HSBC China Services PMI™ (with Composite PMI data)

Both manufacturing and service output increase in November

Summary

The HSBC China Composite PMI data (which covers both manufacturing and services) signalled a modest expansion of business activity during November. Activity has now risen for the past three months, with the rate of expansion the fastest since July. The HSBC China Composite Output Index posted 51.6 in November, up from 50.5 in October.

Both sectors indicated a higher level of activity in November, the first time both sectors have simultaneously expanded since July. Production increased in the manufacturing sector for the first time in four months and at a modest pace. Meanwhile, service sector activity continued to rise, but at a slower pace. The latter was signalled by the HSBC China Services Business Activity Index falling from 53.5 to 52.1 in November.

New business increased modestly at service providers during November. However, the rate of growth had eased from October to the slowest in three months. New orders placed at manufacturing firms similarly rose for the second successive month, but the latest expansion also slowed. At the composite level, new orders expanded for the third month in a row but at a slower, more modest pace in November.

Backlogs of work fell across both the manufacturing and service sectors in November. The level of outstanding business in the service sector fell at the fastest pace since February 2009, while work-in-hand in the manufacturing sector fell marginally, with the rate unchanged from the previous month. At the composite level, the rate of backlog depletion was the fastest in almost four years.

Employment levels in the service sector increased during November and at a slightly faster rate than in October. However, job shedding continued in the manufacturing sector. That said, the rate of contraction eased over the month and was only marginal. Overall, total employment in both sectors was broadly unchanged since October.

Input prices increased in both sectors during November, but the rates of inflation slowed from the previous month. Concurrently, output charges at both manufacturers and service providers fell slightly in November, and for the seventh consecutive month.

Service providers in China remained highly optimistic towards future growth of business activity in November, with over 31% of survey respondents expecting business activity to increase in the next year. A number of firms attributed their optimism to the development of new projects, but many also expect new business to rise.

Comment

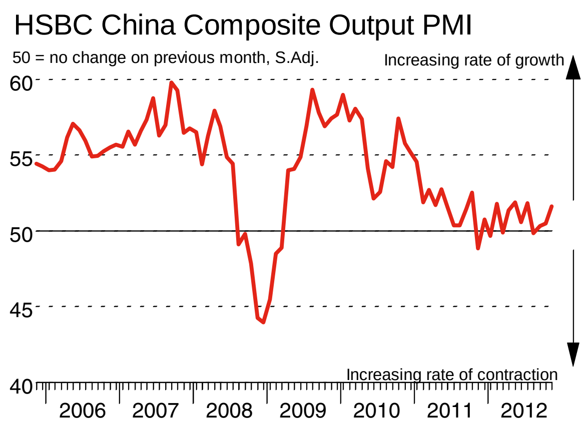
Commenting on the China Services and Composite PMI™ data, Hongbin Qu, Chief Economist, China & Co-Head of Asian Economic Research at HSBC said:

"Despite the moderating growth of services activities in November, services providers hired more workers and became more optimistic on future outlook. Services sectors' performance is likely to get a lift from the recovering manufacturing growth, as the filtering-though of policy easing is likely to boost domestic demand in the coming months."

Key points

- Composite data points to strongest rise in output in four months
- Outstanding business at the composite level falls at the fastest pace since January 2009
- Total employment broadly unchanged since October

Historical Overview



Sources: Markit, HSBC.

The 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

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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.

The *Purchasing Managers' Index™ (PMI™)* survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

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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