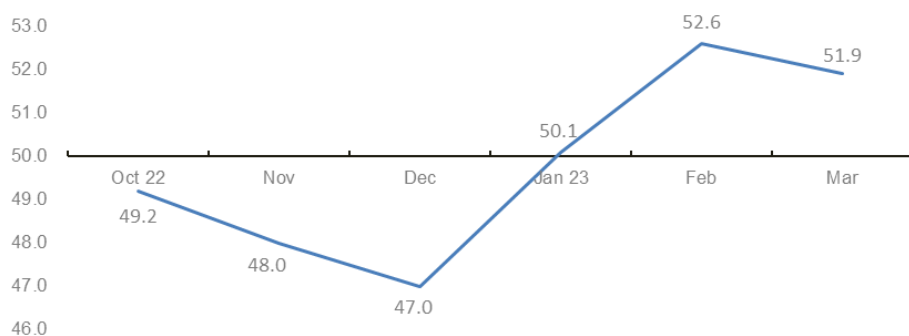# **PMI** Report on China Manufacturing

## China's manufacturing PMI retreats to 51.9 in March, indicating a continued yet slowing recovery in the manufacturing sector

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### China Manufacturing PMI, seasonally adjusted



### China Manufacturing at a Glance – March 2023

| Index | Seasonally Adjusted Index | Index Compared with the Previous Month | Direction |
|---|---|---|---|
| PMI | 51.9 | Lower ▼ | Expanding |
| Output | 54.6 | Lower ▼ | Expanding |
| New Orders | 53.6 | Lower ▼ | Expanding |
| New Export Orders | 50.4 | Lower ▼ | Expanding |
| Backlogs of Orders | 48.9 | Lower ▼ | Contracting |
| Stocks of Finished Goods | 49.5 | Lower ▼ | Contracting |
| Stocks of Major Inputs | 48.3 | Lower ▼ | Contracting |
| Purchases of Inputs | 53.5 | Unchanged -- | Expanding |
| Imports | 50.9 | Lower ▼ | Expanding |
| Input Prices | 50.9 | Lower ▼ | Rising |
| Ex-factory Prices | 48.6 | Lower ▼ | Falling |
| Employment | 49.7 | Lower ▼ | Contracting |
| Suppliers' Delivery Time | 50.8 | Lower ▼ | Quickening |
| Business Expectations | 55.5 | Lower ▼ | Optimistic |

12 of the 13 sub-indices were lower than their respective levels in the previous month. For example, the new orders index went down by 0.5 pts to 53.6 in March, indicating a slower expansion in market demand. The new export orders index also declined by 2.0 pts to 50.4 in the month. Against this backdrop, the growth in production activities has slowed: The output index slid 2.1 pts to 54.6 in March. Also noteworthy is that the input prices index dropped by 3.5 pts to 50.9 in March, while the ex-factory prices index went down by 2.6 pts to 48.6, returning to the contractionary territory after a one-month stay in the expansionary zone.

By size of enterprises, the PMI of 'large enterprises' edged down to 53.6 in March from 53.7 in February. The PMI of 'medium enterprises' declined to 50.3 in March from 52.0 in February. The PMI of 'small enterprises' fell to 50.4 in March from 51.2 in February.

The output index dropped to 54.6 in March from 56.7 in February. The output indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all remained above the neutral level of 50, registering 57.2, 52.6 and 52.0 respectively in March.

The new orders index fell to 53.6 in March from 54.1 in February. The new orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all stayed in the expansionary zone, registering 56.5, 51.3 and 50.8 respectively in March.

The new export orders index decreased to 50.4 in March from 52.4 in February. The new export orders indices of 'large enterprises' and 'small enterprises' remained above the critical 50-mark, registering 52.2 and 52.1 respectively in March. Meanwhile, the new export orders index of 'medium enterprises' remained below 50, registering 46.1 in the month.

The backlogs of orders index went down to 48.9 in March from 49.3 in February. The backlogs of orders indices of 'large enterprises' and 'small enterprises' were above the neutral level of 50, registering 50.8 and 50.4 in March. Meanwhile, the backlogs of orders index of 'medium enterprises' remained below 50, registering 44.7 in the month.

The stocks of finished goods index declined to 49.5 in March from 50.6 in February. The stocks of finished goods indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all in the contractionary zone, registering 49.5, 49.6 and 49.4 respectively in March.

The stocks of major inputs index fell to 48.3 in March from 49.8 in February. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the critical 50-mark, registering 49.6, 47.3 and 46.8 respectively in March.

The purchases of inputs index came in at 53.5 in March, the same as in February. The purchases of inputs indices of 'large enterprises' and 'small enterprises' stayed in the expansionary zone, registering 56.6 and 52.4 in March. Meanwhile, the purchases of inputs index of 'medium enterprises' dropped below 50, registering 49.2 in the month.

The imports index decreased to 50.9 in March from 51.3 in February. The imports index of 'large enterprises' remained above the neutral level of 50, registering 54.0 in March. Meanwhile, the imports indices of 'medium enterprises' and 'small enterprises' remained below 50, registering 44.4 and 46.7 in the month.

The input prices index went down to 50.9 in March from 54.4 in February. The input prices indices of 'large enterprises' and 'medium enterprises' remained above the critical 50-mark, registering 51.3 and 51.1 in March. Meanwhile, the input prices index of 'small enterprises' fell below 50, registering 49.7 in the month.

The ex-factory prices index came in at 48.6 in March, down from 51.2 in February.[1] The ex-factory prices index of 'large enterprises' registered 50.0 in March. Meanwhile, the ex-factory prices indices of 'medium enterprises' and 'small enterprises' were both below the neutral level of 50, registering 48.1 and 46.9 respectively in the month.

The employment index went down to 49.7 in March from 50.2 in February. The employment indices of 'large enterprises' and 'small enterprises' were both in the expansionary zone, registering 50.6 and 50.1 in March. Meanwhile, the employment index of 'medium enterprises' stayed in the contractionary zone, registering 47.9 in the month.

The suppliers' delivery time index came in at 50.8 in March, down from 52.0 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 51.3, 50.3 and 50.4 respectively in March.

The business expectations index went down to 55.5 in March from 57.5 in February.[2] The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 56.7, 53.0 and 56.3 respectively in March.

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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.

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