Embargoed until: 09:45 (BEIJING), 5 December 2012

HSBC China Services PMI™

Modest rise in business activity, but rate of growth weakest since August

Key findings:

- · Growth of new business eases to three-month low
- Backlogs of work reduced at strongest rate since February 2009
- Input prices rise further, while output charges fall marginally

Business activity increased in China's service sector during November. Behind the growth of activity, new orders also continued to rise, albeit at a slower pace than in October. The level of outstanding business at service providers meanwhile fell at the fastest pace since February 2009. Data suggested that a further expansion of workforce numbers in the sector contributed to the fall in work-in-hand.

On the price front, input prices continued to rise at a marked pace, while output charges fell only slightly.

After adjusting for seasonal factors, the Business Activity Index posted 52.1 in November, signalling a marked rate of expansion in service sector activity. However, down from 53.5, the rate of growth had slowed since October. A number of survey respondents linked the rise in activity to a growing number of new projects.

New orders placed at service sector firms increased during November. Anecdotal evidence suggested that the rise reflected increased market demand. However, the rate of growth slowed from October to a modest pace, with fewer than 12% of panellists reporting a higher level of new business in the latest survey.

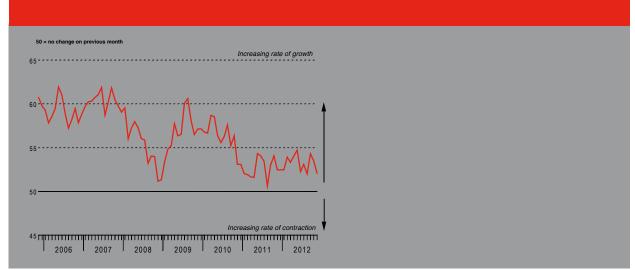
Backlogs of work were reduced for the tenth consecutive month in November. Moreover, the rate of backlog depletion accelerated from October to a strong pace, with over 10% of panellists noting a lower level of work-in-hand. A number of firms linked the

increased rate of backlog depletion to higher workforce numbers, as backlogs were generally cleared for incoming new orders.

Employment levels in the Chinese service sector continued to increase in November. In addition, the pace of job creation quickened from the previous month, with exactly 6% of panellists reporting higher staffing levels. A number of survey respondents commented that rising workforce numbers reflected increased amounts of new business.

Average tariffs decreased in November for the second successive month. The rate at which output charges were reduced nonetheless eased from October to only a marginal pace, with a majority of panellists (nearly 92%) indicating no change to average tariffs. Meanwhile, input costs continued to rise during November. Although the pace of inflation had slowed since October, it remained marked overall. Anecdotal evidence generally suggested that input inflation reflected rising salary costs in the sector.

Service providers in China remained highly optimistic towards the future growth of business activity in November. The degree of positive sentiment was the joint-highest in the past five months, 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.



The survey uses a methodology identical to the HSBC China Manufacturing *PMI*[™]. The survey uses a panel of regularly participating companies to monitor trends in business conditions in the private sector services economy. The panel has been carefully selected to accurately replicate the true structure of the Chinese services economy. Questionnaires are dispatched at mid-month, requesting comparisons of the current situation with that of one month previously. *Purchasing Managers' Index*[™] and *PMI*[™] are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.

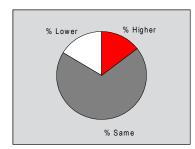




Business Activity Index

Q. Please compare the level of business activity (i.e. gross income, chargeable hours worked, etc) in your company this month with the situation one month ago.



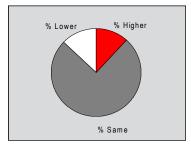


Business activity in China's service sector increased during November. However, the seasonally adjusted Business Activity Index indicated that the rate of expansion was moderate and the second-weakest in 15 months. Over 14% of survey respondents reported a higher level of business activity in the latest survey period, with a number of firms attributing the rise to a greater number of projects undertaken.

New Business Index

Q. Please compare the level of new orders/business placed at your company (whether already fulfilled or not) this month with the situation one month ago.





After adjusting for seasonality, the New Business Index signalled a further rise in incoming new business at service providers during November. The rise in new business was slower than in October, but remained moderate, with nearly 12% of panellists recording a higher level of new orders over the month. Anecdotal evidence suggested that the rise in new orders was linked to promotions and increased market demand.

Outstanding Business Index

Q. Compare the level of outstanding business (i.e. work in hand but not yet completed) in your company this month with the situation one month ago.



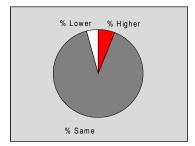


The level of outstanding business in the Chinese service sector fell during November for the tenth consecutive month. The rate of backlog depletion accelerated from October to a marked pace, and was the quickest since February 2009. Over 10% of respondents reported a lower level of work-in-hand compared with the previous month, a number of which suggested that the fall was linked to increased workforce numbers.

Employment Index

Q. Compare the number of people employed this month with the situation a month ago (treat two part as one full-time and ignore temporary labour).



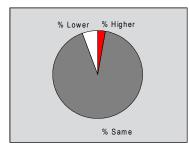


Employment levels in the service sector increased during November. The rate of job creation was faster than in October, but remained modest overall. Exactly 6% of survey respondents noted an expansion of workforce numbers in November, compared with just over 4% that recorded a decline. A number of firms suggested that the increase in staffing levels reflected larger volumes of new business.

Prices Charged Index

Q. Compare the average prices charged by your company (e.g. prices charged per item or unit of time) this month with the situation one month ago.



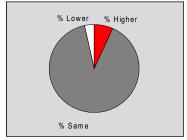


Average tariffs charged by service providers fell during November for the second successive month. The rate of decline eased from October and was only marginal overall. Approximately 6% of survey respondents reported lower output charges, however, a majority of panellists (nearly 92%) indicated no change to average tariffs. A number of respondents mentioned that output prices were reduced in order to attract more orders.

Input Prices Index

Q. Please compare the average prices paid by your company for all purchases, wages and salaries, etc. this month with the situation one month ago.





Input costs faced by Chinese service providers increased during November. Despite the rate of input price inflation having slowed from the previous month, it remained strong with nearly 7% of survey respondents reporting higher input costs. However, almost 90% of panellists indicated no change to input costs. Anecdotal evidence generally linked inflation to rising salary costs in the sector.

Business Expectations Index

Q. In twelve months' time, do you expect overall activity at your business unit to be higher, the same or lower than now?





Service providers remained optimistic regarding future activity growth in November. The degree of positive sentiment increased from October to become the joint-highest reading in the past five months. Approximately 32% of survey respondents anticipate business activity to expand in 12 months' time, as opposed to just over 4% that expect a fall. A number of panellists linked their optimism to the development of new projects and an expectation that new orders will increase over the coming year.

Notes on the Data and Method of Presentation

The China Services PMI™ covers transport & communication, financial intermediation, business services, personal services, computing & IT and hotels & restaurants.

Each response received is weighted each month according to the size of the company to which the questionnaire refers and the contribution to total service sector output accounted for by the sub-sector to which that company belongs. This therefore ensures that replies from larger companies have a greater impact on the final index numbers than replies from small companies.

The results are presented by question asked, showing the percentage of respondents reporting an improvement, deterioration or no change on the previous month. From these percentages an index is derived such that a level of 50.0 signals no change on the previous month. Above 50.0 signals an increase (or improvement), below 50.0 a decrease (or deterioration). The greater the divergence from 50.0, the greater the rate of change signalled.

The indexes are calculated by assigning weights to the percentages: the percentage of respondents reporting an "improvement/increase" are given a weight of 1.0, the percentage reporting "no change" are given a weight of 0.5 and the percentage reporting a "deterioration/decrease" are given a weight of 0.0. Thus, if 100% of the survey panel report an "increase", the index would read 100. If 100% reported "no change" the index would read $50(100 \times 0.5)$, and so on. 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.

Warning

The intellectual property rights to the HSBC China Services PMI[™] provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.