48.6 and 48.8 respectively in the month.

The purchases of inputs index went up to 52.7 in March from 29.3 in February. The purchases of inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above the neutral level of 50, registering 53.5, 51.7 and 51.8 respectively in March.

The imports index increased to 48.4 in March from 31.9 in February. The imports index of 'small enterprises' returned to the expansionary zone, registering 54.1 in March. Meanwhile, the imports indices of 'large enterprises' and 'medium enterprises' stayed below the critical 50-mark, registering 48.5 and 46.4 respectively in the month.

The input prices index went down to 45.5 in March from 51.4 in February. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below 50, registering 44.6, 45.3 and 48.5 respectively in March.

The ex-factory prices index was 43.8 in March, down from 44.3 in February.¹ The ex-factory prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all stayed below the neutral level of 50, registering 43.1, 44.4 and 44.8 respectively in March.

The stocks of major inputs index rose to 49.0 in March from 33.9 in February. The stocks of major inputs index of 'small enterprises' rose above the critical 50-mark, registering 50.8 in March. Meanwhile, the stocks of major inputs indices of 'large enterprises' and 'medium enterprises' were 48.8 and 48.2 respectively in the month.

The employment index was 50.9 in March, up from 31.8 in February. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 52.1, 49.5 and 49.7 respectively in March.

The suppliers' delivery time index came in at 48.2 in March, compared with 32.1 in February. 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 49.7, 46.9 and 45.9 respectively in March.

The business expectations index went up to 54.4 in March from 41.8 in February.² The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 55.5, 52.5 and 54.0 respectively in March.

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 – March 2020			
Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	52.0	Higher	Expanding
Output	54.1	Higher	Expanding
New Orders	52.0	Higher	Expanding
New Export Orders	46.4	Higher	Contracting
Backlogs of Orders	46.3	Higher	Contracting
Stocks of Finished Goods	49.1	Higher	Contracting
Purchases of Inputs	52.7	Higher	Expanding
Imports	48.4	Higher	Contracting
Input Prices	45.5	Lower	Falling
Ex-factory Prices	43.8	Lower	Falling
Stocks of Major Inputs	49.0	Higher	Contracting
Employment	50.9	Higher	Expanding
Suppliers' Delivery Time	48.2	Higher	Slowing
Business Expectations	54.4	Higher	Optimistic

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 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.

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