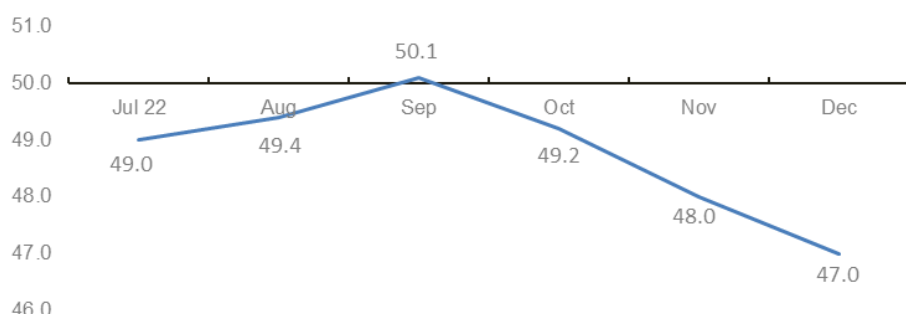


PMI Report on China Manufacturing

China’s manufacturing PMI falls to a nearly three-year low of 47.0 in December, indicating further contraction in the manufacturing sector

China Manufacturing PMI, seasonally adjusted



China Manufacturing at a Glance – December 2022

Index	Seasonally Adjusted Index	Index Compared with the Previous Month	Direction
PMI	47.0	Lower ▼	Contracting
Output	44.6	Lower ▼	Contracting
New Orders	43.9	Lower ▼	Contracting
New Export Orders	44.2	Lower ▼	Contracting
Backlogs of Orders	43.1	Lower ▼	Contracting
Stocks of Finished Goods	46.6	Lower ▼	Contracting
Stocks of Major Inputs	47.1	Higher ▲	Contracting
Purchases of Inputs	44.9	Lower ▼	Contracting
Imports	43.7	Lower ▼	Contracting
Input Prices	51.6	Higher ▲	Rising
Ex-factory Prices	49.0	Higher ▲	Falling
Employment	44.8	Lower ▼	Contracting
Suppliers’ Delivery Time	40.1	Lower ▼	Slowing
Business Expectations ¹	--	--	--

9 of the 13 sub-indices were lower than their respective levels in the previous month. For example, both the new orders index and the new export orders index went down by 2.5 pts from the previous month, indicating that both domestic demand and export demand have dropped at a faster pace recently. Against this backdrop, the output index declined by 3.2 pts to an eight-month low of 44.6 in the month. Besides, the employment index slumped to 44.8 in December, the lowest level since February 2020. Also noteworthy is that the suppliers’ delivery time index plunged by 6.6 pts from the previous month to 40.1 in December, suggesting serious supply chain delays due to disruption from the recent COVID-19 resurgence.

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¹ The business expectations index was not released for December 2022.

By size of enterprises, the PMI of 'large enterprises' dropped to 48.3 in December from 49.1 in November. The PMI of 'medium enterprises' fell to 46.4 in December from 48.1 in November. The PMI of 'small enterprises' went down to 44.7 in December from 45.6 in November.

The output index dropped to 44.6 in December from 47.8 in November. The output indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below 50, registering 46.6, 44.1 and 40.8 respectively in the month.

The new orders index went down to 43.9 in December from 46.4 in November. By size of enterprises, the new orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all stayed in the contractionary zone, registering 46.4, 42.9 and 39.8 respectively in December.

The new export orders index declined to 44.2 in December from 46.7 in November. The new export orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all remained below the critical 50-mark, registering 46.5, 41.7 and 38.6 respectively in December.

The backlogs of orders index fell to 43.1 in December from 43.4 in November. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all remained below the neutral level of 50, registering 45.7, 40.5 and 40.9 respectively in December.

The stocks of finished goods index went down to 46.6 in December from 48.1 in November. The stocks of finished goods indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all stayed in the contractionary zone, registering 48.0, 46.9 and 43.1 respectively in December.

The stocks of major inputs index rose to 47.1 in December from 46.7 in November. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all remained below the critical 50-mark, registering 48.9, 47.2 and 43.2 respectively in December.

The purchases of inputs index went down to 44.9 in December from 47.1 in November. The purchases of inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all in the contractionary zone, registering 47.4, 44.4 and 40.1 respectively in December.

The imports index declined to 43.7 in December from 47.1 in November. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all stayed below 50, registering 44.7, 41.5 and 42.3 in December.

The input prices index increased to 51.6 in December from 50.7 in November. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above the neutral level of 50, registering 52.7, 50.7 and 50.4 in December.

The ex-factory prices index came in at 49.0 in December, up from 47.4 in November.² The ex-factory prices index of 'large enterprises' rose above the neutral level of 50, registering 50.3 in December. Meanwhile, the ex-factory prices indices of 'medium enterprises' and 'small enterprises' were both below 50, registering 47.7 and 48.1 respectively in the month.

The employment index went down to 44.8 in December from 47.4 in November. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all stayed in the contractionary zone, registering 44.9, 44.2 and 45.4 respectively in December.

The suppliers' delivery time index came in at 40.1 in December, down sharply from 46.7 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 40.6, 40.2 and 38.8 respectively in December.

² The ex-factory prices index has been published since January 2017.

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.

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