

HSBC China Services PMI™ (with Composite PMI data)

Slight improvement in business activity during September

Summary

The HSBC Composite PMI data (which covers both manufacturing and services) signalled a renewed, albeit marginal, expansion in business activity during September. This followed on from August's slight contraction, when activity fell for the first time since March.

The HSBC Composite Output Index posted 50.3 in September, up from 49.9 in August. As activity continued to fall in the manufacturing sector, growth in the service sector drove the overall improvement. This was illustrated by the HSBC Business Activity Index, which posted 54.3 in September, up from 52.0. Services output grew at the fastest rate since May.

New order volumes at service companies continued to rise and at the fastest rate in four months. In contrast, new orders placed at manufacturing firms continued to fall in September. The combined index pointed to a negligible increase in new business.

Both manufacturing and service sectors reported marginal reductions of backlogged work. Overall, work-in-hand (not yet completed) has fallen slightly in the past two months.

Service sector firms signalled a further rise of employment levels in September, and the second-highest rate of expansion in the past ten months. In contrast, staff levels at manufacturing firms declined. At the composite level, employment levels were unchanged.

Input price inflation in the Chinese service sector accelerated to the fastest rate since May and above its average over the past year. Conversely, manufacturers reported another sharp decline in input prices over the month. Overall, input prices fell modestly in the Chinese private sector.

Selling prices set by service sector firms were broadly unchanged since August, while manufacturers continued to report a sharp reduction in output charges. The composite index covering both sectors indicated a solid fall in average tariffs set by private sector firms.

When asked about the prospects for activity at their units over the coming year, service providers in China signalled the highest degree of confidence since June. Panellists remained generally optimistic about future business activity, and anticipated a rise in client demand from improving economic conditions. There were also reports of expansionary policies as firms prepare for increased demand and growing activity requirements at their units in the coming year.

Comment

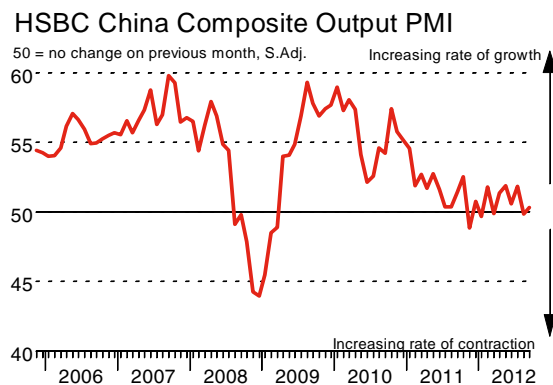
Commenting on the China Services and Composite PMI™ data, Hongbin Qu, Chief Economist, China & Co-Head of Asian Economic Research at HSBC said:

"Service sector growth picked up in September thanks to rising new business flows. This is likely an indication of a gradual improvement of domestic economic conditions due to the earlier easing measures and the stronger consumption demand in the run-up to the Golden week holiday. While this helped to cushion the ongoing slowdown of manufacturing sectors, a meaningful turnaround in domestic demand requires additional easing efforts."

Key points

- Composite activity rises despite fall in manufacturing output
- Solid growth in services new orders leads to marginal increase at the composite level
- Highest degree of optimism in service sector since June

Historical Overview



Sources: Markit, HSBC.

ATTENTION: Please note that from the October data releases onwards, all HSBC China PMI data will be released at 09:45 Beijing time. The change will enable market players to have earlier access to information and affects flash manufacturing, final manufacturing, services and composite data releases.

The HSBC Flash China Manufacturing PMI is due for release 24th October 2012.

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

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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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