

PMI

Caixin China
General Services
PMI Press Release

2023.12



Caixin China General Services PMI®

Services activity expands at quickest pace for five months in December

Growth momentum across China's service sector continued to revive at the end of 2023, according to the latest PMI data. Companies signalled solid increases in activity and new business, with the latter expanding at the quickest pace since May. As a result, firms tentatively raised their workforce numbers for the first time in three months, while optimism regarding the year ahead also improved.

Differing trends were meanwhile seen for prices data. While average input costs increased at a faster pace, selling prices rose at a softer and only marginal rate amid competition for new work.

The seasonally adjusted headline Caixin China General Services Business Activity Index increased from 51.5 in November to 52.9 at the end of the fourth quarter, to indicate an expansion of service sector output for the twelfth month in a row. Furthermore, the rate of growth was the quickest recorded since July and solid.

Companies often reported that better underlying market conditions and greater intakes in new business had underpinned the stronger rise in service sector activity. Overall new business expanded at a solid pace that was the fastest since May, with a number of firms noting improved customer numbers and spending. Foreign demand for Chinese services also increased again at the end of the year. Though modest, the rate of new export order growth was the most pronounced since June.

Improved demand conditions led firms to increase their staffing levels in December as they planned to meet rising business requirements. Though marginal, it marked the first upturn in service sector employment for three months.

Higher staffing levels helped to ease pressure on operating capacities at the end of the year. Backlogs of work were unchanged in December following increases in each of the prior 16 months.

Prices data indicated that cost pressures across China's service sector picked up in December. The rate of input price inflation picked up to a five-month high, albeit remaining modest overall. There were reports that greater costs for raw materials and labour had pushed up expenses at the end of the year.

Despite the quicker rise in input costs, fees charged by services companies rose at a marginal pace that was the slowest in four months. There were a number of reports that efforts to attract and secure new business had limited overall pricing power in the latest survey period.

Chinese services companies remained upbeat that business activity will increase over the next 12 months in December. Businesses that forecast rising output over the course of 2024 often attributed this to forecasts of stronger economic conditions and a corresponding increase in client spending. The level of positive sentiment remained below the series average, however, despite improving to a three-month high.

China General Services Business Activity Index

sa, >50 = growth since previous month



Key findings:

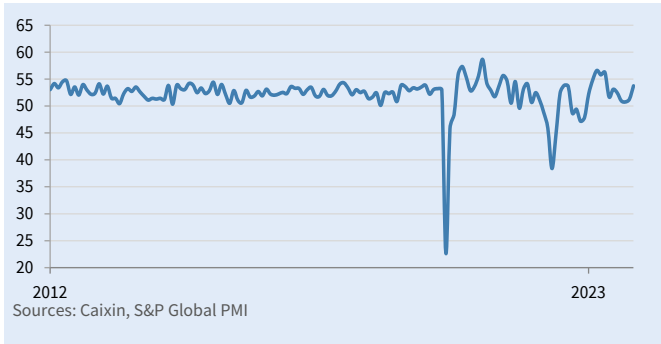
Solid increase in service sector activity at end of 2023...

...aided by fastest rise in new work since May

Slight increase in employment

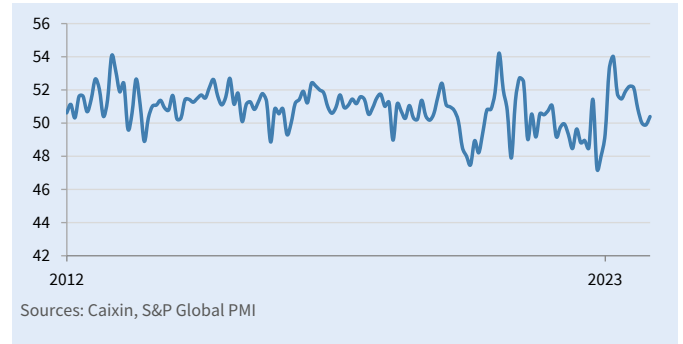
New Business Index

sa, >50 = growth since previous month



Employment Index

sa, >50 = growth since previous month



Commenting on the China General Services PMI® data, Dr. Wang Zhe, Senior Economist at Caixin Insight Group said:

“The Caixin China General Services Business Activity Index recorded 52.9 in December, rising 1.4 points from the previous month. The gauge remained in expansion throughout the entire year, signaling a sustained recovery in the services sector.”

“Both supply and demand expanded. As the market sustained its rally, the gauges for business activity and total new orders stayed in positive territory, reaching peaks since July and May, respectively. External demand continued its upward trajectory for the fourth consecutive month, with the reading hitting the highest level since June.”

“Employment registered a subtle uptick as businesses exercised caution in hiring. But the slight expansion was sufficient to absorb new orders, keeping backlogs of work unchanged.”

“The services sector logged diverging price increases in December, with rising costs in raw materials and labor contributing to the fastest growth in input costs over the past five months. However, intense market competition restrained service providers from raising

fees, resulting in only a marginal increase and the gauge measuring a four-month low.”

“Optimism prevailed in the services industry, with enterprises expressing confidence in an improved economic outlook for the coming year. This sentiment was reflected in the gauge for businesses’ expectations about future activity, which came in at around the historical mean from 2012 to 2022, albeit about 3 points below the average for the first 11 months of 2023.”



Caixin China General Composite PMI®

Composite output growth improves to seven-month high

Composite indices are weighted averages of comparable manufacturing and services indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

The Composite Output Index increased from 51.6 in November to 52.6 at the end of 2023, to signal back-to-back increases in overall Chinese business activity. Furthermore, the rate of growth was the best recorded since May, with both manufacturers and service providers registering stronger expansions of output.

The quicker increases in output were aided by firmer demand conditions across both monitored sectors in December. Composite new business likewise expanded at the fastest rate in seven months, while the downturn in new export business continued to ease. Notably, overall foreign demand declined at a fractional pace that was the slowest in six months. Employment at the composite level continued to contract, however, amid signs of little pressure on companies' capacities as backlogs of work fell slightly for the first time since July 2022. Average input costs meanwhile increased at the quickest rate in three months. However, the overall rate of selling price inflation remained marginal amid tough market competition.

Comment

Commenting on the China General Composite PMI® data, Dr. Wang Zhe, Senior Economist at Caixin Insight Group said:

“In December, the Caixin China General Composite PMI reached 52.6, up 1 point from the previous month. Both the manufacturing and services sectors’ supply and demand expanded. A decline in manufacturing exports dragged on overall external demand, and a drop in manufacturing employment had a dampening effect on overall employment. Meanwhile, service providers faced relatively high input costs.

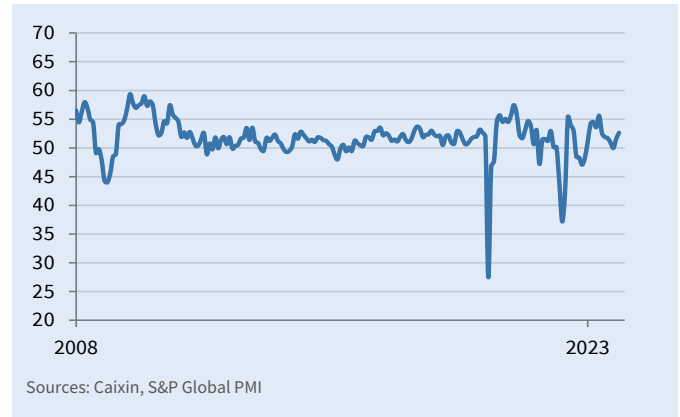
“The annual Central Economic Work Conference in December highlighted ongoing economic recovery and progress in high-quality development. But it is also crucial to note that domestic and external demand is still insufficient, and the foundation for a positive economic recovery needs to be consolidated. Particularly, weak expectations from households and enterprises and pressure on the job market persist.

“Policymakers called for efforts to “pursue progress while ensuring stability, consolidate stability through progress, and establish the new before abolishing the old,” prioritizing policies that boost expectations, growth and employment.

“Looking to the new year, there is still room for adjustments in fiscal and monetary policies. Efforts to increase employment should be strengthened to alleviate pressure on the job market, improve people’s livelihoods, and ultimately foster long-term market confidence.”

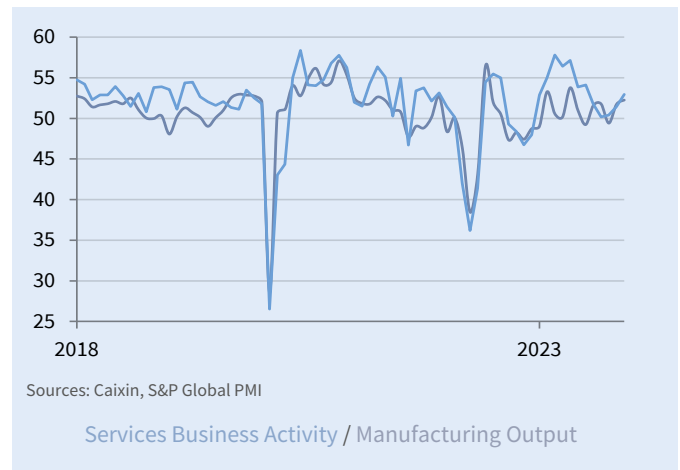
China General Composite Output Index

sa, >50 = growth since previous month



Index by sector

sa, >50 = growth since previous month





Survey methodology

The Caixin China General Services PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 650 private and state-owned services companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. For the purposes of this report, China is defined as mainland China, excluding Hong Kong SAR, Macao SAR and Taiwan.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For more information on the survey methodology, please contact: economics@spglobal.com.

Survey dates and history

Data were collected 06-14 December 2023.

Data were first collected November 2005.

About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 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.

www.spglobal.com/marketintelligence/en/mi/products/pmi

About Caixin

Caixin is an all-in-one media group dedicated to providing financial and business news, data and information. Its multiple platforms cover quality news in both Chinese and English. Caixin Insight Group is a high-end financial research, data and service platform. It aims to be the builder of China's financial infrastructure in the new economic era.

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