

# HSBC China Manufacturing PMI™

## Marginal improvement in operating conditions during April

### Summary

April data signalled only a slight improvement of operating conditions in the Chinese manufacturing sector, as output and new orders both expanded at weaker rates. New export orders contracted for the first time in 2013 so far.

On the price front, input prices decreased at the sharpest pace since last September, while output charges declined at the quickest rate for eight months. Job shedding was also recorded in the sector, the first time a net fall in payroll numbers has been recorded since last November.

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 50.4 in April, down from 51.6 in March, signalling a slight improvement in operating conditions. The PMI has now posted above the 50.0 no-change mark for six successive months.

Production at manufacturing plants in China increased for the sixth month in a row, though growth slowed to a marginal pace. New orders displayed a similar trend, with growth easing to a five-month low, while new export orders declined for the first time since last December. There were reports of softer demand from key American, Asian and European export markets.

Average input costs faced by goods producers fell for the second successive month. Furthermore, the decline was the sharpest since last September, with more than 12% of respondents recording a fall in costs. Anecdotal evidence suggested markedly lower raw material costs drove deflation. Output charges also decreased for the second month in a row, with the rate of discounting the fastest in eight months. A number of panellists mentioned cutting average tariffs in the hope of attracting more new business.

Backlogs of work increased, albeit fractionally, whilst employment levels decreased for the first time in five months. The rate of job shedding was marginal, however, with a vast majority of panellists (nearly 85%) noting no change to workforce numbers. The reduction in staff numbers was attributed to the non-replacement of employees that had resigned or retired.

Purchasing activity in the manufacturing sector rose for the seventh month running. Growth was modest, and the joint-weakest in the past six months. With little pressure on vendor capacity, suppliers' delivery times were broadly unchanged in April.

Finally, stocks of purchases fell for the third successive survey period. A number of respondents linked the fall to increased use of current inventories in production. However, post-production stocks increased at the quickest pace in

eight months. Anecdotal evidence suggested higher inventories reflected excess output at some plants.

### Comment

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

*"The slower growth of manufacturing activities in April confirmed a fragile growth recovery of the Chinese economy as external demand deteriorated and renewed destocking pressures built up. The looming deflationary pressures also suggest softer overall demand conditions. All this is likely to weigh on the labour market, which is likely to invite more policy responses in the coming months."*

### Key points

- Total new orders increase, but new export orders decline modestly
- Both input prices and output charges fall sharply
- Employment levels cut for the first time since last November

### Historical Overview



Sources: Markit, HSBC.

**The May HSBC Flash China Manufacturing PMI is due for release 23<sup>rd</sup> May 2013.**

For all forthcoming PMI release dates please see <http://www.markiteconomics.com/Survey/Page.mvc/DiaryofReleaseDates>

**For further information, please contact:**

**HSBC**

Hongbin Qu, Chief Economist, China & Co-Head  
of Asian Economic Research  
Telephone +852-2822-2025  
Email hongbinqu@hsbc.com.hk

Diana Mao, Head of Group Communications, China  
Telephone +86 21 3888 1251  
Email dianayqmao@hsbc.com.cn

**Markit**

Annabel Fiddes, Economist  
Telephone +44-1491-461-010  
Email annabel.fiddes@markit.com

Caroline Lumley, Corporate Communications  
Telephone +44-20-7260-2047  
Mobile +44-781-581-2162  
Email caroline.lumley@markit.com

**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](mailto:economics@markit.com).

**HSBC:**

HSBC is one of the world's largest banking and financial services organisations, with around 6,600 offices in both established and faster-growing markets. We aim to be where the economic growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions.

We serve around 58 million customers through our four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 81 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. Our aim is to be acknowledged as the world's leading international bank.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by about 220,000 shareholders in 129 countries and territories.

**About Markit:**

Markit is a leading, global financial information services company with over 2,800 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see [www.markit.com](http://www.markit.com)

### **About PMIs:**

*Purchasing Managers' Index™ (PMI™)* surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to [www.markit.com/economics](http://www.markit.com/economics)

**The intellectual property rights to the HSBC China Manufacturing 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 license. Markit and the Markit logo are registered trade marks of Markit Group Limited.**