

PMI

Caixin China
General Services
PMI Press Release

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Caixin China General Services PMI™

China's service sector growth remains sharp in April

China's service sector continued to expand sharply in April, according to PMI data, with firms attributing the latest rise in output to improved market conditions and greater customer numbers. However, rates of growth in both output and new orders softened from March. The rate of job creation also moderated, slipping to a three-month low, contributing to a further increase in backlogs of work. April data also pointed to a quicker rise in operating expenses, with cost inflation hitting a 12-month high. Despite this, output charges rose only slightly as firms sought to boost competitiveness and attract sales.

Business confidence regarding the year ahead edged down further from January's multi-year high but remained strong in the context of the series history.

At 56.4 in April, the seasonally adjusted headline Business Activity Index posted well above the neutral 50.0 level and pointed to a sharp increase in services activity across China. Although down from March's reading of 57.8, it was the second-highest figure recorded since November 2020 and stretched the current sequence of rising activity to four months.

Higher activity levels were frequently linked to the return to more normal operating conditions as the impact of the pandemic continued to fade, leading to firmer demand and higher customer numbers. Notably, new order growth softened only slightly from March's 28-month record and was rapid overall. New business from abroad also rose at an historically sharp pace, despite growth moderating from March's series record.

Service sector employment continued to rise in April, fuelled by plans to increase capacity and greater new order volumes. That said, the rate of job creation slipped to a modest pace that was the softest seen in the current three-month period of payroll growth.

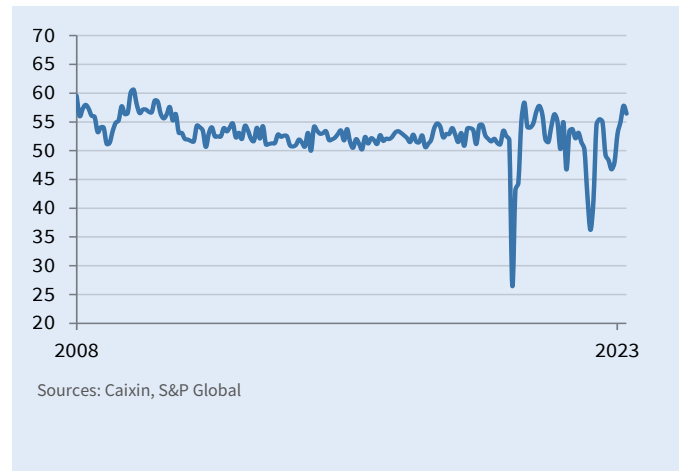
The sustained and marked increase in overall new work placed further pressure on operating capacity at the start of the second quarter. Backlogs of work have now risen in each of the past nine months. The rate of accumulation was similar to that seen in March, however, and only mild.

Services companies signalled a solid and accelerated rise in average input costs during April. Notably, the rate of inflation was the strongest recorded in 12 months. Higher operating expenses were often attributed to higher staffing costs, alongside greater prices for raw materials and office supplies. Despite the quicker increase in cost burdens, services companies raised their fees only slightly in April. A number of panellists indicated that competitive market pressures and efforts to attract new work had limited their ability to pass on rising costs to customers.

Service providers remained highly confident that business activity will expand further over the next 12 months in April. This was despite the overall degree of optimism slipping further from January's near 12-year high to a four-month low. Upbeat projections were widely linked to forecasts of a continued recovery in market conditions and further increases in customer demand.

China General Services Business Activity Index

sa, >50 = growth since previous month

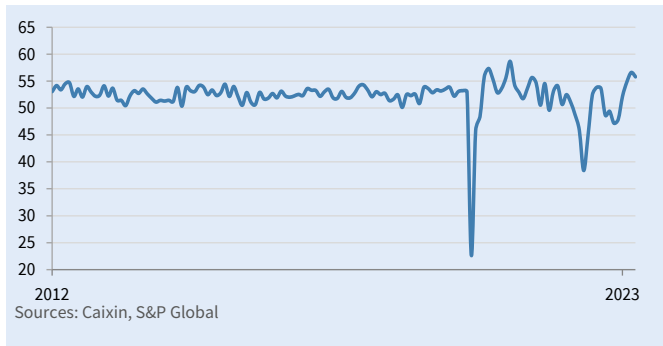


Key findings:

- Slower but still sharp increases in activity and new work
- Input cost inflation quickens to one-year high
- Employment growth moderates, backlogs continue to build

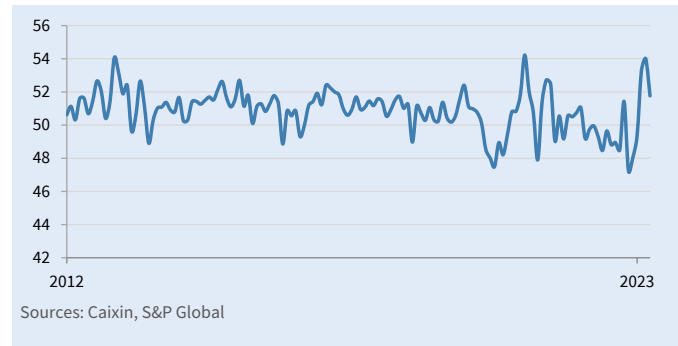
New Business Index

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 in April fell 1.4 points from the previous month to 56.4, but remained in expansionary territory for the fourth straight month, as services activity maintained momentum following a Covid-19 policy shift.

“Both services supply and demand saw a boom last month. Despite a slight dip from March, the gauges for business activity and total new orders both stood significantly higher than 50 in April and logged the second-highest readings since November 2020, suggesting that services activity was still undergoing a fast recovery. Meanwhile, the scrapping of international travel restrictions continued to boost services exports. With strong external demand, the measure for new export orders stayed in expansionary territory for the fourth consecutive month.

“Employment in the services sector expanded due to strong market supply and demand, with the corresponding measure staying above 50 for the third straight month. But the reading was more than 2 points lower than in March, indicating that the job market saw a

marginal slowdown of expansion. Meanwhile, new orders continued to pile up, causing backlogs of work to grow marginally within expansionary territory.

“Prices ticked up in April with the gauge for input costs remaining in expansionary territory for 34 consecutive months, due mainly to elevated labor costs. Some surveyed businesses also reported higher prices of raw materials and office supplies. Meanwhile, the bargaining power of service providers for prices charged remained limited, with the corresponding gauge standing only slightly above 50 in April.

“There was still a lot of optimism in the services sector in April, with the reading for expectations for future activity remaining well above the neutral 50.0 level, although it slipped marginally for the third straight month. Businesses continued to express confidence in a better market environment as the impact from Covid waned.”



Caixin China General Composite PMI™

Softer increase in overall business activity in April

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 seasonally adjusted Composite Output Index fell from a nine-month high of 54.5 in March to 53.6 in April, to signal a sustained but softer rise in overall Chinese business activity. Though solid, the rate of growth was the slowest recorded since January. While the upturn continued to be largely driven by the service sector, both manufacturers and service providers noted softer rises in output compared to March.

Composite new orders also expanded at the weakest rate for three months, albeit solidly overall. New export business increased slightly, after a fractional reduction in March. Total employment rose only marginally, as a weaker upturn in service sector staff numbers combined with a quicker fall in manufacturing headcounts. Overall input costs rose at the slowest rate for seven months, as a fresh fall in manufacturing input prices helped to offset a quicker rise in service sector expenses. Composite output charges fell for the first time since last September.

Comment

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

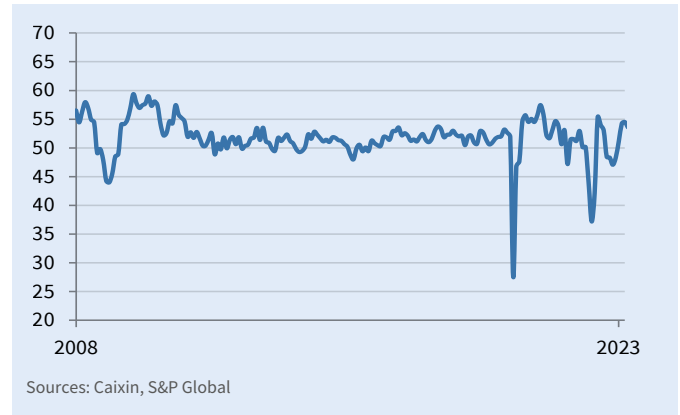
“In April, the Caixin China General Composite PMI came in at 53.6, down 0.9 points from the previous month, remaining in expansionary territory for the fourth consecutive month.

“Production, demand, employment, and exports all expanded, while prices were relatively stable. Businesses were highly optimistic. It is worth noting that manufacturing and services activity diverged, with employment and input costs in the manufacturing sector contracting significantly.

“A recent slew of official first-quarter economic data beat market expectations, suggesting that China’s economy was recovering at a fast pace after the country lifted Covid controls. In April, the services sector kept up momentum, while manufacturing activity turned comparatively sluggish and became a drag on economic growth. It remains to be seen if the economic rebound is sustainable after a short-term release of pent-up demand, with a number of indicators flagging that the recovery has yet to find a stable footing. Employment is a prominent issue faced by the economy, especially for young people struggling to find work. In addition, deflation has become a hot topic in the market recently. The rapid decline in the gauges for input and output prices in the manufacturing sector should draw enough attention. In the future, relevant policies should focus on expanding domestic demand, stabilizing employment and improving expectations, as well as improving the monetary transmission mechanism and creating a virtuous circle of economic development.”

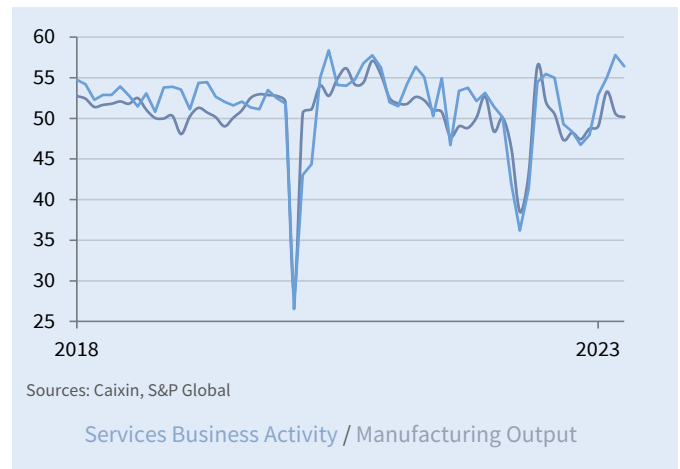
China General Composite Output Index

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@ihsmarkit.com.

Survey dates and history

Data were collected 12-20 April 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.

<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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