

PMI

Caixin China
General Services
PMI Press Release

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Caixin China General Services PMI®

Service sector expansion close to stagnation in September

China's service economy expansion further slowed at the end of the third quarter of 2024. Incoming new business and activity increased only marginally in September, though export business growth accelerated to a solid pace. Capacity pressures were evident nonetheless as higher new business contributed to an accumulation of backlogged work and the hiring of additional staff.

However, the slowdown in growth led to a marked reduction in optimism levels among service providers. Firms were also reluctant to raise prices even as input costs inflation intensified.

The seasonally adjusted headline Caixin China General Services Business Activity Index posted 50.3 in September, down from 51.6 in August. This extended the period of expansion that commenced in January 2023, albeit with the rate of growth easing to the softest in a year.

New business inflows for services firms in China expanded for a twenty-first straight month in September as underlying demand conditions improved. New product launches were often mentioned as reasons supporting higher demand as well. That said, the rate of expansion decelerated to the slowest in nearly a year. That was despite a solid expansion of export business. Anecdotal evidence suggested that a widening of sales channels and marketing efforts enabled exporters to bring in higher foreign orders.

Backlogs increased for a second successive monthly as a result of rising new work inflows. Firms therefore hired additional staff to cope with ongoing workloads. While marginal, the latest rise in employment marked only the third rise in staffing levels in the past eight months.

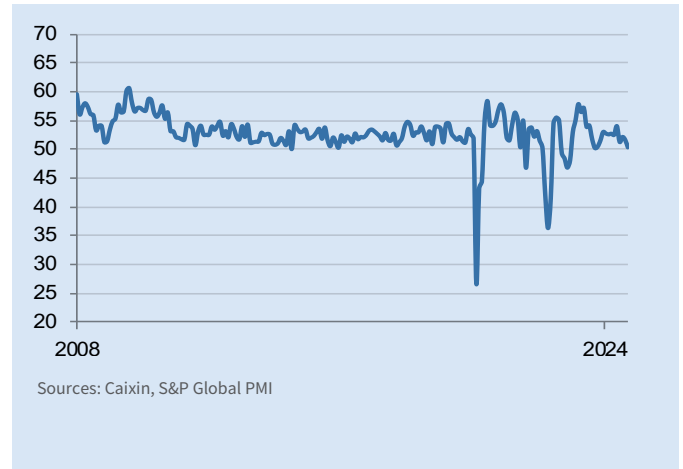
Turning to prices, average input costs increased in September, attributed to higher input material, labour and energy costs according to panellists. Furthermore, the rate of inflation posted above the series average to the highest in nearly two-and-a-half years.

However, firms were hesitant to raise prices despite the intensification of cost pressures. Average output prices fell for a second successive month. Although marginal, this was only the fourth time that selling prices have declined in the past three years. According to survey respondents, prices were lowered, and discounts were offered in an attempt to support sales amid heightened competition.

Finally, overall confidence fell in the latest survey period to the lowest since March 2020. While firms were broadly hopeful that better market conditions and promotional efforts can boost sales in the year ahead, some raised concerns over rising competition and the global economic outlook.

China General Services Business Activity Index

sa, >50 = growth since previous month



Key findings:

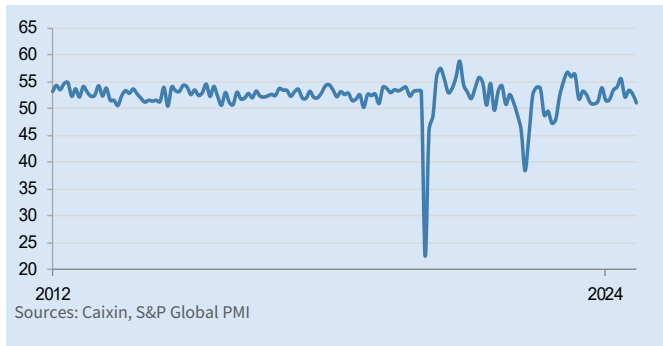
New business growth decelerates to slowest in nearly a year

Employment returns to growth, albeit only marginally

Optimism slides to four-and-a-half-year low

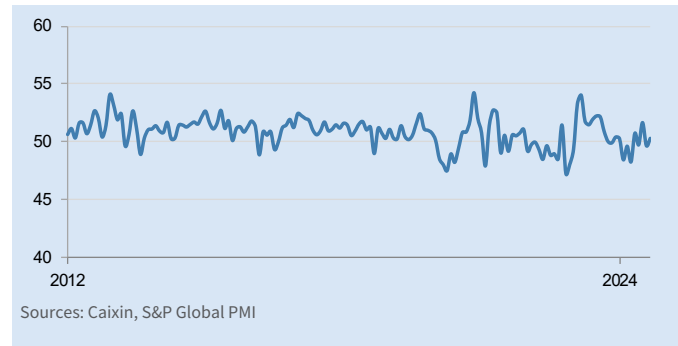
New Business Index

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 50.3 in September, falling 1.3 points from the previous month to the lowest reading in 12 months. The sector maintained its expansionary streak unbroken since the beginning of last year, but the pace slowed for the second month in a row.

“Supply and demand continued to grow, but at a muted clip, amid average market performance. Business activity and total new orders grew, marking 21 straight months of expansion, but both decelerated for the second consecutive month. Overseas demand, however, was a bright spot, with growth accelerating by nearly 2 points to its quickest level in the third quarter.

“Employment in the services sector expanded slightly as companies increased their workforce moderately in response to new orders. The corresponding gauge returned to expansionary territory, marking the third time it read above 50 over the past eight months. In September, businesses also saw their backlogs of work increase slightly.

“Input costs and output prices continued a divergent trend, with the former increasing on higher overheads for raw materials, labor and energy. Service providers cut prices charged amid fierce competition, keeping the gauge in contraction for the second straight month. Given that input costs continued to grow, reaching their highest level since April 2022, business profit margins have been squeezed further.

“Market optimism weakened significantly, as businesses expressed concerns about economic uncertainties in the near future. September’s reading for future activity expectations marked the third-lowest in nearly 20 years, above only February and March 2020 during the Covid pandemic.”



Caixin China General Composite PMI®

Output rises at slowest pace in nearly a year

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 50.3 in September, down from 51.2 in August. This signalled that Chinese business activity rose for an eleventh straight month, but at the slowest pace in the current sequence. The easing of growth was attributed to slower expansions across both manufacturing and services sectors.

New orders meanwhile fell for the first time since December 2022, though the decline was limited to the goods producing sector. In turn, staffing levels also fell, likewise driven by reductions at manufacturers, while overall optimism levels slipped to a record low.

Overall input cost inflation eased to a ten-month low as manufacturing costs declined. This was while average charges fell at the most pronounced pace in nearly one-and-a-half years.

Comment

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

“In September, the Caixin China General Composite PMI measured 50.3, down 0.9 points from the previous month. Supply in both the manufacturing and services sectors expanded slightly, with a notable contraction in manufacturing demand. The shrunken labor market in manufacturing dragged on employment at the composite level. Moreover, output prices declined in both sectors by different degrees, while service providers faced significantly increased input costs. Notably, market optimism at the composite level fell to a record low.

“Across the board, the latest macroeconomic data have fallen short of market expectations. Insufficient effective domestic demand remains a prominent issue, with significant pressure on employment and weak optimism constraining people’s willingness and ability to spend.

“Meanwhile, a complex and severe external environment creates greater uncertainty for overseas demand. The economy grew 5% year-on-year in the first half of this year, and the recovery momentum in the third quarter was weak, making it challenging to achieve the annual growth target.

“On the policy front, measures currently in the works should be sped up to take effect sooner, while the need for additional policies has only grown more urgent. Currently, there is relatively sufficient policy space. Fiscal and monetary policies should play a greater role in safeguarding people’s livelihoods, improving the job market and stimulating demand.”

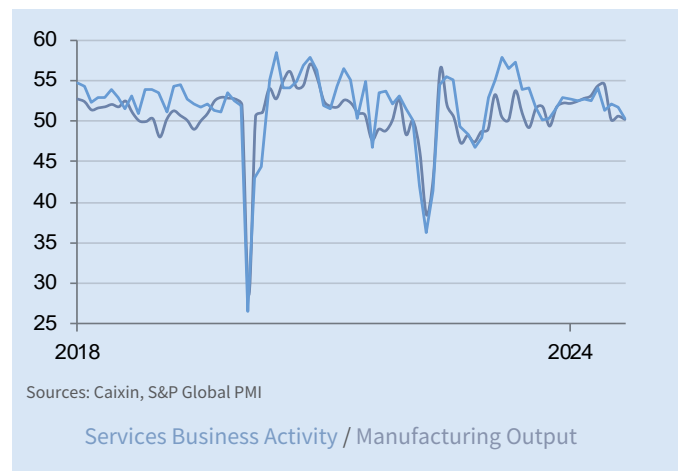
China General Composite Output Index

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 12-20 September 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.

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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