

HSBC China Services PMI™ (with Composite PMI data)

Private sector output expanded at fastest in four months, as manufacturing production returned to growth

Summary

At 54.6 in August, up from 52.6 in the previous month, the seasonally adjusted headline HSBC Composite Output Index was at a level indicative of a solid improvement in private sector business conditions. Nonetheless, the overall rate of growth was still slightly slower than the long-run series average. The faster expansion reflected renewed growth of manufacturing output and a sharper rise in service activity. The latter was highlighted by the seasonally adjusted HSBC Business Activity Index, which rose to a four-month high of 57.6.

The level of new business taken by Chinese service providers rose again in August. The rate of growth was substantial, and accelerated to the fastest since April. This, combined with renewed growth of new orders placed at manufacturers, meant that private sector new work rose solidly in August.

Backlogs of work in the Chinese service sector fell further in August, with panellists widely commenting that they had sufficient resources to deal with existing workloads. In contrast, manufacturers reported a rise in outstanding business on average. However, growth was unable to offset the decline in services and, as a result, private sector backlogs fell for the third month running in August.

Chinese services employment rose further in August, with the rate of job creation quickening to a three-month high. Conversely, the rate of employment growth eased in manufacturing. As a result, private sector staffing levels rose at a moderate rate, which was similar to those recorded in June and July.

At the composite level, the input prices measure rose markedly in August, pointing to a substantial rise in costs following a decline in July. Marked rates of input cost inflation were evident in both services and manufacturing. Meanwhile, private sector charges were raised for the first time in three months in the latest survey period, although the rate of inflation was only modest.

Chinese service providers expect business activity to be higher in twelve months' time, with positive sentiment linked to expectations of stronger new business growth. Despite rising to a three-month high, the degree of optimism was below the long-run series average.

Comment

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

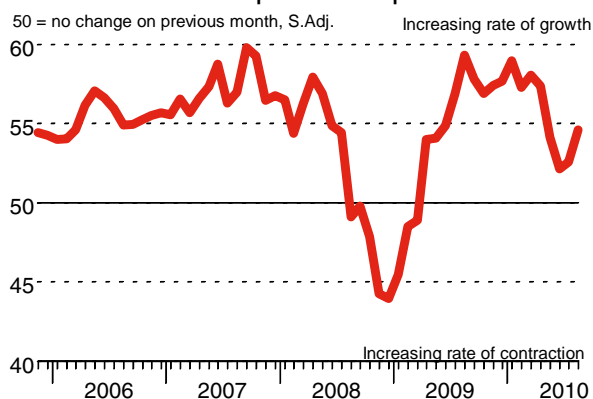
"Buoyant domestic demand underpinned upbeat services activities, which further contributed to a continuous improvement in the labour market. This will in turn lift business sentiment and boost private consumption, making a virtuous cycle despite the limited negative impact of the anticipated persistent tightening on property markets."

Key points

- Overall activity growth accelerated to four-month high in August.
- Sharper growth of private sector new business.
- Marked rise in private sector input costs.

Historical Overview

HSBC China Composite Output PMI



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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 800 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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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 economics@markit.com.

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