

PMI

Caixin China
General Services
PMI Press Release

2021.09



Caixin China General Services PMI™

Service sector returns to growth in September

September PMI data showed renewed and strong increases in both new work and output across China's service sector, as firms commented that the recent fall in domestic COVID-19 cases had boosted market conditions. New export business fell slightly, however, with firms indicating that foreign demand remained subdued amid the ongoing pandemic.

At the same time, confidence towards the 12-month outlook improved, and firms expanded their staffing levels slightly. There were signs of stronger inflationary pressures, however, as both input costs and output charges rose at faster rates compared to August.

The headline seasonally adjusted Business Activity Index picked up from 46.7 in August to 53.4 in September, to signal a renewed and solid increase in services activity. With the exception of August's decline, service sector output has risen in each month since May 2020.

The improved performance was supported by a strong increase in total new business at the end of the third quarter. Firms often mentioned that firmer market conditions and higher customer numbers had driven the renewed upturn in sales as the COVID-19 situation had improved. However, foreign demand dipped slightly in September, following two months of broadly stable export work.

Greater intakes of new work and plans to increase capacity led to a renewed rise in service sector employment during September. Though marginal, the rate of job creation was the strongest seen since May.

Meanwhile, capacity pressures were relatively mild. Outstanding work rose at the softest pace for three months and only slightly overall. Some panel members indicated that greater intakes of new work had led to increased backlogs, while others mentioned improvements in efficiency as pandemic-related disruption eased.

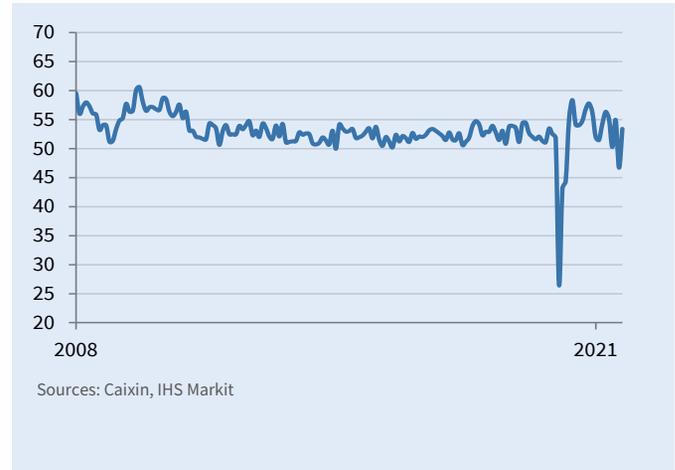
Amid reports of higher costs for staff, transportation and raw materials, average input costs continued to increase in September. The rate of inflation accelerated since August and was solid overall.

Part of firms' higher expenses were passed on to customers, as highlighted by a renewed increase in average output charges. The modest uplift in fees followed a marginal reduction in August.

Predictions that the COVID-19 will be brought under control globally, and that market conditions and client demand will improve, supported optimism towards the 12-month business outlook in September. Growth forecasts were also linked to new product developments and planned company expansions. The overall degree of optimism picked up from August but remained below the average seen since the survey began nearly 16 years ago.

China General Services Business Activity Index

sa, >50 = growth since previous month



Key findings:

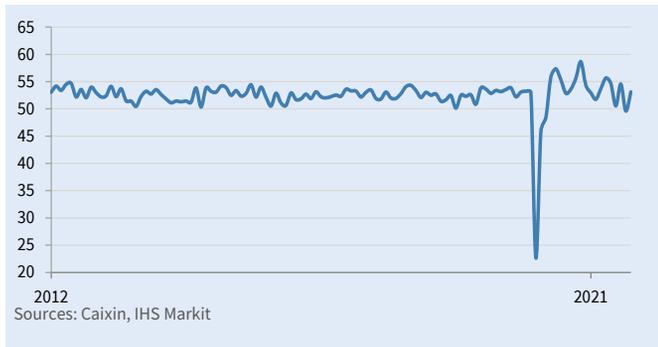
Business activity and sales both rise solidly

Employment expands slightly

Inflationary pressures strengthen

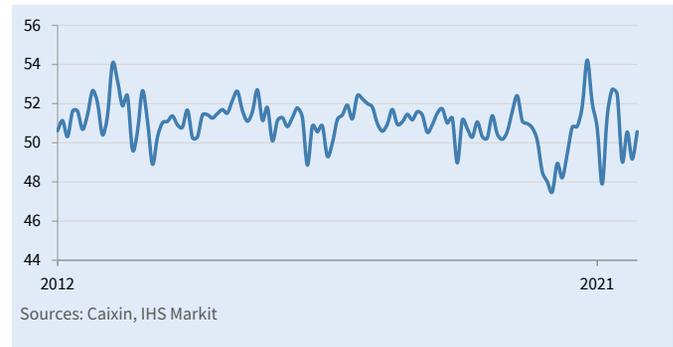
New Business Index

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 53.4 in September, up from 46.7 the previous month. The Covid-19 flare-ups in East China's Jiangsu province, which had largely impacted services previously, was contained, contributing to the expansion of activity in the services sector.

"Both supply and demand in the services sector recovered. Despite the reappearance of Covid-19 in several regions, the epidemic's impact on the sector moderated. The gauges for both business activity and total new business bounced back into expansionary territory in September. The epidemic overseas weakened service exports. The gauge of new export business fell into negative territory in September, hitting its lowest in seven months.

"The job market for services recovered. As both market supply and demand improved, employment in the services sector also got better, with the measure for employment bounding back into positive territory. Outstanding business continued to increase, but at a slower pace.

"Input and output prices in the services sector rose. Input prices rose for the 15th straight month in September and increased at a faster pace than the previous month. That was because of rising labor, freight and raw material costs. Like in the manufacturing sector, rising cost pressure was partly transmitted downstream to consumers as demand was not weak, with the gauge for prices charged returning to expansionary territory.

"Market sentiment remained optimistic. Service enterprises showed strong confidence that the epidemic will continue to be effectively controlled. The gauge of business expectations rose further into positive territory, though it remained below its long-term average."



Caixin China General Composite PMI™

Modest expansion of overall Chinese business activity in September

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 China Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

The Composite Output Index rose from 47.2 in August to 51.4 in September, to signal a renewed expansion of total Chinese business activity. Output has now increased in 16 of the past 17 months. That said, the rate of growth was modest overall, and softer than the long-run series average. Sector data indicated that the upturn was driven by a renewed increase in services activity, as manufacturing output fell slightly.

September data also pointed to a fresh rise in total new work. Services companies registered a solid increase in sales, while manufacturing firms noted only a marginal upturn in orders. This was despite a slight decline in overall new export business.

Composite employment fell only fractionally in September. Prices data meanwhile saw steeper increases in both input costs and output charges.

Comment

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

"The Caixin China General Composite PMI rose to 51.4 in September from 47.2 the previous month. Both market supply and demand recovered, and improvement in the services sector was stronger than in the manufacturing sector. Impacted by the pandemic, overseas demand was weak. Employment was stable overall. Prices gauges remained high, indicating strong inflationary pressure.

"Overall, because the impact of the pandemic was less severe in September than the previous month, services quickly rebounded. In contrast, the recovery in the manufacturing sector was limited, showing the economy still faced downward pressure.

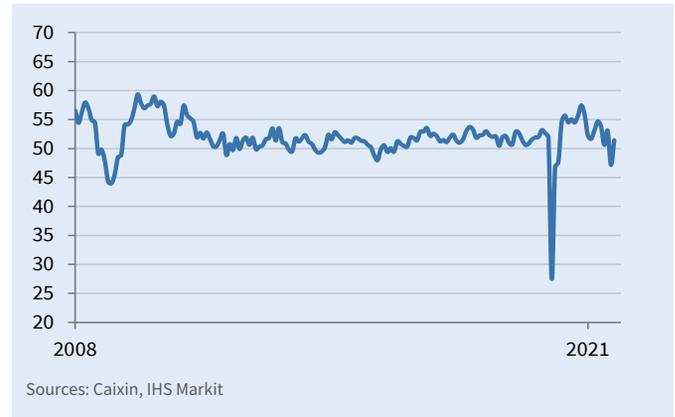
"On the one hand, the epidemic continued to impact demand, supply, and circulation in the manufacturing sector. The state of the epidemic overseas and the shortage of shipping capacity also dragged down total demand. Epidemic control measures have clearly impacted the logistics industry. Domestic demand varied based on different types of goods. The demand for intermediate goods and investment goods was relatively high, while the demand for consumer goods was weak, reflecting consumers' lack of purchasing power.

"On the other hand, constraints to the supply side were strong as raw material prices remained high and some policy measures restricted production, squeezing employment and eventually weakening demand. The conditions in the services sector were slightly better than in the manufacturing sector, but both input prices and prices charged for services rose at a faster pace, indicating the hidden threat of inflation.

"In view of this, in the coming months, the government should focus on improving epidemic prevention and control and alleviating supply-side pressure. It should also find a balance among multiple objectives, such as promoting employment, holding raw material prices stable, ensuring a stable and orderly supply, and meeting targets for controlling energy consumption."

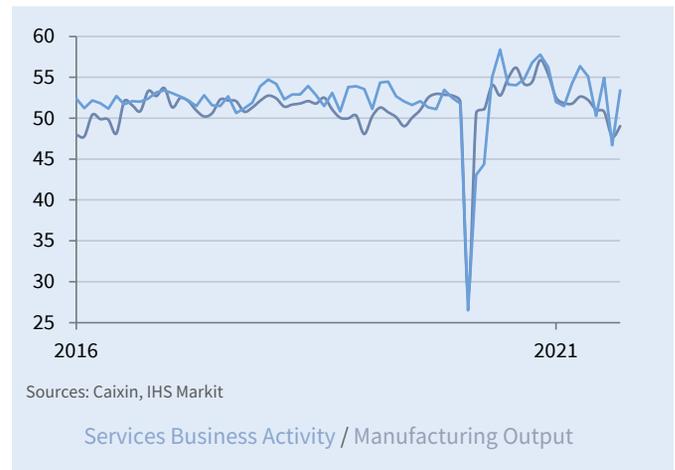
China General Composite Output Index

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 IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 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@ihsmarkit.com.

Survey dates and history

Data were collected 13-22 September 2021.

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.

<https://ihsmarkit.com/products/pmi.html>.

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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About IHS Markit

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