

PMI

Caixin China
General Services
PMI Press Release

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Caixin China General Services PMI®

Service activity growth picks up pace in July

The expansion of China's service economy accelerated entering the second half of 2024. This was supported by faster new business inflows, while export business also continued to rise. Greater efficiency, aided by higher workforce capacity, further enabled service providers to work through their outstanding business.

Average selling prices meanwhile were unchanged in July despite cost inflation rising. This was as firms sought to remain competitive amid cautious optimism with regards to output in the year ahead.

The seasonally adjusted headline Caixin China General Services Business Activity Index posted 52.1 in July, up from 51.2 in June. This extended the period of expansion that commenced in January 2023, albeit at a pace that remained below the year-to-date average.

Driving the latest rise in services activity was faster new business growth. Incoming new business increased at a solid pace in July, supported by sustained improvements in underlying demand conditions and an expansion of services offerings.

While export business also expanded, attributed to rising interest from overseas clients and growth of tourism activity, the rate of export business expansion eased to the slowest in the current 11-month sequence.

To support ongoing workloads, Chinese service providers hired additional employees, including temporary staff. The rate at which employment levels rose was the fastest in nearly a year despite being modest overall.

With higher staffing levels and improvements in efficiency, services firms in China were able to lower their level of outstanding business in July.

Meanwhile, average input prices continued to rise at the start of the second half of the year. Panellists often mentioned that higher input material, wage and transport costs had underpinned the increase in cost burdens. Additionally, the hotter-than-usual summer also led to additional expenditures aimed at tackling the heat for staff.

That said, average selling prices were unchanged in July after rising throughout the past five months. Instances of service providers raising selling prices to reflect higher cost burdens were offset by others lowering selling prices to support sales. This was amidst relatively subdued optimism in July, with the level of business confidence being the second-lowest since March 2020, ranked just above June's low. Firms were cautiously optimistic that improvements in market conditions and business development efforts can support services activity growth in the year ahead.

China General Services Business Activity Index

sa, >50 = growth since previous month



Key findings:

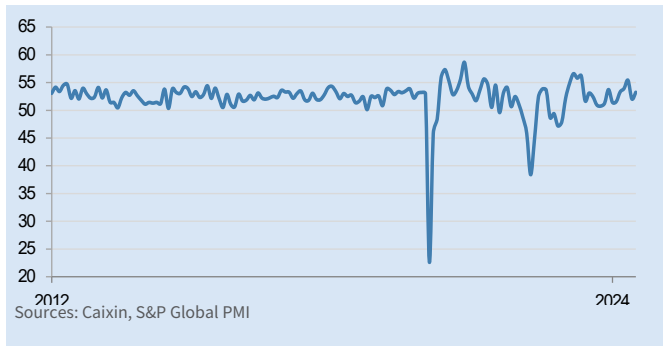
New business expansion accelerates to a solid rate

Fastest employment growth in nearly a year

Average charges stagnate despite rising cost inflation

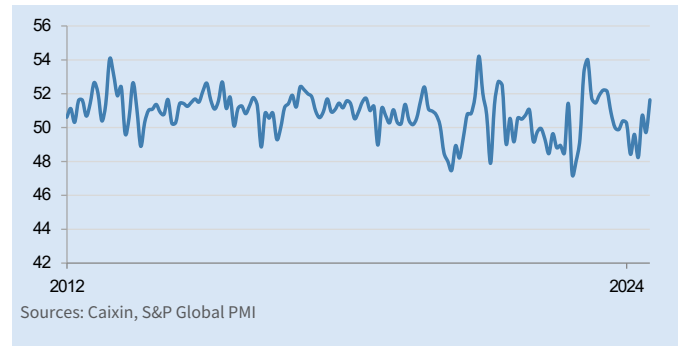
New Business Index

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 52.1 in July, up 0.9 points from the previous month, staying in expansionary territory for the 19th consecutive month and showing a stable expansion of the sector.

“Growth in supply and demand picked up pace. Amid continued market improvement, business activity and total new orders both grew for the 19th month in a row, increasing at a faster pace than the previous month. Tourism footfall from overseas increased. External demand expanded, keeping the corresponding gauge in expansionary territory for the 11th straight month. However, it is worth noting the measure fell to its lowest level in 11 months, indicating a slowdown in growth of overseas demand.

“The labor market shifted from contraction to expansion. The indicator for employment entered positive territory for the second time in the past six months, registering the highest reading since August 2023. Service providers increased their workforce in response to growing market demand, which absorbed some of their existing

orders, pushing the gauge for backlogs of work into negative territory.

“Price levels were under pressure. Increased costs for raw materials, wages and freight continued to push up input costs for businesses, keeping the corresponding indicator in expansionary territory. Service providers still faced sales pressure, and they had limited room to increase their service fees. The level of prices charged was unchanged from the previous month.

“Market optimism was limited. Some of the surveyed companies expressed confidence in further market improvement while others showed concern. In July, the gauge for future activity expectations rebounded slightly, and the reading was the second-lowest since March 2020.”



Caixin China General Composite PMI®

Slowest rise in private sector output in nine months

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 posted 51.2 in July, down from 52.8 in June. This signalled that Chinese business activity expanded for a ninth successive month, but at the least pronounced pace in the current sequence. Faster services activity growth was offset by a slower and only marginal rise in manufacturing production.

Expansion in new orders likewise eased and was limited to the service sector. That said, employment returned to growth with renewing hiring in the service sector. Overall sentiment also improved with confidence rising across both manufacturing and service sectors.

Meanwhile, average selling prices slightly declined in July, attributed mainly to falling goods charges. This was despite higher input costs, which rose again albeit at the slowest pace in four months.

Comment

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

“In July, the Caixin China General Composite PMI measured 51.2, down 1.6 points from the previous month while staying in expansionary territory for the ninth consecutive month.

“The services sector saw improvement while manufacturing faced greater pressure. The former outperformed the latter in terms of supply, demand and employment. Prices at the composite level remained weak, on the sales front in particular, further squeezing the space for company profits. Regarding market expectations, optimism improved compared to June, although the corresponding gauge remained at a low level.

“July’s Third Plenum of the 20th Central Committee of the Communist Party outlined a strategic roadmap to further deepen reform comprehensively and advance Chinese modernization, providing direction for the future development of the economy.

“Having said that, the latest data show that real GDP growth in the second quarter slowed to 4.7% year-on-year. After achieving a good start in the first quarter, the growth rate in the second quarter was significantly lower than market expectations, meaning that it will be challenging for the country to meet its annual growth target of around 5%.

“The most prominent issues are still insufficient effective domestic demand and weak market optimism. Therefore, policy efforts should focus on stabilizing growth, improving employment, safeguarding people’s livelihoods, intensifying policy stimulus, ensuring effective implementation of previous policies, and unleashing market vitality.”

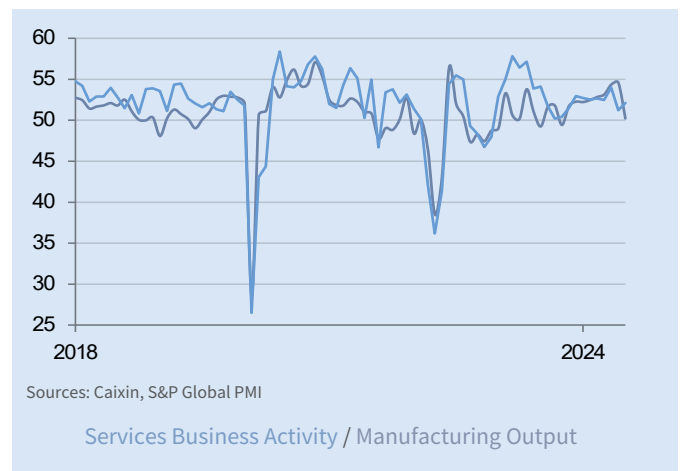
China General Composite Output Index

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 11-23 July 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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