HSBC Purchasing Managers' Index™ Press Release

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compiled by markit

HSBC China Manufacturing PMI™

PMI signals further slight improvement of operating conditions

Summary

November data signalled a further improvement of operating conditions in China's manufacturing sector, albeit marginal. Output and new order growth both increased at their strongest rates in eight months in November, but renewed job shedding led to a solid increase in outstanding business.

After adjusting for seasonal factors, the HSBC *Purchasing Managers' Index™ (PMI™)* posted at 50.8 in November, up slightly from the earlier flash reading, and little-changed from 50.9 October. Though marginal, it was the second-highest index reading in eight months.

Production levels at Chinese manufacturers increased for the fourth month running in November, and at the fastest rate since March. Growth was supported by a quicker expansion of total new business. That was despite new export orders rising at a fractional pace, suggesting that new order growth was largely driven by domestic demand. According to anecdotal evidence, improved business conditions and the launch of new products boosted volumes of new work.

Despite the greater volume of new business, manufacturers cut their staffing levels in November, reversing a slight expansion of payroll numbers in October. That said, the rate of job shedding was only marginal, with a number of panellists citing company down-sizing policies and the non-replacement of voluntary leavers.

Consequently, backlogs of work continued to increase in November. Moreover, the rate of backlog accumulation was the second-strongest in over two years.

Purchasing activity increased over the month in response to greater output requirements. That said, the rate of increase slowed from the previous month to a modest pace. Conversely, stocks of purchases held by Chinese manufacturers declined slightly in November, with a number of firms attributing the reduction to increased production.

Average input costs faced by Chinese goods producers increased for the fourth consecutive month, with panellists reporting higher raw material prices across both national and international markets.

Firms chose to partially pass on their higher cost burdens to clients in November, and raised their selling prices marginally. Moreover, it was the weakest rate of output charge inflation in four months, with some firms lowering their prices in an effort to boost sales.

Comment

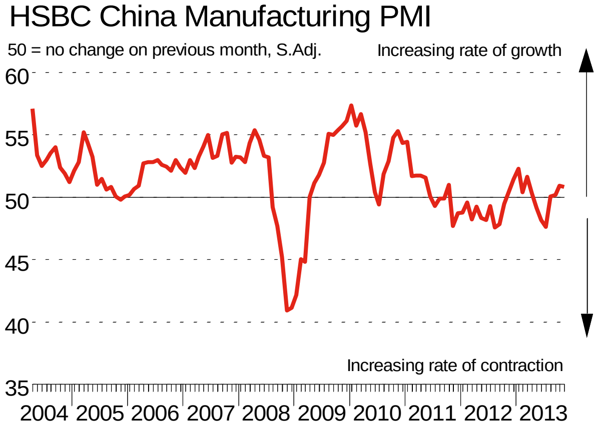
Commenting on the China Manufacturing PMI™ survey, Hongbin Qu, Chief Economist, China & Co-Head of Asian Economic Research at HSBC said:

"China's manufacturing sector kept relatively steady growth momentum in November, as the final manufacturing PMI was revised up from the flash reading on the back of faster new business gains. However, the renewed contraction of employment and the slower pace of restocking activities call for a continuation of accommodative policy. The modest inflationary pressures leave room to do so."

Key points

- Output and total new orders increase at fastest rates for eight months
- New export orders expand at fractional pace
- Outstanding business increases solidly, but staffing levels cut

Historical Overview



Sources: Markit, HSBC.

The December HSBC Flash China Manufacturing PMI is due for release 16th December 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 Report on Manufacturing is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 420 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on industry contribution to Chinese GDP. 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'.

The *Purchasing Managers' Index™ (PMI™)* is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

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.

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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