

PMI

Caixin China
General Services
PMI Press Release

2024.01



Caixin China General Services PMI®

January sees further solid rise in service sector activity

Service sector activity continued to expand at a solid pace across China at the start of the year. This was despite the rate of increase edging down slightly from December, and a notable softening in the rate of new order growth. Nevertheless, employment increased slightly for the second straight month, and companies were generally upbeat about the 12-month outlook for activity.

At the same time, inflationary pressures moderated in January, with average input prices rising at the second-slowest rate over the past 19 months. Prices charged were meanwhile cut as part of efforts to stimulate new business.

At 52.7 in January, the seasonally adjusted headline Caixin China General Services Business Activity Index fell only slightly from December's five-month high of 52.9 to signal a further solid increase in service sector output. Business activity across the service economy has now risen in each of the past 13 months. However, growth momentum remained softer than seen on average over the series history.

Chinese service providers registered a further increase in overall new business at the start of 2024, thereby stretching the current period of expansion to just over a year. According to panel members, firmer underlying demand conditions and new customer wins had supported the latest upturn in sales. However, the rate of growth eased notably from December's seven-month record and was only modest. New export business likewise rose at a moderate pace, with the rate of growth easing only fractionally from the previous month.

Chinese service sector employment rose for the second straight month in January, with firms often linking the increase to efforts to expand capacity amid higher sales. That said, the rate of job creation remained marginal overall, as some firms took a more cautious approach to hiring.

After stagnating at the end of 2023, backlogs of work expanded during January. Anecdotal evidence indicated that a sustained rise in new business had placed greater pressure on operating capacities and in turn an increase in unfinished workloads. Whilst modest, the rate of accumulation was the quickest recorded since last October.

The rate of cost inflation weakened across China's service economy at the start of the year. Average operating expenses increased only slightly and at a rate that was comfortably below the series average. Where greater input prices were recorded, higher raw material, labour and transportation costs were often mentioned.

Prices charged by service providers meanwhile declined for the first time since April 2022 during January. There were a number of reports that firms faced pressure to cut their fees due to increased competition for new business. That said, the rate of discounting was only marginal overall.

Business confidence regarding the year-ahead outlook for activity remained strongly positive at the start of 2024. Upbeat growth projections were generally linked to forecasts of stronger market demand, increased customer numbers and planned company expansions. However, the overall degree of optimism slipped to a three-month low.

China General Services Business Activity Index

sa, >50 = growth since previous month



Key findings:

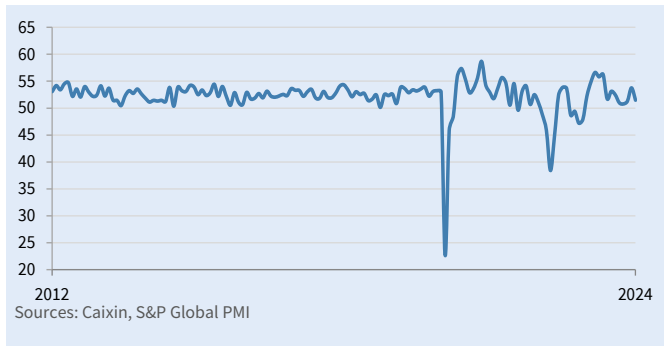
Business activity continues to rise solidly...

...but new order growth eases notably on the month

Firms register back-to-back increase in employment

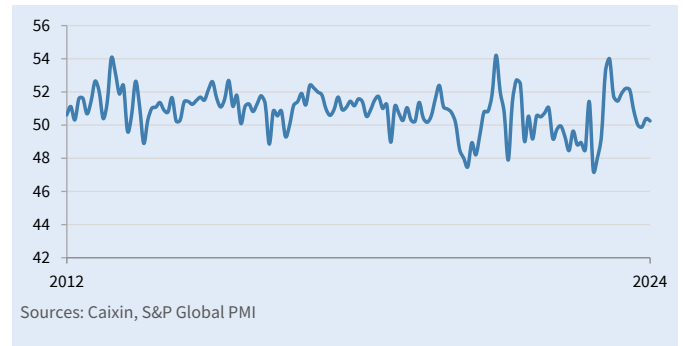
New Business Index

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 0.2 points in January from the previous month to 52.7. The gauge has remained in expansionary territory for 13 straight months, indicating a sustained recovery in the services sector.

“Supply and demand continued to expand in January, represented by growth in business activity and total new orders that carried into the 13th straight month.

“The improved market resulted in growth in business output and sales, though at a slower pace than in the previous month. Service exports continued to rise, with new export orders increasing for the fifth consecutive month.

“The job market improved in January, with some companies surveyed adding to their staff in response to the growth in total new orders. Others, however, remained cautious, leading to a marginal expansion in the labor market overall. The limited expansion was not enough to deal with all the new orders, resulting in increased backlogs of work.

“Price levels were weak. Some surveyed companies reported increases in raw material, labor, and transportation costs. However, the overall increase in input costs was modest. Prices charged by service providers fell for the first time since April 2022, as many businesses resorted to discounts and other promotions.

“Market sentiment remained positive, with surveyed businesses expecting the market to continue to improve in the new year. The measure for expectations about future activities stayed in expansionary territory, though significantly below its historical average.”



Caixin China General Composite PMI®

Chinese business activity continues to rise solidly in January

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 52.5 in January, the Composite Output Index edged down fractionally from December's seven-month high of 52.6 and signalled a further strong increase in overall business activity across China. Services companies registered a slightly faster rate of output growth than manufacturers, though both sectors saw rates of expansion soften slightly from December.

January survey data pointed to a slowdown in overall new order growth, with composite sales rising at the softest rate in three months. Encouragingly, new export business returned to growth (albeit marginally), thereby ending a six-month period of decline. Measured across both sectors, employment stabilised in January, helped in part by a notably softer fall in manufacturing payrolls. Prices data indicated that inflationary pressures eased, with composite input prices rising at the weakest rate in seven months. Meanwhile, efforts to boost sales led manufacturers and service providers to discount their selling prices slightly.

Comment

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

"In January, the Caixin China General Composite PMI slipped 0.1 points from the previous month to 52.5. Supply and demand increased in both the manufacturing and services sectors, with expanded exports. Overall, supply outpaced demand. Taking both sectors into account, employment stabilized, with the services sector outperforming manufacturing. Price levels were subdued, putting significant pressure on corporate revenues."

"China hit the GDP growth target set in early 2023, but growth in the final quarter was slower than the third quarter on a quarter-on-quarter basis, indicating that the recovery was losing momentum."

"Currently, the economy contends with significant challenges marked by numerous uncertainties and adverse factors. Specifically, they are tepid demand, heightened employment pressures, and subdued market expectations. This status quo has yet to experience a fundamental reversal."

"Policy efforts should concentrate on boosting employment, income and expectations. Given that there is still room for further adjustments in fiscal and monetary policies, policy measures need to be strengthened. Crucially, policies should facilitate effective communication and positive interaction with the market. In addition, collaboration and coordination among different government departments are imperative to enhance the coherence of market expectations."

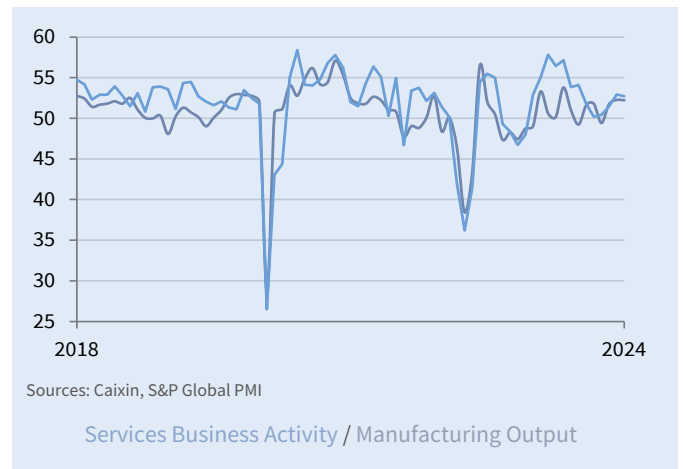
China General Composite Output Index

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@spglobal.com.

Survey dates and history

Data were collected 11-23 January 2024.

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.

www.spglobal.com/marketintelligence/en/mi/products/pmi

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/>

For more information, please visit

www.caixin.com

www.caixinglobal.com

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

www.spglobal.com

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

Contact

Dr. Wang Zhe

Senior Economist

Caixin Insight Group

T: +86-10-8590-5019

zhewang@caixin.com

Ma Ling

Brand and Communications

Caixin Insight Group

T: +86-10-8590-5204

lingma@caixin.com

Annabel Fiddes

Economics Associate Director

S&P Global Market Intelligence

T: +44 1491 461 010

annabel.fiddes@spglobal.com

SungHa Park

Corporate Communications

S&P Global Market Intelligence

T: +82 2 6001 3128

sungha.park@spglobal.com

PMI[®]

by **S&P Global**