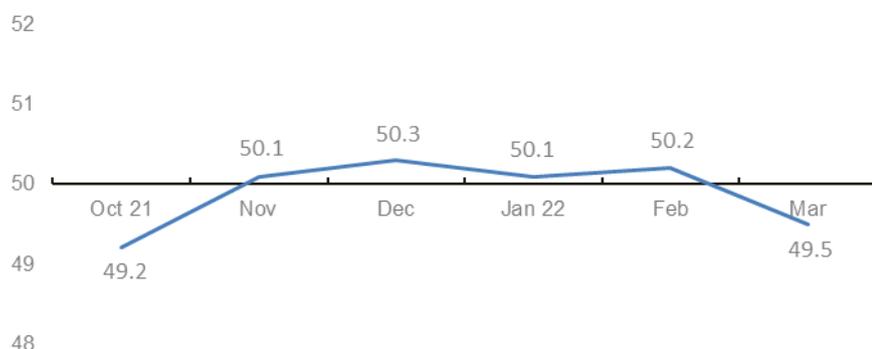


PMI Report on China Manufacturing

China’s manufacturing PMI drops to 49.5 in March, indicating contraction in the manufacturing sector

China Manufacturing PMI, seasonally adjusted



China Manufacturing at a Glance – March 2022

| Index | Seasonally Adjusted Index | Index Compared with the Previous Month | Direction |
|--------------------------|---------------------------|--|-------------|
| PMI | 49.5 | Lower ▼ | Contracting |
| Output | 49.5 | Lower ▼ | Contracting |
| New Orders | 48.8 | Lower ▼ | Contracting |
| New Export Orders | 47.2 | Lower ▼ | Contracting |
| Backlogs of Orders | 46.1 | Higher ▲ | Contracting |
| Stocks of Finished Goods | 48.9 | Higher ▲ | Contracting |
| Stocks of Major Inputs | 47.3 | Lower ▼ | Contracting |
| Purchases of Inputs | 48.7 | Lower ▼ | Contracting |
| Imports | 46.9 | Lower ▼ | Contracting |
| Input Prices | 66.1 | Higher ▲ | Rising |
| Ex-factory Prices | 56.7 | Higher ▲ | Rising |
| Employment | 48.6 | Lower ▼ | Contracting |
| Suppliers’ Delivery Time | 46.5 | Lower ▼ | Slowing |
| Business Expectations | 55.7 | Lower ▼ | Optimistic |

9 of the 13 sub-indices were lower than their respective levels in the previous month. For example, the new orders index fell by 1.9 pts to 48.8 in March, returning to the contractionary territory and pointing to contraction in the overall demand. The new export orders index also dropped by 1.8 pts to 47.2 in the month, indicating that new export orders have dropped at a faster pace recently. Against this backdrop, the output index fell below the critical 50-mark in March, indicating that output has started to contract lately. Moreover, the purchase of inputs index dipped into the contractionary territory, registering 48.7 in the month. Also noteworthy is that the input prices index continued to rise sharply in March, suggesting heightened cost pressures on manufacturers.

Helen Chin

Vice President

E: helenchin@fung1937.com

William Kong

Senior Research Manager

E: williamkong@fung1937.com

Fung Business Intelligence

1/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>



By size of enterprises, the PMI of 'large enterprises' went down to 51.3 in March from 51.8 in February, and the PMI of 'medium enterprises' dropped to a two-year low of 48.5 in March from 51.4 in February. Meanwhile, the PMI of 'small enterprises' picked up to 46.6 in March from 45.1 in February.

The output index came in at 49.5 in March, down from 50.4 in February. The output index of 'large enterprises' remained above the neutral level of 50, registering 52.7 in March. Meanwhile, the output indices of 'medium enterprises' and 'small enterprises' were below 50, registering 47.6 and 45.0 respectively in the month.

The new orders index came in at 48.8 in March, down from 50.7 in February. By size of enterprises, the new orders index of 'large enterprises' remained above the critical 50-mark, registering 51.6 in March. Meanwhile, the new orders indices of 'medium enterprises' and 'small enterprises' stayed in the contractionary zone, registering 47.8 and 44.0 respectively in the month.

The new export orders index went down to 47.2 in March from 49.0 in February. The new export orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 49.0, 45.8 and 40.6 respectively in March.

The backlogs of orders index rose to 46.1 in March from 45.2 in February. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all remained below the critical 50-mark, registering 47.5, 45.9 and 43.2 respectively in March.

The stocks of finished goods index went up to 48.9 in March from 47.3 in February. The stocks of finished goods index of 'large enterprises' stayed above the neutral level of 50, registering 50.1 in March. Meanwhile, the stocks of finished goods indices of 'medium enterprises' and 'small enterprises' remained in the contractionary zone, registering 48.4 and 46.9 respectively in the month.

The stocks of major inputs index went down to 47.3 in March from 48.1 in February. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all remained below the critical 50-mark, registering 48.1, 45.5 and 48.0 respectively in March.

The purchases of inputs index went down to 48.7 in March from 50.9 in February. The purchases of inputs index of 'large enterprises' stayed above the neutral level of 50, registering 51.5 in March. Meanwhile, the purchases of inputs indices of 'medium enterprises' and 'small enterprises' were below 50, registering 46.8 and 45.1 respectively in the month.

The imports index declined to 46.9 in March from 48.6 in February. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the critical 50-mark, registering 48.3, 44.6 and 42.7 in March.

The input prices index jumped to 66.1 in March from 60.0 in February. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all stayed above the critical 50-mark, registering 68.0, 65.4 and 62.9 in March.

The ex-factory prices index came in at 56.7 in March, up from 54.1 in February.¹ The ex-factory prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all remained above the neutral level of 50, registering 59.2, 55.0 and 53.6 respectively in March.

The employment index went down to 48.6 in March from 49.2 in February. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all stayed below the neutral level of 50, registering 49.3, 48.4 and 47.3 respectively in March.

The suppliers' delivery time index came in at 46.5 in March, down from 48.2 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 46.3, 46.2 and 47.3 respectively in March.

The business expectations index went down to 55.7 in March from 58.7 in February.² The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 56.0, 55.5 and 55.4 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.

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 26,000 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.

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

© Copyright 2022 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.