

HSBC China Services PMI™ (with Composite PMI data)

Activity growth eases across both the manufacturing and service sectors in April

Summary

HSBC China Composite PMI™ data (which covers both manufacturing and services) signalled an expansion of output for the eighth consecutive month in April. However, the HSBC China Composite Output Index signalled only a marginal rate of growth, posting at 51.1. This was down from 53.5 in March, suggesting that the rate of expansion was the weakest since last October.

Output rose simultaneously across both the manufacturing and service sectors for the sixth successive month in April. That said, the rates of expansion were only marginal in both cases. The latter was indicated by the HSBC China Services Business Activity Index recording 51.1 in April. Down from 54.3 in March, the services survey headline index signalled the weakest expansion of service sector activity since August 2011.

Behind the weaker expansion of total output was a slower rate of new order growth in April. Both the manufacturing and service sector posted modest rates of expansion that were weaker than in March. Overall, new order growth at the composite level was the slowest in seven months.

Backlogs of work decreased at service providers, but rose at manufacturers in April. That said, the rates of change were marginal in both sectors. At the composite level, backlogs of work declined for the third month in a row, though only slightly.

Employment levels decreased across both the manufacturing and service sectors in April. Although the rates of job shedding were only marginal in both cases, it was nonetheless the first time service providers had cut their staff numbers since January 2009 and was the first reduction in manufacturing payroll numbers since last November. Consequently, employment at the composite level fell slightly in April.

There were divergent trends in average input costs across both the manufacturing and service sectors in April. Input costs at service providers increased, albeit modestly and at the weakest rate in ten months, while manufacturers reported the sharpest reduction in input prices since last September. At the composite level, input costs fell for the first time in seven months.

Output charges also displayed divergent trends in April. Service providers raised their output charges, albeit slightly. Meanwhile, manufacturers discounted their average tariffs for the second month in a row, and at the sharpest rate since last August. At the composite level, output charges were cut for the second consecutive month, with the rate of decrease strong overall.

Service providers meanwhile are optimistic towards the 12-month business outlook in April. However, the degree of positive sentiment towards future growth was the weakest in the seven-and-a-half year series history.

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 cooling of service sector activity in April likely reflected the knock-on effect of slower manufacturing growth, the impact of property tightening measures and the spreading bird flu. Again, this started to bite employment growth. All these are likely to add some risk to China's growth in 2Q, as there's still a bumpy road towards sustaining growth recovery."

Key points

- Composite data signals slower activity and new business growth in April
- Total employment falls for first time since last October
- Both input prices and output charges decline at the composite level

Historical Overview



Sources: Markit, HSBC.

The HSBC Flash China Manufacturing PMI is due for release 23rd May 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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