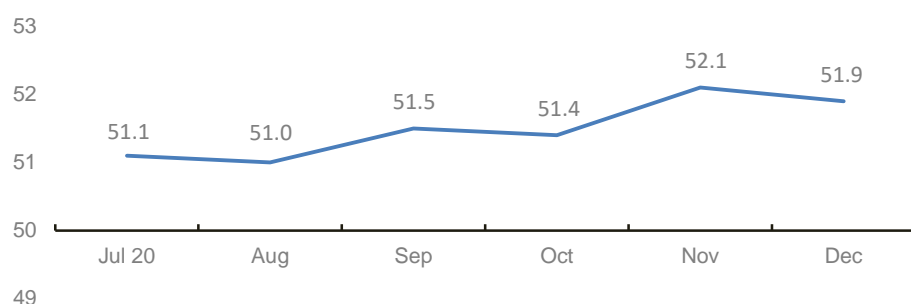


PMI Report on China Manufacturing

China’s manufacturing PMI stays robust at 51.9 in December, indicating that the manufacturing sector continues its strong recovery

China Manufacturing PMI, seasonally adjusted



China Manufacturing at a Glance – December 2020

Index	Seasonally Adjusted Index	Index Compared with the Previous Month	Direction
PMI	51.9	Lower ▼	Expanding
Output	54.2	Lower ▼	Expanding
New Orders	53.6	Lower ▼	Expanding
New Export Orders	51.3	Lower ▼	Expanding
Backlogs of Orders	47.1	Higher ▲	Contracting
Stocks of Finished Goods	46.2	Higher ▲	Contracting
Purchases of Inputs	53.2	Lower ▼	Expanding
Imports	50.4	Lower ▼	Expanding
Input Prices	68.0	Higher ▲	Rising
Ex-factory Prices	58.9	Higher ▲	Rising
Stocks of Major Inputs	48.6	Unchanged -	Contracting
Employment	49.6	Higher ▲	Contracting
Suppliers’ Delivery Time	49.9	Lower ▼	Slowing
Business Expectations	59.8	Lower ▼	Optimistic

7 of the 13 sub-indices were lower than their respective levels in the previous month. For example, the new orders index went down by 0.3 pts from the previous month, indicating a slower expansion in the market demand. The new export orders index also declined by 0.2 pts to 51.3. Against this backdrop, growth of production activities has slowed: The output index decreased by 0.5 pts from the previous month to 54.2 in December. Also noteworthy is that the input prices index rose to a three-year high of 68.0 in December, suggesting heightened cost pressures on manufacturers.

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By size of enterprises, the PMI of 'large enterprises' dropped to 52.7 in December from 53.0 in November. The PMI of 'medium enterprises' rose to 52.7 in December from 52.0 in November. Meanwhile, the PMI of 'small enterprises' dropped to 48.8 in December from 50.1 in November, returning to the contractionary zone.

The output index came in at 54.2 in December, down from 54.7 in November. The output indices of 'large enterprises' and 'medium enterprises' stayed above the critical 50-mark, registering 55.8 and 54.9 respectively in December. Meanwhile, the output index of 'small enterprises' dropped below 50, registering 49.2 in the month.

The new orders index came in at 53.6 in December, down from 53.9 in November. By size of enterprises, the new orders indices of 'large enterprises' and 'medium enterprises' stayed above the neutral level of 50, registering 55.0 and 54.6 respectively in December. Meanwhile, the new orders index of 'small enterprises' returned to the contractionary zone, registering 48.5 in the month.

The new export orders index decreased to 51.3 in December from 51.5 in November. The new export orders indices of 'large enterprises' and 'medium enterprises' stayed above the critical 50-mark, registering 52.1 and 50.6 respectively in December. Meanwhile, the new export orders index of 'small enterprises' remained below 50, registering 48.3 in the month.

The backlogs of orders index came in at 47.1 in December, up from 46.7 in November. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all remained below the critical 50-mark, registering 47.7, 48.4 and 43.7 respectively in December.

The stocks of finished goods index was 46.2 in December, up from 45.7 in November. The stocks of finished goods indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all in the contractionary zone, registering 46.4, 46.5 and 45.4 respectively in December.

The purchases of inputs index went down to 53.2 in December from 53.7 in November. The purchases of inputs indices of 'large enterprises' and 'medium enterprises' stayed in the expansionary zone, registering 54.9 and 53.1 respectively in December. Meanwhile, the purchases of inputs index of 'small enterprises' came in at 49.1 in the month.

The imports index went down to 50.4 in December from 50.9 in November. The imports indices of 'medium enterprises' and 'small enterprises' were above the critical 50-mark, registering 52.5 and 50.4 respectively in December. Meanwhile, the imports index of 'large enterprises' dropped below 50, registering 49.7 in the month.

The input prices index surged to 68.0 in December from 62.6 in November. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all stayed above the critical 50-mark, registering 68.5, 67.9 and 66.7 respectively in December.

The ex-factory prices index came in at 58.9 in December, up from 56.5 in November.¹ The ex-factory prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all in the expansionary zone, registering 59.9, 58.7 and 56.5 respectively in December.

The stocks of major inputs index came in at 48.6 in December, the same as in the previous month. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all remained below the critical 50-mark, registering 48.6, 49.7 and 46.9 respectively in December.

The employment index was 49.6 in December, up from 49.5 in November. The employment index of 'medium enterprises' came in at 50.2 in December. Meanwhile, the employment indices of 'large enterprises' and 'small enterprises' were in the contractionary zone, registering 49.7 and 48.5 respectively in the month.

The suppliers' delivery time index came in at 49.9 in December, down from 50.1 in November. 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 50.1, 49.6 and 49.8 respectively in December.

The business expectations index went down to 59.8 in December from 60.1 in November.² The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 63.5, 58.3 and 52.5 respectively in December.

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.

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

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

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.

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 over 30,000 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 Global Brands Group Holding Limited (SEHK: 00787) and Convenience Retail Asia Limited (SEHK: 00831). Privately-held entities include Li & Fung Limited, LH Pegasus, Branded Lifestyle Holdings Limited, Fung Kids (Holdings) Limited, Toys "R" Us (Asia) and Suhyang Networks.

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