

HSBC China Manufacturing PMI™

Operating conditions improve for the first time in 13 months

Summary

After adjusting for seasonal factors, the HSBC Purchasing Managers' Index™ (PMI™) – a composite indicator designed to give a single-figure snapshot of operating conditions in the manufacturing economy – posted 50.5 in November, up from 49.5 in October, signalling a marginal improvement of operating conditions in the Chinese manufacturing sector. Moreover, it was the first improvement of operating conditions recorded in 13 months.

Manufacturing output in China increased during November for the first time since July. The rate of expansion was only modest, but the quickest since October 2011. New orders rose for the second month in a row, although at a slightly weaker pace, while new export orders rose for the first time since April. New export orders increased at a marked rate, with over 17% of panellists indicating growth. A number of firms linked the increase to strengthened demand, particularly in Europe and the US.

Backlogs of work continued to fall (the fourth in successive months), although at a marginal pace, while employment levels also fell. The rate of job shedding was only slight, with a majority of panellists (nearly 88%) indicating no change to staff levels.

Vendor performance worsened for the second month in a row. The pace of deterioration was slightly quicker than in October but remained marginal overall. Respondents linked longer average lead times to lower stock levels held by vendors.

Stocks of finished goods fell for the second successive month, and at a slightly quicker pace than in October. Panellists attributed the depletion of stock to an increased number of sales.

Input prices rose for the second month in November, with the pace of inflation easing slightly from October but remaining solid overall. Meanwhile, output charges fell following a slight increase in October. However, the rate of deflation was negligible, with less than 10% of respondents signalling a reduction of tariffs. A number of firms linked lower output charges to competitive market pressures.

Purchasing activity increased for the second successive month in November, and at a faster pace than in October. Over 18% of panellists signalled a higher level of purchasing activity, with many attributing growth to a higher volume of new orders. Consequently, stocks of purchases also increased, and for the first time in a year.

Comment

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

"The final November manufacturing PMI stood at a 13-month high of 50.5 on increasing new business and expanding production. This confirms that Chinese economy continues to recover gradually. We expect GDP growth to rebound modestly to around 8% in 4Q as the easing measures continue to filter through."

Key points

- Output up for first time since July
- Solid growth of new export orders
- Purchasing activity continues to pick up

Historical Overview



Sources: Markit, HSBC.

The December HSBC Flash China Manufacturing PMI is due for release 14th December 2012.

For all forthcoming PMI release dates please see <http://www.markiteconomics.com/Survey/Page.mvc/DiaryofReleaseDates>

For further information, please contact:

HSBC

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

Diana Mao, Head of Group 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

Caroline Lumley, Corporate Communications
Telephone +44-20-7260-2047
Mobile +44-781-581-2162
Email caroline.lumley@markit.com

Notes to Editors:

The HSBC China Report on Manufacturing is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, 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.

HSBC:

HSBC is one of the world's largest banking and financial services organisations. With around 6,900 offices in both established and faster-growing markets, we aim to be where the growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions.

We serve around 60 million customers through our four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 84 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. Our aim is to be acknowledged as the world's leading international bank.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by over 221,000 shareholders in 134 countries and territories.

About Markit:

Markit is a leading, global financial information services company with over 2,300 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see www.markit.com

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

The intellectual property rights to the HSBC China Manufacturing PMI™ provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index™* and *PMI™* are trade marks of Markit Economics Limited, HSBC use the above marks under license. Markit and the Markit logo are registered trade marks of Markit Group Limited.