

# China

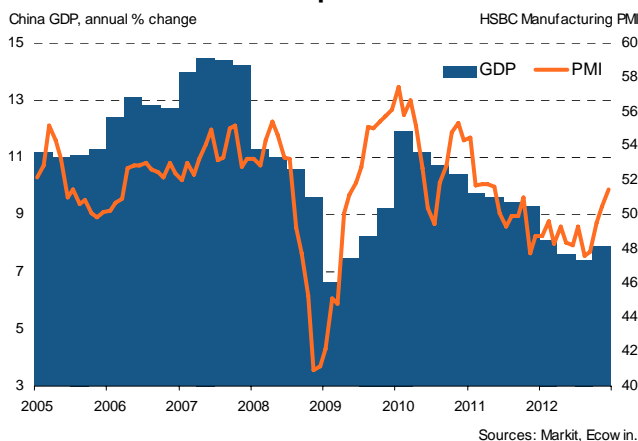
## Manufacturing PMI starts 2013 on two-year high

- **PMI rises for fifth month running in January**
- **Hiring quickens and purchasing activity hits two-year high**
- **Pricing power improves**

China's manufacturing economy grew at the fastest rate for 24 months in January. The flash manufacturing PMI for China, produced by Markit on behalf of HSBC, rose for a fifth successive month, up from 51.5 in December to 51.9, its highest since January 2011.

The PMI has now been above the neutral level of 50, signalling an improvement in business conditions, for three consecutive months. The average reading over the fourth quarter, at 50.5, was the strongest for a year-and-a-half and well above the three-and-a-half year low average of 48.3 seen in the third quarter, correctly signalling in advance the upturn in economic growth from 7.4% to 7.9%. The January data are therefore consistent with a further acceleration in the annual rate of GDP at the start of the first quarter.

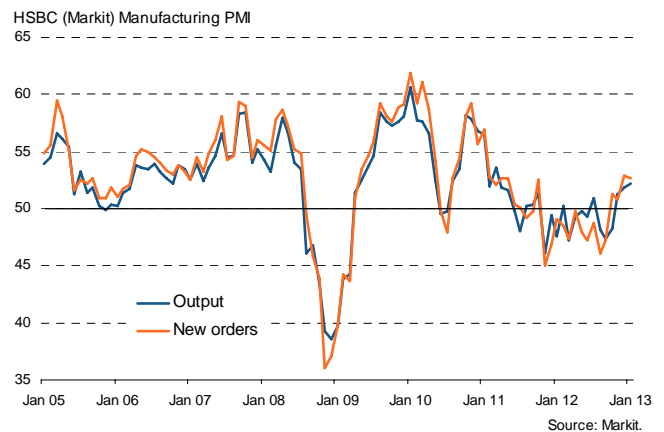
### PMI and Gross domestic product



The improvement in the PMI reflected accelerating growth of output and employment in response to a further upturn in new orders.

Production and new orders both continued to increase in January. While output showed the largest monthly increase since March 2011, new orders grew at a pace only just below the 23-month high seen in December.

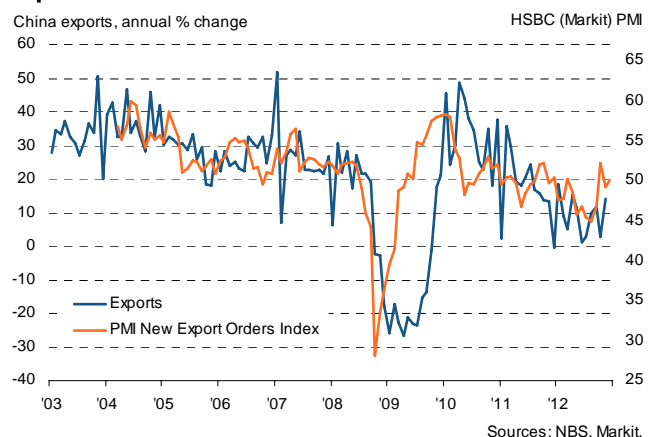
### Orders books and production



### Exports stabilise

Once again, the increase in orders books appeared to be largely driven by the domestic market, as export orders more or less stagnated for the second month in a row. The stabilisation of foreign orders nevertheless represents an improvement on the declines seen throughout almost all of 2012 and suggests that the official data will soon show an upturn in the annual rate of growth of exports.

### Exports



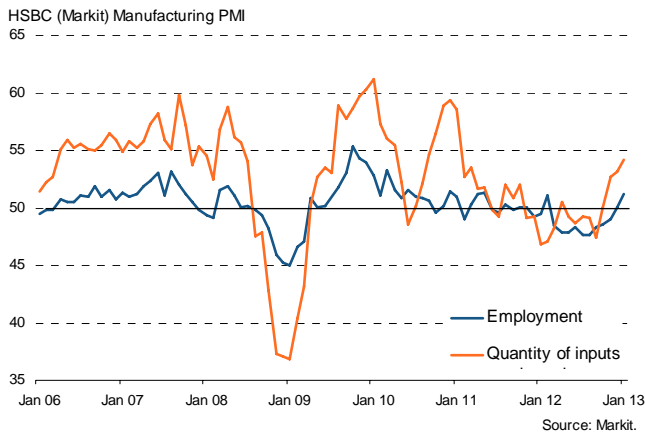
### Hiring resumes; buying activity increases at fastest rate for two years

In a sign that manufacturers expect order book growth to continue in coming months, firms took on more staff

to any significant degree for the first time since February. The increase in headcounts, albeit only modest, was the largest since May 2011.

A further sign of improved confidence in the future was also given by firms increasing their purchases of raw materials to meet rising production requirements. The amount of goods purchased by firms registered the largest monthly rise since January 2011.

**Employment and input purchases**

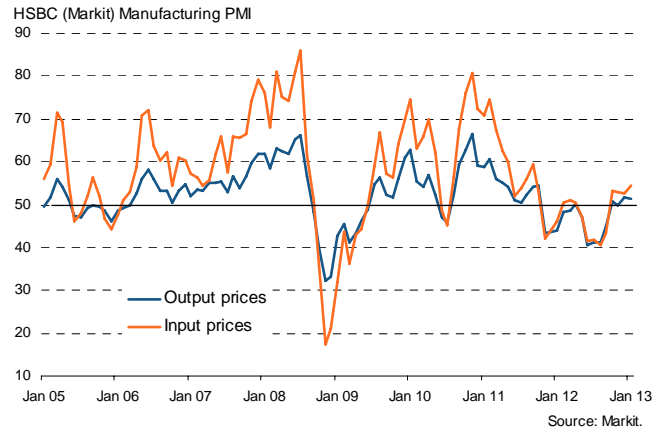


**Pricing power regained as demand revives**

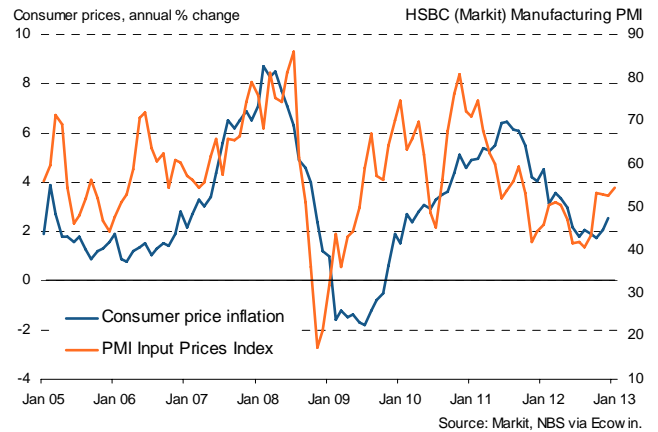
Manufacturers have regained some pricing power alongside the improvement in demand signalled by the New Orders Index. Selling prices rose for the second month running in January. Although only slight, the increase in prices charged contrasts markedly with the steep falls in prices seen throughout much of last year, which had been largely attributed to the need to cut prices to win sales as demand slumped.

However, the latest increase in prices also reflected the need to pass on higher costs to customers. Manufacturers’ input prices rose at the steepest rate since September 2011, up for the fourth month in a row. The upturn in producer prices signalled by the PMI is consistent with consumer price inflation rising further from the seven-month high of 2.5% recorded in December.

**Producer prices**



**Producer and consumer prices**



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