

HSBC China Manufacturing PMI™

Manufacturing output returns to growth

Summary

After adjusting for seasonal factors, the HSBC *Purchasing Managers' Index™ (PMI™)* – a composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy – posted at 50.1 in August, signalling that operating conditions were relatively unchanged from the previous month. This was up from an 11-month low of 47.7 in July, and ended a three-month period of deterioration.

Chinese manufacturers signalled the first expansion of output in three months in August amid signs of improved market conditions. That said, the rate of growth was only slight. Behind the expansion of output, total new orders also increased, albeit marginally, and for the first time since April. Meanwhile, new export orders declined for the fifth consecutive month, and at a slightly quicker pace than that recorded in July. Weak client demand in Europe and the US was said to be behind the latest reduction in new business from abroad.

Higher volumes of new work led to the fastest accumulation of work-in-hand (but not yet completed) in two years. Furthermore, nearly one-in-ten respondents noted an increased amount of outstanding business. Employment levels meanwhile decreased for the fifth successive month in August. However, the rate of job shedding was the weakest in four months, and only marginal.

Average input costs increased for the first time since February. The rate of input price inflation was only modest, however, and slower than the series average. Inflation was generally attributed to higher raw material prices.

Manufacturers only partially passed on their increased costs to clients, raising their output charges marginally in August. Nonetheless, it was the first time in six months that average tariffs had been raised.

Purchasing activity rose for the first time since April, and at a modest pace. According to anecdotal evidence, input buying increased as a result of higher production requirements, which stemmed from new order growth. Stocks of purchases meanwhile declined for the seventh month in a row and at a moderate pace.

Finally, stocks of post-production goods fell for the second month in a row, albeit only slightly. Stronger than expected sales were said to have depleted stocks in the latest survey period.

Comment

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

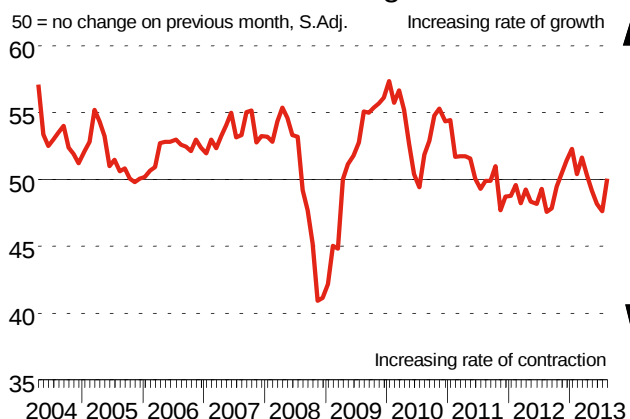
"The final reading of August's HSBC China Manufacturing PMI recovered to 50.1, from an 11-month low of 47.7 in July. This implies that growth in China's manufacturing sector has started to stabilise on the back of a modest rebound of new orders and output. This was mainly driven by the initial filtering through of recent stimulus measures and companies' restocking activities. We expect some upside surprises to China's growth in the coming months."

Key points

- Both output and new orders expand
- Backlogs of work increase at fastest pace in two years
- Input costs and output charges both increase for the first time in six months

Historical Overview

HSBC China Manufacturing PMI



Sources: Markit, HSBC.

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