

HSBC China Services PMI™ (with Composite PMI data)

Composite data signals strongest expansion of output since March

Summary

HSBC China Composite PMI™ data (which covers both manufacturing and services) signalled an expansion of output for the fourth month running in November. Furthermore, the HSBC Composite Output Index signalled the strongest increase of business activity in eight months, posting up from 51.8 in October to 52.3 in November.

Manufacturers reported increased production for the fourth month in a row in November, and at the strongest pace since March. Service providers also signalled an expansion of business activity in November. Although the rate of growth was slightly weaker than October's moderate pace, the rate of expansion was one of the strongest recorded in 2013 so far. This was signalled by the HSBC China Services Business Activity Index posting at 52.5 in November, down fractionally from 52.6 in October.

Total new work increased across both the manufacturing and service sectors in November. Furthermore, goods producers reported the quickest rate of new order growth in eight months. Meanwhile, growth of new business at service providers was moderate, but eased to a four-month low. As a result, new orders rose for the fourth successive month at the composite level though at a slightly weaker pace than in October. Nonetheless, it was one of the strongest increases in 2013 so far.

Following an expansion in October, payroll numbers at manufacturing firms declined during November, albeit marginally. Meanwhile, service providers increased their staff numbers for the third month in a row. That said, the rate of job creation was little-changed from October and only slight. Consequently, employment at the composite level was relatively unchanged from the previous month.

Backlogs of work at manufacturing firms increased for the fourth successive month in November, and at a modest pace. Meanwhile, outstanding business at service sector firms was unchanged from the previous month, ending a five-month sequence of reductions. As a result, backlogs of work increased again at the composite level, albeit marginally.

Production costs in China's manufacturing sector rose solidly for the fourth month in a row in November. Service providers also recorded a further increase in average input costs, extending the current sequence of inflation to 49 months. The rates of inflation were similar across both monitored sectors, resulting in a solid rate of inflation at the composite level.

Both manufacturers and service providers raised their selling prices for the fourth month running in November. However, the rates of output charge inflation eased across both sectors to marginal rates.

Chinese service providers were optimistic towards higher activity levels in one year's time in November. However,

the degree of positive sentiment weakened from October and remained well below-trend, amid concerns of future changes to state policy.

Comment

Commenting on the China Services and Composite PMI™ data, Hongbin Qu, Chief Economist, China & Co-Head of Asian Economic Research at HSBC said:

"Service sectors maintained a steady pace of growth in November, translating into the third consecutive month of employment expansion. However, the moderation of new business and prices-charged growth implies that the underlying growth momentum started to soften."

Key points

- Stronger expansion of output at manufacturers pushes composite output growth to eight-month high
- Moderate increase of new business at both manufacturing and service companies
- Average input costs at the composite level increase at the fastest rate since February

Historical Overview



Sources: Markit, HSBC.

The HSBC Flash China Manufacturing PMI is due for release 16th December 2013. For all forthcoming PMI release dates please see: <http://www.markiteconomics.com/Survey/Page.mvc/DiaryofReleaseDates>

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Notes to Editors:

The HSBC China Services PMI™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 private service sector companies. The panel has been carefully selected to accurately replicate the true structure of the services economy.

The HSBC China Composite PMI™ is a weighted average of the Manufacturing Output Index and the Services Business Activity Index, and is based on original survey data collected from a representative panel of over 820 companies based in the Chinese manufacturing and service sectors.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

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