

China

Large manufacturers report steepest fall in production for 15 months

- Flash PMI climbs from 49.3 to 49.8, two-month high, but rise is due to renewed growth at smaller companies
- Large manufacturers report steepest fall in output since May 2010

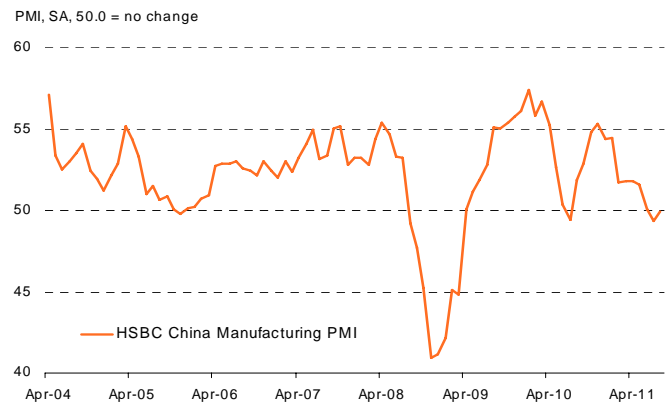
Flash PMI™ survey data, compiled by Markit on behalf of HSBC, released today showed Chinese manufacturing production falling for the second successive month during August. However, the rate of decline in factory output eased compared with July, with the PMI Output Index climbing from 48.0 to 49.4, a level indicative of only a marginal reduction in production volumes.

The easing in growth was not broad-based, however, with differing performance by company size. The slower contraction of production reflected renewed growth at smaller manufacturers, where production rose for the first time in three months. In contrast, large firms recorded the sharpest decline in output for 15 months. This represents a turnaround compared to earlier in the year, when larger companies had generally outperformed smaller firms.

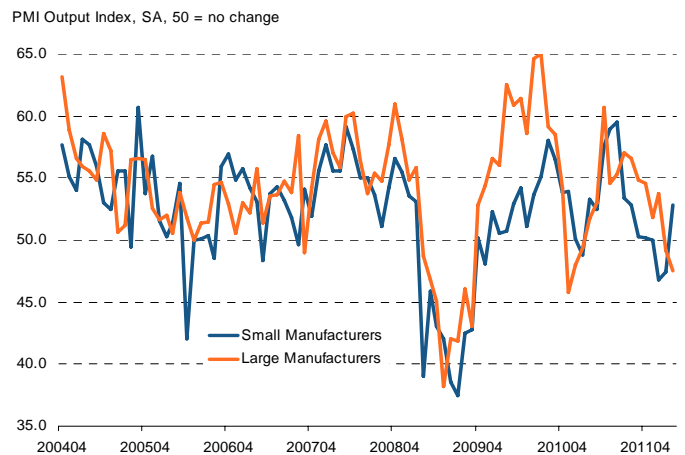
The disappointing performance of larger companies suggests that the PMI measure compiled by the China Federation of Logistics and Purchasing (CFLP) could drop further towards the 50.0 mark that separates contraction from expansion, or even slip below 50, as we understand that the CFLP survey panel tends to be dominated by large manufacturing firms.

On the other hand, the CFLP PMI measure could rise from its 29-month low, as seasonal factors have historically boosted the PMI readings for August. Indeed, with the exception of 2008, when the global economy was heading towards recession, the seasonally adjusted CFLP PMI has risen each year in August since its inception in January 2005, suggesting some residual seasonality in the series.

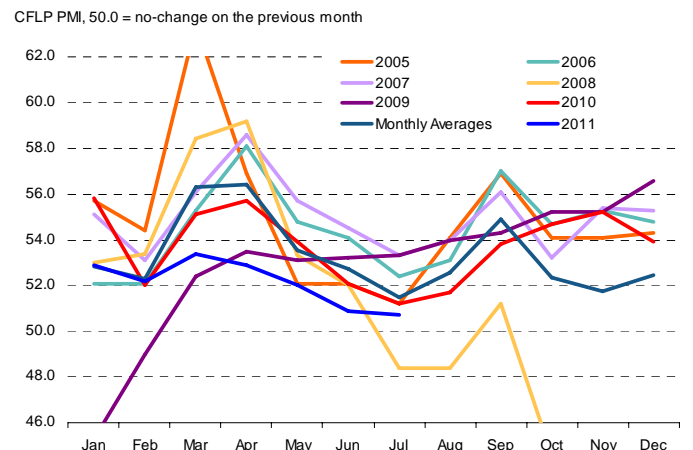
HSBC Flash Manufacturing PMI™



Small and large manufacturers



Seasonal patterns in CFLP PMI data



Sources: Markit, HSBC, EcoWin.

HSBC China Manufacturing PMI™ data are published 1 September. To find out how to receive PMI data, please contact economics@markit.com.

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