# **HSBC Purchasing Managers' Index™ Press Release**

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# HSBC Flash China Manufacturing PMI™

## Operating conditions deteriorate at weakest pace in five months

#### **Key points**

- Flash China Manufacturing PMI™ at 49.7 in May (48.1 in April). Five-month high.
- Flash China Manufacturing Output Index at 50.3 in May (47.9 in April). Four-month high.

Data collected 12-20 May 2014.

The HSBC Flash China Manufacturing *Purchasing Managers' Index™* (*PMI™*) is published on a monthly basis ahead of final PMI data, making the HSBC PMI the earliest available indicator of manufacturing sector operating conditions in China. The estimate is typically based on approximately 85%–90% of total PMI survey responses each month and is designed to provide an accurate indication of the final PMI data. May final PMI data will be released on 3 June 2014.

#### China Flash Manufacturing PMI™ Summary

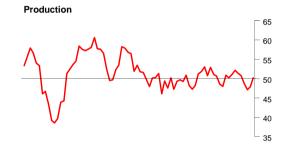
50.0 = no change on previous month (seasonally adjusted)

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PMI	Decrease, slower rate		
Output	Increase, change of direction		
New Orders	Increase, change of direction		
New Export Orders	Increase, change of direction		
Employment	Decrease, faster rate		
Backlogs of Work	Decrease, slower rate		
Output Prices	Increase, change of direction		
Input Prices	Decrease, slower rate		
Stocks of Purchases	Increase, change of direction		
Stocks of Finished Goods	Decrease, change of direction		
Quantity of Purchases	Increase, change of direction		
Suppliers' Delivery Times	Lengthening, rate unchanged		

Commenting on the Flash China Manufacturing PMI survey, Hongbin Qu, Chief Economist, China & Co-Head of Asian Economic Research at HSBC said:

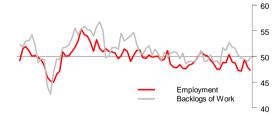
"The HSBC Flash China Manufacturing PMI rebounded sharply to 49.7 in May, up from 48.1 in April. The improvement was broad-based with both new orders and new export orders back in expansionary territory. Disinflationary pressures also eased over the month and output prices increased for the first time since November 2013. However, the employment index fell further to 47.3, which implies that this month's uptick in sentiment has not yet filtered through to the labour market. Some tentative signs of stabilization are emerging, partly as a result of the recent mini-stimulus measures and lower borrowing costs. But downside risks to growth remain, particularly as the property market continues to cool. We think more policy easing is needed to put a floor under growth in the coming months."



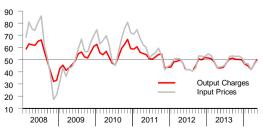




**Employment/Backlogs of Work** 



**Output Charges/Input Prices** 







#### For further information, please contact:

### **HSBC**

Hongbin Qu, Chief Economist, China & Co-Head of Asian Economic Research Telephone +852-2822-2025 Email hongbingu@hsbc.com.hk

Diana Mao, Head of Communications, (China) Telephone +86 21-3888-1251 Email dianayqmao@hsbc.com.cn

#### **Markit**

Annabel Fiddes, Economist
Telephone +44-1491-461-010
Email annabel.fiddes@markit.com

Joanna Vickers, Corporate Communications
Telephone +44-207-260-2234
Email joanna.vickers@markit.com

#### **Notes to Editors:**

Final May data are published on 3 June 2014.

The HSBC China Report on Manufacturing is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 420 manufacturing companies. The flash estimate is typically based on approximately 85%–90% of total PMI survey responses each month and is designed to provide an accurate advance indication of the final PMI data.

The average differences between the flash and final PMI index values (final minus flash) since comparisons were first available in January 2008 are as follows (differences in absolute terms provide the better indication of true variation while average differences provide a better indication of any bias):

Index	Average difference	Average difference in absolute terms
HSBC China Manufacturing PMI	0.0	0.4
HSBC China Manufacturing Output Index	0.1	0.7

The panel is stratified by Standard Industrial Classification (SIC) group and company size, based on industry contribution to Chinese GDP. 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'.

The *Purchasing Managers' Index™* (*PMI™*) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

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.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact <a href="mailto:economics@markit.com">economics@markit.com</a>.

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#### About PMI:

Purchasing Managers' Index™ (PMI™) surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to <a href="https://www.markit.com/economics">www.markit.com/economics</a>

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