

PMI

Caixin China
General Services
PMI Press Release

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Caixin China General Services PMI®

Services activity growth fastest in ten months

China's service economy expansion accelerated in May as greater new business inflows spurred faster services activity growth. New export business also increased at the fastest pace in a year. In turn, service providers expanded their staffing levels, which supported the clearance of backlogged orders.

Price pressures intensified, however, with firms raising their charges amid rising cost burdens. Confidence levels also eased to a seven-month low amid concerns about the global economic environment and rising prices.

The seasonally adjusted headline Caixin China General Services Business Activity Index climbed to 54.0 in May, up from 52.5 in April. This signalled an expansion in activity for a seventeenth consecutive month and at the fastest pace since July 2023.

Underpinning the latest acceleration in services activity growth was faster new business inflows. Incoming new work increased at the quickest pace since May 2023 and solid overall. Likewise for export business, the rate of expansion was the most pronounced in a year. Anecdotal evidence pointed to improvements in domestic and external market conditions, alongside the launch of new products as factors helping to drive the rise in new work.

As a result of growth in new business and activity, staffing levels expanded for the first time in four months. The rate of employment growth was marginal, but the fastest since September 2023. Additional staff were hired in May to cope with ongoing workloads according to panellists. This was effective as the level of backlogged work continued to decline in May, albeit only marginally.

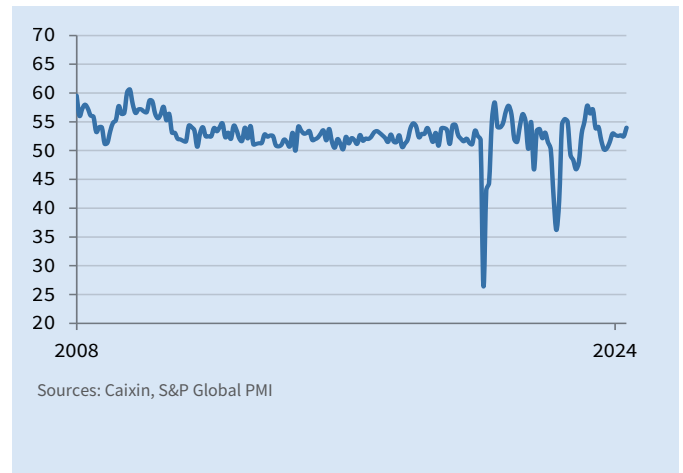
Turning to prices, average input costs increased in May, extending the sequence of inflation to just under four years. The rate of inflation accelerated to a level comparable with the long-run average in April to the fastest in 11 months. Rising input material, labour and transport costs were mainly mentioned by survey respondents as factors for the rise in input prices.

Consequent of rising input cost inflation, Chinese service providers opted to share their increased cost burdens with clients. This resulted in the fastest increase in average prices charged since January 2022. The rate of inflation was moderate, but nonetheless above its pre-pandemic average.

Finally, sentiment remained positive in the Chinese service sector in May. That said, confidence levels fell to a seven-month low amid rising concerns over the global economic outlook and inflation.

China General Services Business Activity Index

sa, >50 = growth since previous month



Key findings:

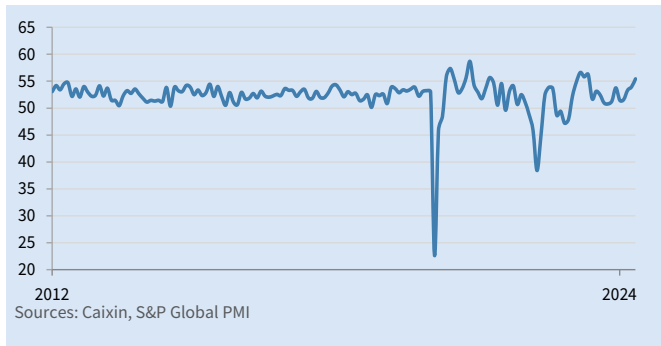
New business and export business expand at fastest rates in a year

Staffing levels rose for the first time since January

Fastest increase in charges in over two years as cost pressures intensify

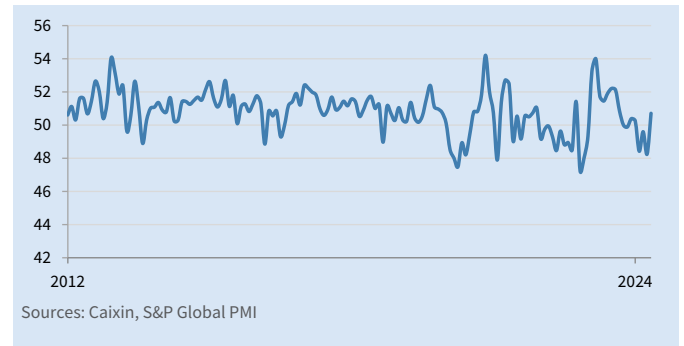
New Business Index

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 came in at 54.0 in May, up 1.5 points from the previous month, reaching the highest since last July. The index remained in expansionary territory for the 17th straight month, indicating an accelerated recovery in the sector.”

“Expansion in supply and demand picked up pace. Business activity and total new orders both grew for the 17th month in a row, increasing at the fastest pace since July and May last year, respectively. Notably, growth in total new orders recorded its fourth consecutive month of acceleration, reflecting a strong recovery in demand. External demand also saw its fourth consecutive month of faster growth, while the corresponding gauge stayed in expansionary territory for the ninth straight month.”

“Employment expanded following three months of contraction. Continued inflows of new orders prompted service providers to increase their workforce, bringing the corresponding indicator to its highest reading since last September. High activity on the supply

side absorbed some of the existing orders, reducing the backlogs of work in May.

“Prices rose modestly. Both input costs and prices charged by service providers increased, although the increases were limited. Due to previously persistent weak price levels, their gauges reached the highest levels since last June and January 2022, respectively. The increases in input costs were due to a rise in prices for raw materials, salaries, and transportation fees.”

“Market sentiment remained optimistic. Surveyed companies were generally confident about future market prospects, although they expressed concerns over the global economic landscape and growing costs of raw materials. The corresponding gauge remained in expansion but below its historical average.”



Caixin China General Composite PMI®

Fastest expansion in business activity since May 2023

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 rose to 54.1 in May, up from 52.8 in April, to indicate that Chinese business activity expanded for a seventh successive month and at the fastest pace in a year. Underlying data revealed that output growth accelerated in both the manufacturing and service sectors.

Faster new orders growth supported the latest rise in activity, though it was services new business expansion that picked up speed from April. This also led to a marginal rise in employment levels, the first in nine months.

Optimism levels fell slightly from April, however, attributed to reduced service sector confidence. Rising prices partially contributed to lower sentiment levels. Input cost and output price inflation rates were their highest in 23 and seven months respectively.

Comment

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

"In May, the Caixin China General Composite PMI measured 54.1, up 1.3 points from the previous month and continuing to hit the highest level since last May. Growth in supply and demand in the manufacturing and services sectors picked up pace, with a particularly strong increase in services demand. Exports in both sectors improved amid market optimism. Employment in the services industry shifted from a decline to an increase, driving the index at the composite level into expansion for the first time in nine months.

"Currently, China's economy is generally stable and remains on the road to recovery. This is especially evident from the expectation-beating growth in industrial production in April. The economy's performance is consistent with the Caixin manufacturing PMI, which has remained in expansionary territory for seven consecutive months. Nevertheless, pressure on employment and weaker demand than supply remain prominent issues. The root cause is overall weak expectations, which have stemmed from a variety of adverse internal and external factors over a long period.

"It will take time to find solutions to these accumulating problems. Policies aimed at stabilizing the economy, boosting domestic demand and increasing employment need to be strengthened and consistent."

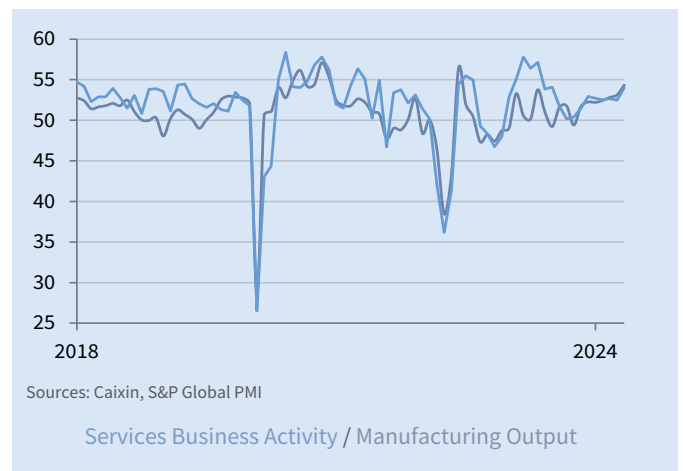
China General Composite Output Index

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 10-22 May 2024.

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.

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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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