

PMI

Caixin China
General Services
PMI Press Release

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Caixin China General Services PMI™

Business activity rises sharply in February

PMI survey data indicated that the recovery across China's service sector picked up speed in February, with firms signalling the steepest increase in activity since last August. The upturn was supported by the strongest rise in new business since April 2021, as the relaxation of COVID-19 restrictions had helped to lift customer numbers and demand. New export order growth also accelerated, hitting the highest in almost four years. The improved business climate drove a renewed and solid increase in employment. Price pressures meanwhile remained subdued, with firms registering only mild increases in input costs and selling prices.

When assessing the 12-month outlook for business activity, services companies remained highly upbeat, with overall sentiment holding close to January's recent peak.

The seasonally adjusted headline Business Activity Index picked up from 52.9 at the start of 2023 to 55.0 in February, to signal a back-to-back monthly increase in business activity across China's service sector. Notably, the rate of expansion was the quickest recorded since August and stronger than the series average (53.7).

Companies frequently mentioned that the easing of pandemic-related restrictions, and reduced disruption to operations, had helped to lift activity and demand in the latest survey period.

Overall new business rose solidly in February, with the rate of growth the quickest seen since April 2021. Panel members often mentioned that the relaxation of COVID-19 measures had underpinned the recovery in customer demand and client numbers. Furthermore, new business from abroad also continued to rebound in February, expanding at the fastest rate for nearly four years.

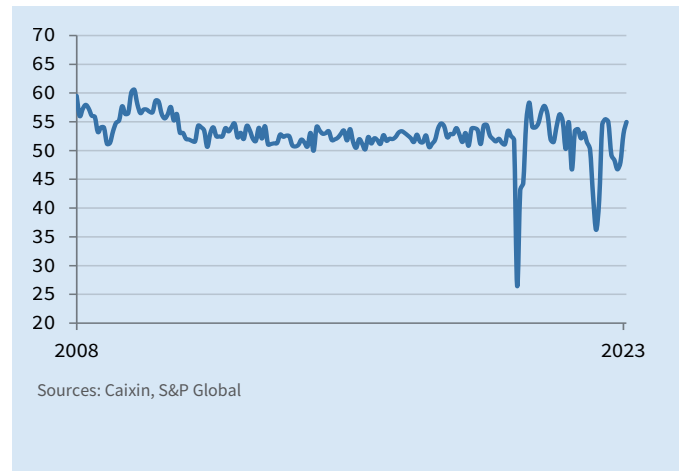
The improvement in market conditions and rising new order intakes prompted firms to take on additional workers for the first time in four months. Moreover, the rate of job creation was the steepest seen since November 2020. This helped to alleviate some pressure on operating capacities, as backlogs of work accumulated at the softest rate since last October.

On the costs front, services companies registered only a mild upturn in operating expenses during February. Where higher input prices were reported, firms generally linked this to greater costs for staff, raw materials and office supplies. At the same time, prices charged by service providers rose at a marginal pace that was little-changed from those seen in the three prior months.

Business confidence across China's service sector remained robust in February, despite the degree of optimism slipping slightly from January's near 12-year high. Firms attributed their upbeat forecasts to expectations that the return to more normal business conditions and a further recovery in customer demand will help to drive activity levels higher in the months ahead.

China General Services Business Activity Index

sa, >50 = growth since previous month

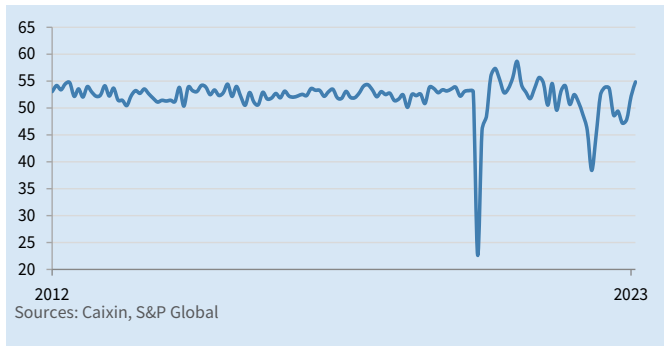


Key findings:

- Services companies see steeper increases in activity and new work
- Employment expands at quickest rate since November 2020
- Inflationary pressures remain muted

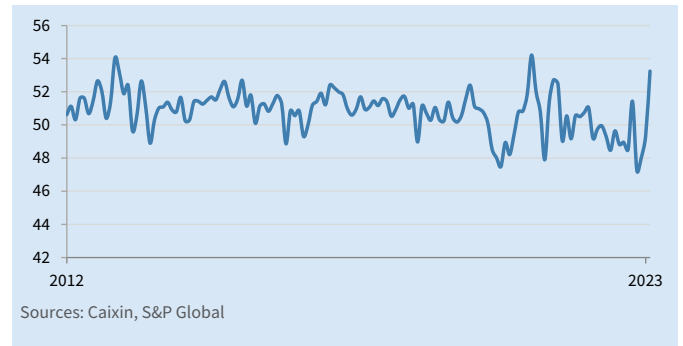
New Business Index

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 February rose 2.1 points from the previous month to 55, a high not seen since August 2022. Services activity recovered at a faster pace as the most recent wave of Covid-19 infections subsided.

“Services supply and demand continued to grow last month. The shift in China’s Covid policy continued to drive up both, with the readings for business activity and total new business each jumping by more than 2 points further into expansionary territory. External demand also rose, with the measure for new export orders reaching the highest since April 2019.

“Services sector employment also showed signs of improvement, with the strengthening of supply and demand conditions leading businesses to begin hiring more workers. The related gauge rose above 50, marking an end to a three-month contraction and hitting the highest since November 2020.

“Prices remained stable. In February, the measures for input costs and prices charged in the services sector both posted gains, albeit marginal ones under mild inflationary pressure. Surveyed service providers reported elevated costs of raw materials, labor and office supplies to different extents, but their bargaining power for prices charged remained limited as the market was still in recovery.

“There was still a lot of optimism in the services sector in February as business owners continued to express great confidence in an economic recovery upon the easing of Covid controls. The reading for expectations for future activity slipped from the previous month, but remained at a high level.”

Caixin China General Composite PMI™

Composite output expands at quickest rate for eight months

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 rose from 51.1 in January to 54.2 in February, to signal a second successive monthly increase in overall Chinese business activity. Furthermore, the rate of expansion was the quickest seen for eight months and solid overall. The upturn was supported by a renewed increase in manufacturing output and a sharper rise in services activity.

Composite new business also rose solidly in February, and at the quickest rate since May 2021. This was supported by a fresh rise in new export business, which expanded at the fastest pace since November 2020.

Renewed increases in staffing levels across both manufacturing and service sectors led to the quickest upturn in composite employment for 27 months. Input prices rose modestly, and prices charged only slightly. Business confidence was unchanged from January and the joint-highest since March 2013.

Comment

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

"In February, the Caixin China General Composite PMI came in at 54.2, up 3.1 points from the previous month and maintaining an uptrend within expansionary territory.

"Both manufacturing and services activity recovered gradually. Production, demand, including external demand, and employment all grew, with services activity showing a stronger recovery than manufacturing output. Input costs and prices charged remained stable, and business owners were highly optimistic.

"Covid infections in China quickly peaked after the policy shift. The economy has entered a post-Covid recovery, with services activity showing signs of a stronger recovery than the manufacturing sector. But the impact of the pandemic remains far-reaching. Currently, the foundation for economic recovery has yet to solidify, and it will take time for production and social order to get back to normal. Beijing said restoring and expanding consumption should be prioritised. Income and expectations are the basis of consumption. In the near term, relevant policies should focus more on increasing household income and improving market expectations."

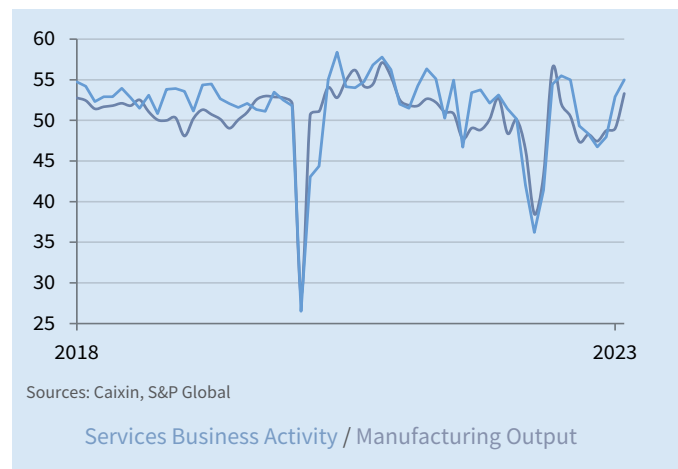
China General Composite Output Index

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 10-20 February 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.

Read more: <https://www.caixinglobal.com/index/>

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