

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

Private sector activity growth eased further, as overall new business rose at slowest rate in five months

### Summary

Chinese private sector activity growth lost further momentum in December, with the rate of expansion slowing to a three-month low. This was signalled by the seasonally adjusted HSBC Composite Output Index posting 55.2, down from 55.8. Nonetheless, for Q4 as a whole the index posted its highest quarterly reading since Q1 2010.

Manufacturing output growth continued to outpace that of services, which held steady at a historically lacklustre rate in the latest survey period. The seasonally adjusted HSBC Business Activity Index remained unchanged at 53.1 in December. Survey respondents reported that subdued service sector activity growth reflected a slower increase in new business. Although solid, the rate of expansion in new work received by service providers was the weakest since February 2009. This, combined with a slower increase in manufacturing new orders, meant that overall new business growth eased to the least marked in five months.

Nonetheless, private sector employment rose at the fastest rate in six months during December, as rates of job creation quickened across both manufacturing and services.

The rate of input price inflation in the Chinese service sector eased since November, but remained faster than the long-run series average. Similarly, input price inflation slowed at the composite level in December, as average cost burdens faced by manufacturers rose at a weaker rate. That said, overall cost inflation remained substantial in the latest survey period.

December data pointed to another increase in output prices set by Chinese service providers. At the composite level, output charges rose at the slowest rate in three months, largely reflecting a weaker pace of factory gate inflation in the manufacturing sector.

Chinese service providers remained confident about the one-year outlook for business activity in December. Buoyant economic prospects, company expansion strategies and the roll-out of new services were all cited by survey respondents as factors that are likely to underpin expansion. However, the degree of optimism was the lowest in the series history, with some panellists reporting that the end of the Shanghai Expo had dampened business expectations.

### Comment

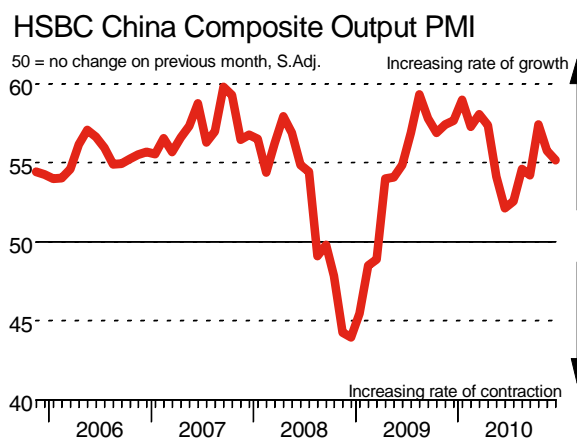
Commenting on the China Services and Composite PMI data, Hongbin Qu, Chief Economist, China & Co-Head of Asian Economic Research at HSBC said:

*"With services activity expanding at the same pace as in the previous month, jobs creation continued to improve in December and inflation in services remained well contained. This, combined with the strong manufacturing PMI readings, implies that growth momentum remains healthy, which leaves room for Beijing to tackle food-induced inflation single-mindedly."*

### Key points

- Slowest rise in private sector activity since September.
- Overall employment growth the strongest in six months.
- Service sector business optimism the lowest in the series history.

### 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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