

# Caixin China General Services PMI™

Composite business activity growth improves to four-month high in August

## Summary – Services and Composite PMI data

The Caixin China Composite PMI™ data (which covers both manufacturing and services) showed that overall Chinese business activity rose further during August. Though modest, the rate of growth was the quickest recorded since April, with the Composite Output Index rising from 50.9 in July to 51.6.

Activity across the service sector expanded at a faster pace than that seen for the manufacturing sector during August. This was highlighted by the seasonally adjusted Chinese Services Business Activity Index posting 52.1, up from 51.6 in July, signalling the strongest rise in services activity for three months. Manufacturing production rose only marginally midway through the third quarter, though this marked an improvement upon the broad stagnation of output seen in July.

Higher activity levels were supported by greater intakes of new orders at Chinese companies. At the composite level, the rate of new order growth was the quickest seen since April, albeit modest overall. The upturn was led by services companies, who saw a solid increase in new orders that was the most marked for four months. In contrast, goods producers registered broadly unchanged amounts of new work.

Export trends diverged on a sector basis in August, with foreign sales rising at services companies but falling at manufacturers. Service providers registered a solid increase in new export business, despite the rate of expansion softening since July. Manufacturing firms meanwhile saw the steepest reduction in new orders from abroad since November 2018.

August survey data signalled a renewed increase in employment across China. Though only marginal, it was the first time that headcounts had risen since April. The expansion was centred on services companies, who recorded the fastest rate of job creation since June 2018. Companies often linked payroll growth to rising business requirements and forecasts of improving market conditions in the months ahead. At manufacturing companies, staffing levels were broadly stable following a modest reduction during July.

At the composite level, the amount of outstanding work at Chinese firms increased marginally for the third month in a row. A modest increase in the level of work-in-hand (but not yet completed) at manufacturing companies contrasted with a slight reduction at service providers.

Average input costs faced by Chinese businesses rose at the softest rate for seven months in August. This was predominantly driven by a renewed fall in input prices at manufacturers. Though only modest, purchasing costs in this sector declined at the joint-fastest pace since January 2016. At service providers, operating expenses rose at the strongest pace for three months amid reports of greater purchasing prices and labour costs.

Reflective of the trend for input costs, output prices set by manufacturers declined during August, while services companies continued to raise theirs. Notably, factory gate prices fell at the steepest rate since December 2015. Output charges set by service providers rose at a pace that, though modest, was the quickest for 20 months.

Composite data indicated that Chinese firms were generally optimistic that output would increase over the next year. That said, the degree of positive sentiment was little-changed from July and softer than the historical trend. While confidence in the service sector improved to a five-month high, expectations of future output weakened across the manufacturing sector.

## Key points

- Manufacturers and service providers both see improved rates of business activity growth
- Composite new orders expand at quickest rate for four months
- Total employment increases for the first time since April

## Comment

Commenting on the China General Services PMI™ data, Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis at CEBM Group said:

*"The Caixin China General Services Business Activity Index rose to 52.1 in August from 51.6 in the previous month, indicating a slight improvement in the services sector."*

*“The gauge for new business stayed in expansionary territory and edged up, while the one for new export business dropped — although it remained in positive territory — suggesting that domestic demand was stronger than foreign demand. The employment measure jumped notably, pointing to the sector’s strengthening capability to absorb workers.*

*“Both gauges for input costs and prices charged by service providers moved further into expansionary territory, implying an enhanced upward trend in prices. The measure for business expectations also stayed in positive territory and moved up, reflecting companies’ increasing confidence in their prospects.*

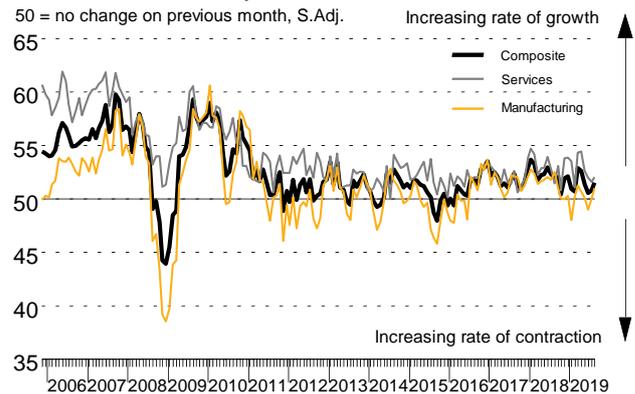
*“The Caixin China Composite Output Index rose to 51.6 in August from 50.9 in the month before, pointing to a slight recovery in China’s economy.*

*“While the gauge for overall new orders inched up, the one for new export business dipped into contractionary territory. The decline in overseas demand reflected the adverse shock of the Sino-U.S. trade conflict. The employment gauge returned to expansionary territory, hitting the highest since January 2015, suggesting an improvement in labor market conditions.*

*“Both gauges for input costs and output charges dipped, reflecting a downward trend in overall prices. The measure for future output edged down, despite staying in positive territory, suggesting that business confidence remained subdued.*

*“China’s economy showed clear signs of a recovery in August, especially in the employment sector. Countercyclical policies took effect gradually. However, the Sino-U.S. trade conflict remained a drag, and business confidence remained depressed. Still, there’s no need to be too pessimistic about China’s economy, with the launch of a series of policies to promote high-quality growth.”*

## Caixin China Output PMI



Sources: IHS Markit, Caixin.

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### Notes to Editors:

The Caixin China General Services PMI™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 companies. The panel has been carefully selected to accurately replicate the true structure of the services economy.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Purchasing Managers' Index™ (PMI™) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

Historical data relating to the underlying (unadjusted) numbers and seasonally adjusted series are available to subscribers from IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

## About Caixin:

Caixin Media is China's leading media group dedicated to providing financial and business news through periodicals, online content, mobile applications, conferences, books and TV/video programs.

Caixin Insight Group is a high-end financial data and analysis platform. The group encompasses the monthly Caixin China Purchasing Managers' Index™, components of which include the Caixin China General Manufacturing PMI™ and Caixin China General Services PMI™. These indexes are closely watched worldwide as reliable snapshots of China's economic health.

For more information, please visit [www.caixin.com](http://www.caixin.com) and [www.caixinglobal.com](http://www.caixinglobal.com).

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