

## HSBC China Services PMI™ (with Composite PMI data)

### Solid rise in business activity across both the manufacturing and service sectors in March

#### Summary

HSBC China Composite PMI™ data (which covers both manufacturing and services) signalled a further expansion of output during March. Activity has now risen at the composite level for seven successive months. Furthermore, the rate of expansion accelerated from February to a solid pace. The HSBC China Composite Output Index posted 53.5 in March, up from February's four-month low of 51.4.

Output rose simultaneously across both the manufacturing and service sectors for the fifth consecutive month during March. Furthermore, both sectors reported solid rates of expansion. The service sector recorded the strongest rate of growth out of the two sectors, with the latest expansion the fastest in six months. The HSBC China Services Business Activity Index recorded 54.3 in March, up from 52.1 in February.

Total new business growth also accelerated in March, with both monitored sectors posting solid rates of expansion. Moreover, new order growth at the composite level was the second-strongest in 26 months.

Volumes of outstanding business fell at both manufacturing plants and service providers during March. However, the rates of depletion were only slight in both cases. At the composite level, backlogs of work declined for the second successive month.

Employment levels increased in the service sector in March. Moreover, the rate of expansion quickened since February to a modest pace. Meanwhile, staffing levels were broadly unchanged in the manufacturing sector. At the composite level, payroll growth was only marginal and at a similar pace to that seen in February.

March data signalled divergent trends regarding average input costs in the manufacturing and service sectors. Manufacturers reported reduced cost burdens, following a five-month period of increases. Conversely, service providers noted higher input costs in March. The rate of inflation in the service sector was solid, despite having eased since February. Inflation at the composite level consequently slowed to a marginal rate, the weakest since last September.

Average tariffs followed a similar trend to input costs in March. Manufacturers reduced their factory gate prices at a modest pace to reflect decreased input costs, while service sector firms raised their output charges, albeit only slightly. Overall, average selling prices across China as a whole fell for the first time in four months, albeit marginally.

#### Comment

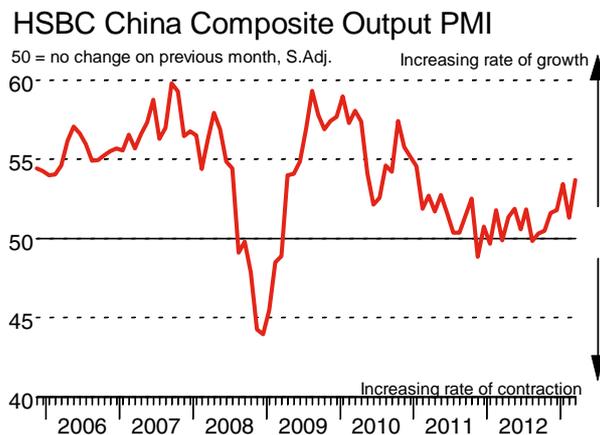
Commenting on the China Services and Composite PMI™ data, Hongbin Qu, Chief Economist, China & Co-Head of Asian Economic Research at HSBC said:

*"The HSBC China Services Business Activity Index picked up to a six-month high thanks to new business growth, suggesting that a broad-based gradual growth recovery is on its way. Notably, the ongoing recovery has translated into a continuous improvement of labour market conditions, which are supportive of consumer spending growth in the coming quarters. For now, inflation still stays muted."*

#### Key points

- Both activity and new business growth accelerates at the composite level
- Backlogs of work fall across both the manufacturing and service sectors, albeit marginally
- Weakest rate of overall input price inflation in six months

#### Historical Overview



Sources: Markit, HSBC.

The HSBC Flash China Manufacturing PMI is due for release 23<sup>rd</sup> April 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](mailto:economics@markit.com).

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