HSBC Purchasing Managers' Index™ Press Release

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compiled by markit

HSBC Flash China Manufacturing PMI™

Manufacturing output up at fastest rate in nine months at start of third quarter

Key points

- **Flash China Manufacturing PMI™ at 49.5 (48.2 in June). 5-month high.**
- **Flash China Manufacturing Output Index at 51.2 (49.3 in June). 9-month high.**

Data collected 11–20 July 2012.

The HSBC Flash China Manufacturing *Purchasing Managers' Index™ (PMI™)* is published on a monthly basis approximately one week before final PMI data are released, 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.

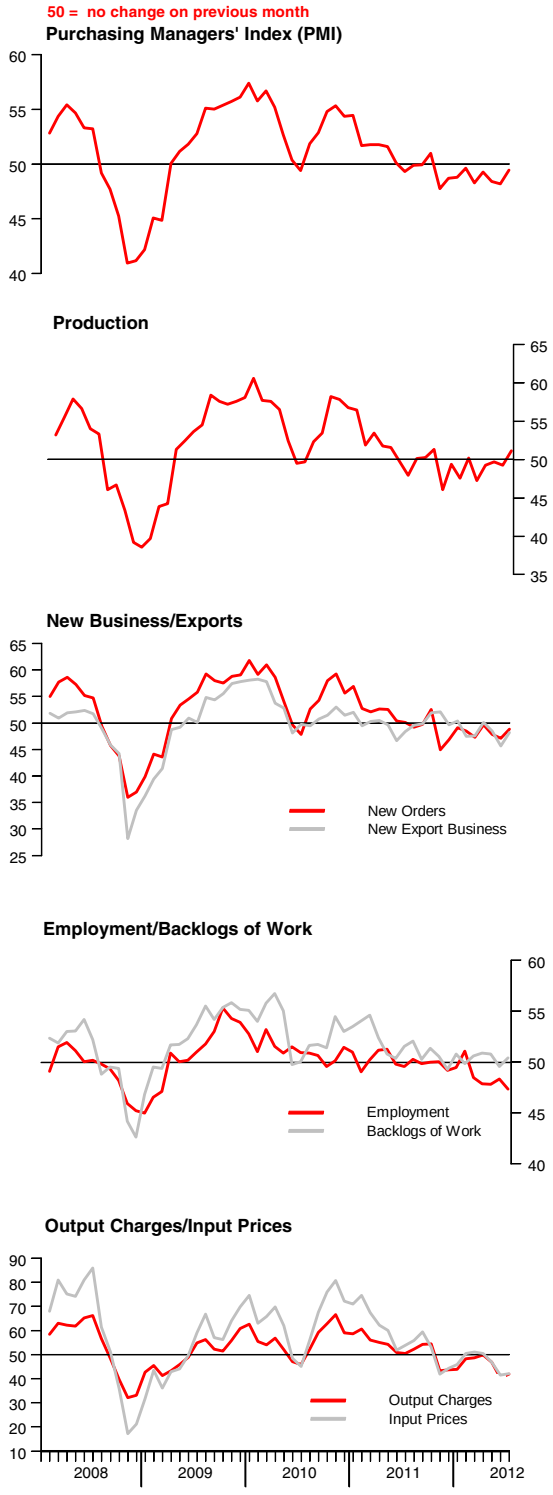
China Flash Manufacturing PMI™ Summary

50.0 = no change on previous month (seasonally adjusted)

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

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

"July's headline PMI picked up modestly to a five-month high of 49.5, suggesting that the earlier easing measures are starting to work. That said, the below-50 July reading implied demand still remaining weak and employment under increasing pressure. This calls for more easing efforts to support growth and jobs. We believe the fast falling inflation allows Beijing to do so and a more meaningful improvement of growth is expected in the coming months when these measures fully filter through."



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Notes to Editors:

Final June data are published on 1 August 2012.

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	0.6
HSBC China Manufacturing Output Index	0.1	0.9

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 economics@markit.com.

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About PMIs:

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 www.markit.com/economics

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