

# PMI

Caixin China  
General Services  
PMI Press Release

2023.09



# Caixin China General Services PMI™

## Business activity growth weakens to nine-month low

September survey data pointed to a further softening of growth momentum across China's service sector. Business activity and overall new orders both expanded at the slowest rates in 2023 to date. The milder increase in total sales occurred despite a fresh improvement in new export business. At the same time, confidence around the year-ahead outlook continued to moderate, reaching a ten-month low in September. Job creation across the sector also slowed, with payrolls expanding only marginally overall.

Cost pressures continued to ease, with average input costs rising at the slowest rate in 2023 so far. As a result, firms raised their own charges only slightly.

The seasonally adjusted headline Caixin China General Services Business Activity Index fell from 51.8 in August to 50.2 at the end of the third quarter. The latest index reading was only slightly above the neutral 50.0 threshold to signal a fractional expansion in activity at services companies. Notably, the rate of increase was the slowest seen over the current nine-month period of growth.

Service providers also recorded a milder upturn in new orders during September. Overall, new business increased at the softest pace in 2023 to date and only slightly. While some firms mentioned that improved customer numbers and new projects had helped to lift sales, others noted that market demand was softer than anticipated. The slowdown in total new order growth was despite a fresh rise in new export business. The marginal uptick in overseas orders was generally linked to increased amounts of foreign visitors.

In line with the trends seen for activity and new work, companies added to their payrolls at a weaker pace at the end of the third quarter. Notably, the rate of growth was the slowest seen over the current eight-month period of job creation.

The latest survey also signalled that capacity pressures moderated across China's service sector in September amid the slowdown in sales growth. Backlogs of work increased at the softest pace since February and only slightly overall.

Input costs faced by Chinese service providers continued to increase during the latest survey period. Where higher expenses were reported, firms generally linked this to higher staffing and fuel costs. That said, the rate of inflation moderated to a nine-month low and was modest overall.

Services companies in China partly passed on higher cost burdens to clients in the form of increased output charges. However, the rate of inflation remained marginal despite quickening to a three-month high.

Chinese service providers remained upbeat about the 12-month outlook for business activity in September. Firms that anticipated higher activity levels often expected stronger economic conditions and planned company expansions to support growth. When measured overall, however, the level of positive sentiment edged down to a ten-month low. Some firms are concerned that market conditions could soften and impact sales.

### China General Services Business Activity Index

sa, >50 = growth since previous month

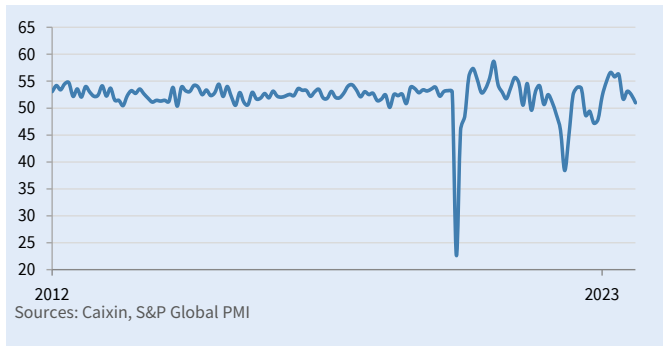


#### Key findings:

- Fractional rise in services activity amid slower sales growth
- Employment expands only slightly
- Business confidence slips to ten-month low

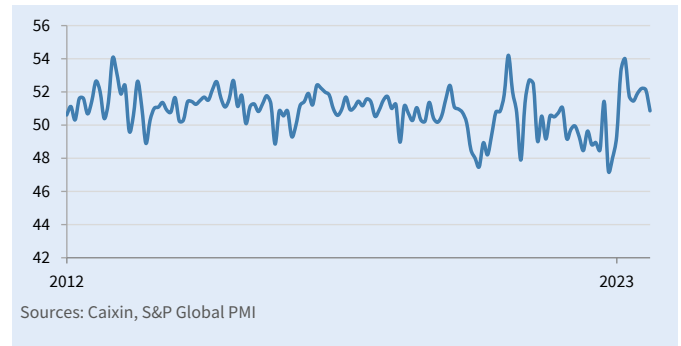
## New Business Index

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 fell 1.6 points in September from the previous month to 50.2, the lowest reading in nine straight months of expansion.*

*“Services supply and demand grew at a slower pace in September, as market conditions improved less than expected. The gauges for business activity and total new business each remained above 50 for the ninth straight month, but hit nine-month lows. External demand climbed on increased tourism, with the gauge for new export business coming in above 50 for the eighth time this year.*

*“Employment in the services sector ticked up, showing modest improvement similar to that of supply and demand. Service providers’ capacity still grew, but the rate of expansion slowed marginally. Service employment grew for the eighth straight month, but at the slowest pace since January.*

*“Prices in the services sector increased slightly. Input costs rose mainly on more expensive manpower and energy, with the corresponding gauge remaining in expansionary territory for 39*

*months in a row. Service companies raised prices for customers, but to a limited extent, with the corresponding gauge coming in slightly above 50.*

*“Service providers remained optimistic, but the overall optimism was restrained. The September gauge for their expectations about future activity came in at the lowest reading since November.”*



# Caixin China General Composite PMI™

## Chinese business activity increases only slightly 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.

At 50.9 in September, the Composite Output Index fell from 51.7 to signal only a marginal increase in overall business activity across China. Moreover, the rate of growth was the weakest recorded since the current period of recovery began in January. Sector data revealed that a notably softer rise in service sector activity offset a slightly quicker increase in factory output.

Total new order growth also moderated in September, with both manufacturers and service providers recording only marginal increases in sales. On the employment front, renewed job shedding at goods producers was largely offset by a slight increase in service sector headcounts. This meant that employment at the composite level was broadly unchanged. Average input prices rose at a modest rate that was the quickest for six months. At the same time, a fresh increase in factory gate prices and a slightly stronger rise in service sector charges led to the quickest increase in composite selling prices for a year-and-a-half.

### 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 for September was 50.9, down 0.8 of a point from the previous month and, for the third time, hitting the lowest reading since January. Both manufacturing and services PMIs tumbled despite remaining in expansionary territory, with the latter falling at a more pronounced rate. Employment in manufacturing dragged on the entire job market, with the gauge for overall employment falling into contraction for the first time in four months. Prices remained largely stable, with output prices rising at the fastest pace since March 2022, despite the limited scale of growth.*

*“Over the past few months, Beijing has introduced multiple policies aimed at encouraging consumption, expanding investment and stabilizing expectations. Various important economic indicators have shown marginal improvement, and the macroeconomy has shown signs of stabilization. However, the economic recovery has yet to find a solid footing, with insufficient domestic demand, external uncertainties, and pressure on the job market.*

*“The implementation and effectiveness of the economic stabilization policies should be the next focus of attention. More efforts may be needed to boost employment and income. In addition, as housing demand slumped, China has relaxed regulations to give the market a boost, but so far the effect has been limited. The consequent squeeze on household disposable income and other potential risks are worthy of more attention.”*

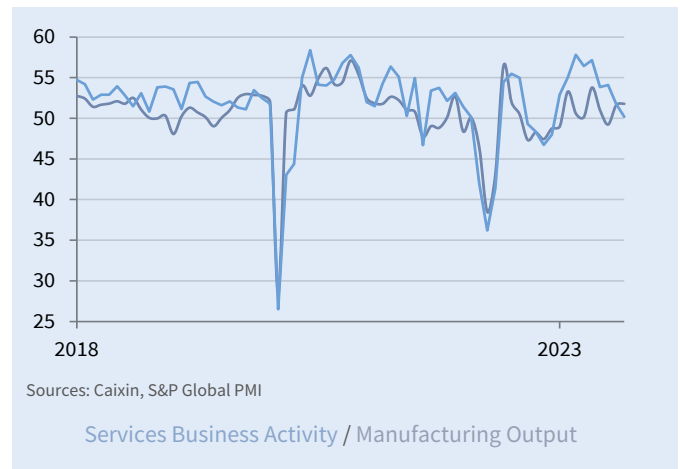
### China General Composite Output Index

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@spglobal.com](mailto:economics@spglobal.com).

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## Survey dates and history

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Data were collected 12-21 September 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.

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## About Caixin

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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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