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HSBC Flash China Manufacturing PMI™

Manufacturing sector operating conditions deteriorate at fractional rate in August

- **Flash China Manufacturing PMI™ at 49.8 (49.3 in July). 2-month high.**
- **Flash China Manufacturing Output Index at 49.4 (48.0 in July). 2-month high.**

Data collected 12–19 August.

The HSBC Flash China Manufacturing *Purchasing Managers' Index™ (PMI™)* is published on a monthly basis approximately one week before final PMI data are released, making the HSBC PMI the earliest available indicator of manufacturing sector operating conditions in China. The estimate is typically based on approximately 85%–90% of total PMI survey responses each month and is designed to provide an accurate indication of the final PMI data.

China Flash Manufacturing PMI™ Summary

50.0 = no change on previous month (seasonally adjusted)

PMI	Contraction, slower rate
Output	Contraction, slower rate
New Orders	Contraction, change of direction
New Export Orders	Contraction, slower rate
Employment	Contraction, slower rate
Backlogs of Work	Expansion, faster rate
Output Prices	Inflation, faster rate
Input Prices	Inflation, faster rate
Stocks of Purchases	Contraction, slower rate
Stocks of Finished Goods	Contraction, faster rate
Quantity of Purchases	Expansion, change of direction
Suppliers' Delivery Times	Lengthening, faster rate

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

"The flash manufacturing PMI reading picked up slightly to a level close to the break-even mark in August, which is still consistent with around 13% y-o-y IP growth. Despite the turmoil in global financial markets, the new exports orders index rose to a three-month high, albeit still marginally below 50. All these data suggest that the hard landing risk is still remote. This provides leeway for the PBoC to keep the current tightening measures in place."



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Notes to Editors:

Final August data are published on 1 September.

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 flash estimate is typically based on approximately 85%–90% of total PMI survey responses each month and is designed to provide an accurate advance indication of the final PMI data.

The average differences between the flash and final PMI index values (final minus flash) since comparisons were first available in January 2008 are as follows (differences in absolute terms provide the better indication of true variation while average differences provide a better indication of any bias):

Index	Average difference	Average difference in absolute terms
HSBC China Manufacturing PMI	0.0	0.6
HSBC China Manufacturing Output Index	0.1	1.0

The panel is stratified by Standard Industrial Classification (SIC) group and company size, 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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