HSBC China Services PMITM (with Composite PMI data)

Business activity increases modestly across both manufacturing and service sectors in February

Summary

The HSBC China Composite PMI data (which covers both manufacturing and services) signalled a further expansion of business activity during February. Output has now increased at the composite level for six consecutive months. However, the rate of expansion eased from January and was modest overall. The HSBC China Composite Output Index posted 51.4 in February, down from January's two-year high of 53.5.

Output increased simultaneously across manufacturing and services for the fourth consecutive month in February. However, manufacturing output increased only marginally, while services activity rose modestly. The latter was signalled by the HSBC China Services Business Activity Index recording 52.1 in February, down from 54.0 in January.

New business also rose across both the manufacturing and service sectors in February. However, the growth rate across both categories eased from January's 24-month high and was modest overall.

The level of outstanding business fell at manufacturing plants and service providers in February. At the composite level, the rate of depletion was modest and follows a slight increase in January. The reduction was largely driven by the service sector, as backlogs fell only marginally in manufacturing.

Employment levels continued to increase across both manufacturing and service sectors in February. Payroll numbers increased fractionally in the manufacturing sector, but rose modestly in the service sector. At the composite level, the rate of job creation eased slightly from January and was marginal.

Average input prices rose across both the manufacturing and service sectors in February. The rate of inflation was solid in the manufacturing sector, despite having slowed from the previous month. Meanwhile, inflation accelerated in the service sector to the quickest in five months. Inflation at the composite level was solid and the strongest since October 2011.

Output charges rose in the manufacturing sector for the third month in a row in February. That said, the rate of increase slowed from January and was marginal. Meanwhile, average tariffs in the service sector were broadly unchanged, following a slight reduction in January. Overall, composite output charges increased for the third successive month, albeit slightly.

Comment

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

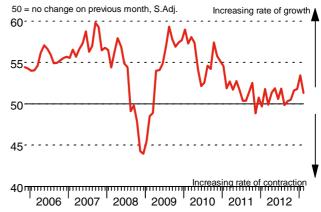
"Service sector growth moderated on slower demand growth in February, likely reflecting the impact of Beijing's recent frugality campaign as well as the greater volatility of the readings around Chinese New Year period. However, we expect a continuous modest improvement of service sector growth in the coming months, thanks to the healthy labour market conditions and the ongoing recovery of manufacturing growth."

Key points

- Both activity and new business growth slows across manufacturing and service sectors
- Backlogs of work at the composite level decrease
- Overall input price inflation accelerates to fastest rate since October 2011

Historical Overview

HSBC China Composite Output PMI



Sources: Markit, HSBC.

The HSBC Flash China Manufacturing PMI is due for release 21st March 2013. 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 820 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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