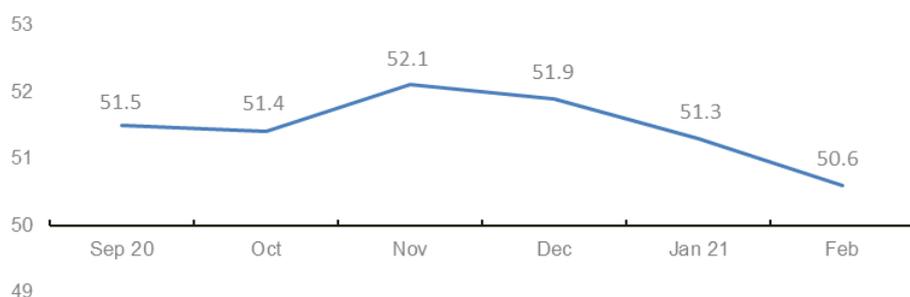


PMI Report on China Manufacturing

China’s manufacturing PMI drops to 50.6 in February, indicating growth moderation in the manufacturing sector amid seasonal factors

China Manufacturing PMI, seasonally adjusted



China Manufacturing at a Glance – February 2021

Index	Seasonally Adjusted Index	Index Compared with the Previous Month	Direction
PMI	50.6	Lower ▼	Expanding
Output	51.9	Lower ▼	Expanding
New Orders	51.5	Lower ▼	Expanding
New Export Orders	48.8	Lower ▼	Contracting
Backlogs of Orders	46.1	Lower ▼	Contracting
Stocks of Finished Goods	48.0	Lower ▼	Contracting
Purchases of Inputs	51.6	Lower ▼	Expanding
Imports	49.6	Lower ▼	Contracting
Input Prices	66.7	Lower ▼	Rising
Ex-factory Prices	58.5	Higher ▲	Rising
Stocks of Major Inputs	47.7	Lower ▼	Contracting
Employment	48.1	Lower ▼	Contracting
Suppliers’ Delivery Time	47.9	Lower ▼	Slowing
Business Expectations	59.2	Higher ▲	Optimistic

11 of the 13 sub-indices were lower than their respective levels in the previous month. For example, the new orders index went down by 0.8 pts to 51.5, indicating a slower expansion in the market demand. The new export orders index fell by 1.4 pts and returned to the contractionary zone for the first time since August last year, indicating a contraction in external demand. Against this backdrop, growth of production activities has slowed: The output index declined by 1.6 pts to 51.9 in February, the lowest in a year. Also noteworthy is that the business expectations index picked up by 1.3 pts to 59.2, which bodes well for the PMI reading in March after the Chinese New Year holidays suppressed factory activity in February.

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By size of enterprises, the PMI of 'large enterprises' edged up to 52.2 in February from 52.1 in January. Meanwhile, the PMI of 'medium enterprises' slipped to 49.6 in February from 51.4 in January. The PMI of 'small enterprises' went down to 48.3 in February from 49.4 in January.

The output index came in at 51.9 in February, down from 53.5 in January. The output index of 'large enterprises' stayed above the critical 50-mark, registering 54.4 in February. Meanwhile, the output indices of 'medium enterprises' and 'small enterprises' dropped below 50, registering 49.6 and 48.9 respectively in the month.

The new orders index came in at 51.5 in February, down from 52.3 in January. By size of enterprises, the new orders indices of 'large enterprises' and 'medium enterprises' were above the neutral level of 50, registering 53.7 and 50.3 respectively in February. Meanwhile, the new orders index of 'small enterprises' remained in the contractionary zone, registering 47.9 in the month.

The new export orders index declined to 48.8 in February from 50.2 in January. The new export orders index of 'large enterprises' stayed above the critical 50-mark, registering 53.5 in February. Meanwhile, the new export orders indices of 'medium enterprises' and 'small enterprises' were below 50, registering 42.9 and 35.1 respectively in the month.

The backlogs of orders index came in at 46.1 in February, down from 47.3 in January. The backlogs of orders index of 'large enterprises' rose above the neutral level of 50, registering 50.8 in February. Meanwhile, the backlogs of orders indices of 'medium enterprises' and 'small enterprises' remained below 50, registering 45.0 and 35.7 respectively in the month.

The stocks of finished goods index was 48.0 in February, down from 49.0 in January. The stocks of finished goods index of 'large enterprises' went up to 50.9 in February. Meanwhile, the stocks of finished goods indices of 'medium enterprises' and 'small enterprises' stayed in the contractionary zone, registering 48.1 and 40.4 respectively in the month.

The purchases of inputs index went down to 51.6 in February from 52.0 in January. The purchases of inputs index of 'large enterprises' stayed in the expansionary zone, registering 56.8 in February. The purchases of inputs index of 'medium enterprises' came in at 50.0. Meanwhile, the purchases of inputs index of 'small enterprises' registered 40.7 in the month.

The imports index edged down to 49.6 in February from 49.8 in January. The imports index of 'large enterprises' rose above the critical 50-mark, registering 51.1 in February. Meanwhile, the imports indices of 'medium enterprises' and 'small enterprises' dropped below 50, registering 47.3 and 43.8 respectively in the month.

The input prices index fell to 66.7 in February from 67.1 in January. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all stayed above the critical 50-mark, registering 68.2, 65.7 and 64.5 respectively in February.

The ex-factory prices index came in at 58.5 in February, up from 57.2 in January.¹ The ex-factory prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all remained in the expansionary zone, registering 60.7, 57.0 and 55.0 respectively in February.

The stocks of major inputs index came in at 47.7 in February, down from 49.0 in January. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the critical 50-mark, registering 49.3, 47.4 and 44.1 respectively in February.

The employment index was 48.1 in February, down from 48.4 in January. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all stayed in the contractionary zone, registering 49.1, 47.5 and 46.3 respectively in February.

The suppliers' delivery time index came in at 47.9 in February, down from 48.8 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 48.5, 47.7 and 46.6 respectively in February.

The business expectations index picked up to 59.2 in February from 57.9 in January.² The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 61.3, 57.9 and 55.8 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.

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.

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