

# PMI

Caixin China  
General Services  
PMI Press Release

2023.05



# Caixin China General Services PMI™

## Business activity continues to rise sharply in May

Latest survey data signalled a further strong recovery in Chinese services activity in May, which expanded at the second-sharpest rate since November 2020. The upturn coincided with a steeper increase in total new orders and sustained rise in new export business amid reports of stronger market conditions and increased customer turnout. As a result, companies continued to add to their payroll numbers, albeit modestly, while backlogs rose further. Average input costs increased solidly, which contributed to a steeper rise in prices charged.

Companies remained optimistic that activity would increase over the next year. However, overall sentiment softened further from January's recent peak.

The seasonally adjusted headline Business Activity Index increased from 56.4 in April to 57.1 in May, to signal a sharp and accelerated rise in services activity midway through the second quarter. Furthermore, the rate of expansion was the second-steepest seen over the past two-and-a-half years. Business activity has now increased in each month since the start of 2023.

The steeper upturn in activity coincided with a stronger rise in overall new business received by Chinese service providers in May. The rate of growth was likewise the second-sharpest since November 2020, with panel members citing continued improvements in demand conditions and customer numbers since the rollback of pandemic restrictions.

Increased amounts of new work and rising business requirements led firms to expand their staffing levels for the fourth successive month. That said, the pace of job creation eased to a modest rate that was the softest seen over this period.

May survey data indicated that capacity pressures persisted, as highlighted by a sustained increase in outstanding business. There were reports that greater intakes of new work had impacted firms' abilities to process and complete orders. That said, the pace of accumulation eased from the previous month and was only slight.

Average input costs faced by service sector firms in China continued to increase in May. The rate of inflation slowed from April's one-year high but remained solid overall. Companies often mentioned that greater operating expenses stemmed from increased prices for labour and raw materials.

The further strong rise in costs and improvement in demand conditions led service providers to hike their fees again during May. Though modest, the rate of inflation was the quickest recorded since February 2022 and above the series average.

Firms operating in China's service sector remained upbeat that business activity will rise from current levels over the next 12 months. Companies widely linked growth projections to expectations of further improvements in market conditions and customer demand as the sector continued to recover from the pandemic. That said, the overall degree of optimism dipped to a five-month low.

### China General Services Business Activity Index

sa, >50 = growth since previous month

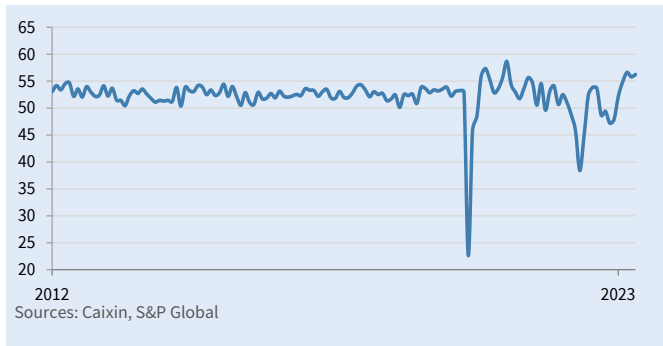


#### Key findings:

- Business activity expands for fifth month running
- Robust and accelerated upturn in new orders
- Output charge inflation reaches 15-month high

## 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 May climbed 0.7 points from the previous month to 57.1, remaining in expansionary territory for the fifth straight month after the country’s Covid-19 policy shift at the end of 2022.*

*“Both services supply and demand expanded further in May. The gauges for business activity and total new orders both stood above 50 for the fifth consecutive month and logged their second-highest readings since November 2020. External demand also maintained strong momentum, with the measure for new export orders staying in expansionary territory for five months in a row. Services activity continued to rebound after China scrapped its “zero-Covid” policy in December.*

*“Employment in the services sector saw a marginal expansion, boosted by the improvement in activity. Services businesses stepped up hiring to boost production capacity, with the measure for employment standing above 50 for the fourth straight month, although the pace of expansion in May was the slowest during the*

*period. Meanwhile, new orders continued to pile up and the gauge for backlogs of work dipped slightly within expansionary territory.*

*“Prices ticked up. In May, the gauge for input costs remained in expansionary territory for the 35th consecutive month due to elevated labor and raw material costs. The reading for prices charged to customers stood above 50 for the 13th month in a row as market demand remained strong. Like most of the previous months in recent years, input costs increased at a faster pace than prices charged in May.*

*“Service providers remained optimistic partly because the market environment improved in the post-Covid era. However, the measure of their expectations for future activity declined for the fourth straight month, and slipped below the historical average.”*



# Caixin China General Composite PMI™

## Strongest rise in total output since December 2020

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.

At 55.6 in May, the seasonally adjusted Composite Output Index picked up from a three-month low of 53.6 in April to signal a sharp and accelerated rise in overall business activity across China. Furthermore, the rate of expansion was the steepest seen since the end of 2020. This was supported by faster increases in output across both the manufacturing and service sectors, with the latter seeing the quicker rate of growth.

May survey data also pointed to a steeper upturn in composite new orders, which expanded at the quickest pace for just over two years and solidly overall. Growth in new export work remained marginal, however. Turning to employment, a faster reduction in manufacturing headcounts offset a mild increase in the service economy, leading overall workforce numbers to fall slightly. Prices data meanwhile indicated only a marginal rise in costs that was the joint-lowest for three years. Output charges fell for the second month in a row.

### Comment

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

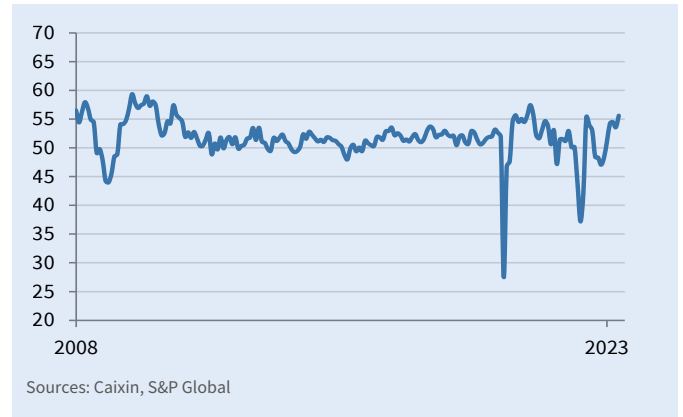
*“In May, the Caixin China General Composite PMI came in at 55.6, up 2 points from the previous month.*

*“Production, demand and exports all expanded. The gauge for future output expectations dropped 3 points from the previous month but remained in expansionary territory. Dragged down by the manufacturing sector, employment started to contract, while a rapid decline of manufacturing prices weighed on overall price levels.*

*“In general, it remains a prominent feature of the Chinese economy that the services sector is stronger than manufacturing. In May, the Caixin China services PMI showed that services activity was picking up overall, but employment expansion and market optimism weakened. In the manufacturing sector, employment deteriorated, prices plunged, and manufacturers also became less optimistic toward the outlook, according to the Caixin China manufacturing PMI. This divergence highlights that economic growth is lacking internal drive and market entities lack sufficient confidence, underscoring the importance of expanding and restoring demand. Currently, stabilizing employment, increasing income and bolstering expectations through proactive fiscal policy should be prioritized given a dire job market and mounting deflationary pressure.”*

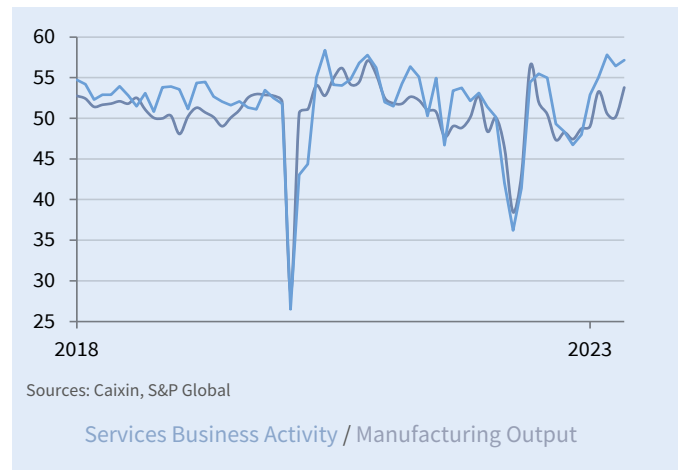
### China General Composite Output Index

sa, >50 = growth since previous month



### Index by sector

sa, >50 = growth since previous month





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## Survey methodology

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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](mailto:economics@ihsmarkit.com).

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## Survey dates and history

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Data were collected 12-22 May 2023.

Data were first collected November 2005.

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## About PMI

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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>.

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