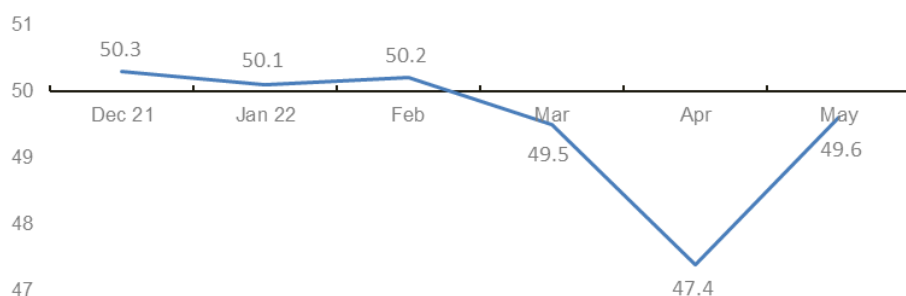


PMI Report on China Manufacturing

China’s manufacturing PMI picks up to 49.6 in May, indicating continued, yet smaller, contraction in the manufacturing sector

China Manufacturing PMI, seasonally adjusted



China Manufacturing at a Glance – May 2022

Index	Seasonally Adjusted Index	Index Compared with the Previous Month	Direction
PMI	49.6	Higher ▲	Contracting
Output	49.7	Higher ▲	Contracting
New Orders	48.2	Higher ▲	Contracting
New Export Orders	46.2	Higher ▲	Contracting
Backlogs of Orders	45.0	Lower ▼	Contracting
Stocks of Finished Goods	49.3	Lower ▼	Contracting
Stocks of Major Inputs	47.9	Higher ▲	Contracting
Purchases of Inputs	48.4	Higher ▲	Contracting
Imports	45.1	Higher ▲	Contracting
Input Prices	55.8	Lower ▼	Rising
Ex-factory Prices	49.5	Lower ▼	Falling
Employment	47.6	Higher ▲	Contracting
Suppliers’ Delivery Time	44.1	Higher ▲	Slowing
Business Expectations	53.9	Higher ▲	Optimistic

9 of the 13 sub-indices were higher than their respective levels in the previous month. For example, both the new orders index and the new export orders index jumped by more than 4.0 pts from the previous month, indicating a continued, yet smaller, drop in domestic demand and export demand. Against this backdrop, production activities have contracted at a slower pace: The output index increased by 5.3 pts from the previous month to 49.7 in May. Also noteworthy is that the input prices index slumped by 8.4 pts to 55.8 in May, while the ex-factory prices index went down by 4.9 pts to 49.5, returning to the contractionary zone for the first time since December last year.

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By size of enterprises, the PMI of 'large enterprises' returned to the expansionary territory, registering 51.0 in May, compared with 48.1 in April. The PMI of 'medium enterprises' rose to 49.4 in May from 47.5 in April. The PMI of 'small enterprises' went up to 46.7 in May from 45.6 in April.

The output index came in at 49.7 in May, up from 44.4 in April. The output index of 'large enterprises' rose above the neutral level of 50, registering 52.5 in May. Meanwhile, the output indices of 'medium enterprises' and 'small enterprises' stayed below 50, registering 48.9 and 44.9 respectively in the month.

The new orders index came in at 48.2 in May, up from 42.6 in April. By size of enterprises, the new orders index of 'large enterprises' returned to the expansionary zone, registering 50.7 in May. Meanwhile, the new orders indices of 'medium enterprises' and 'small enterprises' remained in the contractionary zone, registering 48.3 and 42.7 respectively in the month.

The new export orders index went up to 46.2 in May from 41.6 in April. The new export orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all remained below the neutral level of 50, registering 47.8, 43.6 and 44.4 respectively in May.

The backlogs of orders index went down to 45.0 in May from 46.0 in April. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all stayed below the critical 50-mark, registering 47.4, 44.9 and 40.0 respectively in May.

The stocks of finished goods index went down to 49.3 in May from 50.3 in April. The stocks of finished goods index of 'large enterprises' stayed above the neutral level of 50, registering 51.3 in May. Meanwhile, the stocks of finished goods indices of 'medium enterprises' and 'small enterprises' remained in the contractionary zone, registering 48.7 and 45.7 respectively in the month.

The stocks of major inputs index went up to 47.9 in May from 46.5 in April. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all remained below the critical 50-mark, registering 49.6, 47.2 and 45.1 respectively in May.

The purchases of inputs index went up to 48.4 in May from 43.5 in April. The purchases of inputs index of 'large enterprises' rose above the neutral level of 50, registering 50.5 in May. Meanwhile, the purchases of inputs indices of 'medium enterprises' and 'small enterprises' stayed below 50, registering 47.4 and 45.2 respectively in the month.

The imports index increased to 45.1 in May from 42.9 in April. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all remained below the critical 50-mark, registering 45.4, 45.4 and 41.9 in May.

The input prices index went down to 55.8 in May from 64.2 in April. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all stayed above the critical 50-mark, registering 54.5, 56.4 and 57.7 in May.

The ex-factory prices index came in at 49.5 in May, down from 54.4 in April.¹ The ex-factory prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all dropped below the neutral level of 50, registering 49.3, 49.8 and 49.3 respectively in May.

The employment index went up to 47.6 in May from 47.2 in April. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all stayed below the neutral level of 50, registering 47.8, 47.5 and 47.2 respectively in May.

The suppliers' delivery time index came in at 44.1 in May, up from 37.2 in April. 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 45.4, 43.5 and 42.2 respectively in May.

The business expectations index went up to 53.9 in May from 53.3 in April.² The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 55.1, 53.8 and 51.5 respectively in May.

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.

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