

## HSBC China Services PMI™ (with Composite PMI data)

Solid growth of private sector activity recorded in November. Input cost inflation the strongest since July 2008.

### Summary

Chinese private sector output growth lost momentum in November. This was signalled by the seasonally adjusted HSBC Composite Output Index posting 55.8, down from 57.4 in October. Nevertheless, the index remained above the long-run series average of 54.9.

The slowdown in overall growth predominantly reflected a weaker rise in Chinese service sector activity. This was highlighted by the seasonally adjusted Business Activity Index, which fell to a near two-year low of 53.1 in November, from 56.4 in October. Some panellists mentioned that the end of the Shanghai Expo had led to a reduction in services output, which acted to restrict the rate of overall activity growth. This was particularly the case in the Hotels & Restaurants and Transport & Storage sectors.

November data pointed to the slowest rise in new business received by service providers since February 2009. However, this was offset by a faster rise in new orders at manufacturers and, as a result, growth of new work held steady at the composite level.

Chinese services employment rose solidly in November. In contrast, manufacturing employment rose only fractionally, following a fall in October. As a result, the overall rate of job creation was unchanged on October's sixteen-month low.

Average input costs faced by Chinese service providers increased markedly in November, and at the second-fastest rate since February. This, combined with surging input cost inflation in the manufacturing sector, drove the composite input prices measure to its highest level since July 2008.

Both service providers and manufacturers reported raising their output prices in November. However, rates of inflation varied, with manufacturers registering a record increase in output charges, which rose only modestly at service providers. At the composite level, output price inflation was the second-strongest in the series history.

Business confidence amongst service providers remained strong in November. However, the degree of optimism was the fourth-lowest in the series history, with some firms reporting that the end of the Shanghai Expo had somewhat tempered optimism.

### Comment

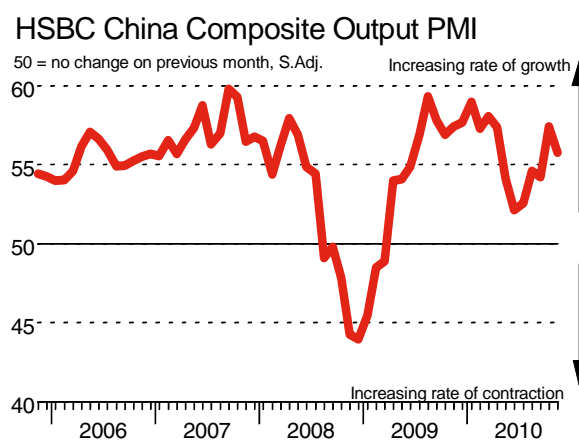
Commenting on the China Services and Composite PMI data, Hongbin Qu, Chief Economist, China & Co-Head of Asian Economic Research at HSBC said:

*"Despite the slowdown in services activity growth in November, overall economic growth momentum is still resilient thanks to a stronger performance in manufacturing sectors. This leaves more room for Beijing to step up quantitative tightening efforts to tackle inflation."*

### Key points

- Private sector output growth eased since October, but remained marked.
- At the composite level, input price inflation accelerated to a twenty-eight month high.
- Service sector business confidence remained historically low.

### Historical Overview



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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](mailto:economics@markit.com).

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