

PMI

Caixin China
General Services
PMI Press Release

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Caixin China General Services PMI®

Business activity increases modestly during February

Latest PMI data indicated that China's service economy continued to expand midway through the opening quarter of 2024. However, growth momentum softened slightly, with business activity expanding at the softest pace for three months amid a relatively subdued increase in overall new work. The latter was despite a solid increase in new orders from abroad. At the same time, business confidence around the year-ahead moderated for the second month in a row and firms trimmed their staff numbers for the first time since last November.

Chinese services companies signalled a slightly stronger increase in average input costs during February. This in turn contributed to a renewed rise in average selling prices.

The seasonally adjusted headline Caixin China General Services Business Activity Index edged down from 52.7 at the start of 2024 to 52.5 in February, to signal an increase in services activity for the fourteenth month in a row. That said, the rate of expansion was the softest seen since last November and modest overall. The upturn was also below the long-run series average.

The slower rise in business activity coincided with a further mild upturn in overall new work placed with Chinese service providers during February. New order growth was little-changed from January and remained slower than the average seen over 2023 as a whole. In contrast, services companies registered a solid and accelerated increase in new work from overseas. Notably, the improvement in foreign demand was the most pronounced since June 2023 amid reports of firmer customer demand across external markets.

After rising marginally in the prior two months, payroll numbers across China's service sector fell in February. Though modest, the rate of job shedding was the quickest seen in over a year, with a number of monitored companies lowering their headcounts due to relatively subdued demand conditions.

The latest survey also brought signs of weaker pressure on operating capacities, as outstanding business fell for the first time since July 2022 (albeit only slightly). According to panellists, fewer than anticipated new orders had enabled firms to make inroads into their backlogs of work during February.

Average input price inflation meanwhile quickened from the start of the year, with firms often linking the latest rise in expenses to higher raw material and fuel costs. That said, the rate of increase was modest overall and remained slow by historical standards.

After a slight reduction in January, prices charged by Chinese services companies increased in February as firms looked to pass on additional expenses to customers. Though mild, the rate of charge inflation was the quickest seen since May 2023.

Finally, business confidence around the one-year outlook for activity slipped to a four-month low in February. While firms widely anticipate stronger economic conditions to support growth over the next 12 months, some companies were more cautious around forecasts due to relatively subdued market conditions and expectations that client spending may remain muted.

China General Services Business Activity Index

sa, >50 = growth since previous month



Key findings:

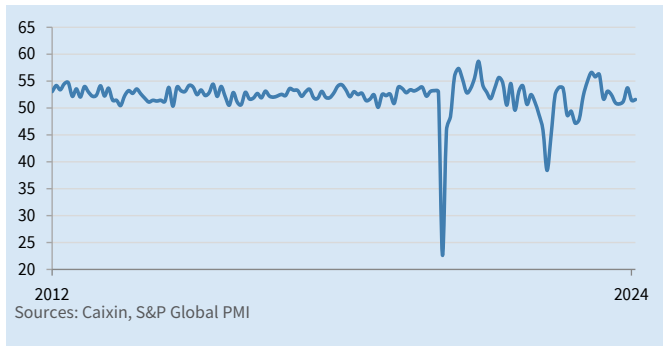
Business activity growth softens amid muted uptick in new orders

Staff numbers fall for first time in three months

Stronger rise in costs leads to fresh increase in output prices

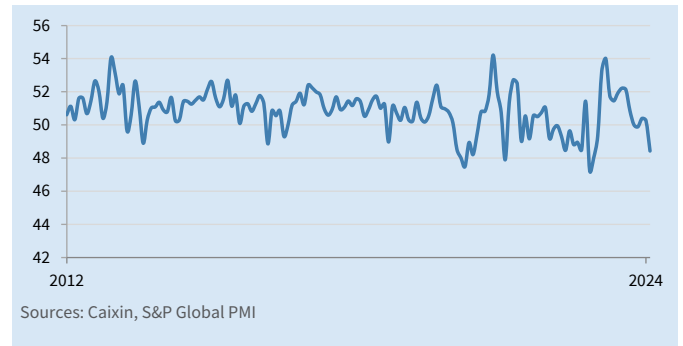
New Business Index

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 came in at 52.5 in February, down 0.2 of a point from January, keeping the index in growth territory for the 14th straight month. This indicated a continued recovery in China’s services sector.

“Supply and demand continued to expand in February at a pace similar to the previous month amid the market upturn. Business activity and total new orders grew for the 14th straight month. Service exports increased for the sixth straight month, with the corresponding gauge reaching the highest since June.

“The job market shrank in February. Some surveyed companies took a more cautious approach to hiring as prospects were slightly below expectations. The gauge for employment sank back into the contraction zone, hitting the lowest since December 2022. With lower-than-expected market demand, there was enough capacity to absorb total new orders, reducing the backlogs of work, and leading to the corresponding indicator falling into the contraction zone for the first time since July 2022.

“Service providers faced greater operational costs as a result of increases in raw material and energy prices. The increase in input costs was partially passed on to consumers. As a result, input prices and prices charged by businesses increased in tandem.

“Market optimism was steady. Looking ahead, some surveyed companies indicated expansion plans, which showed they were confident there will be a further improvement in demand. However, the corresponding measure for expectations about future activity remained below its historical average.”

Caixin China General Composite PMI®

Total business activity rises for fourth month in a row

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 Composite Output Index was unchanged from January's reading at 52.5 in February, to signal an expansion of overall Chinese business activity for the fourth straight month. Underlying data indicated that a slightly softer rise in service sector activity was offset by a quicker increase in manufacturing output, though rates of expansion were identical across both sectors and modest overall.

Composite new orders expanded at a fractionally quicker, but still modest rate in February. New business from abroad picked up for the second month in a row, albeit marginally. After stabilising in January, employment across China slipped back into decline during February amid a slight drop in backlogs. Cost pressures at the composite level picked up, but were mild overall, while prices charged by Chinese companies rose only marginally. Business confidence regarding the 12-month outlook for activity dipped to a four-month low, as improved optimism at manufacturers was offset by reduced sentiment among service providers.

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 stood at 52.5, unchanged from the previous month. The manufacturing and services sectors both logged steady growth. External demand improved, though supply was still running ahead of demand. Employment contracted in both sectors. Prices remained stable even though the pressure of low prices was more evident in manufacturing. Overall, market sentiment remained optimistic."

"The Caixin China manufacturing PMI showed the sector has grown for four straight months — it's the first time this has happened since the second half of 2021 — and the services sector expanded for the 14th consecutive month, indicating an overall economic recovery."

"However, the economy still faces headwinds as unfavorable factors and uncertainties remain prevalent. This is reflected by weak demand and low prices. In addition, domestic and foreign demand remained insufficient while the job market contracted, showing businesses held a cautious approach to hiring and suggesting optimistic expectations need further consolidation."

"At the start of 2024, policymakers doubled down on measures aimed at stabilizing growth and strengthening market confidence, which was conveyed through a series of meetings hosted by local governments after the Lunar New Year holiday. Looking ahead, the focus should be on the effectiveness of the measures. Further efforts may be required to improve people's livelihoods and market expectations."

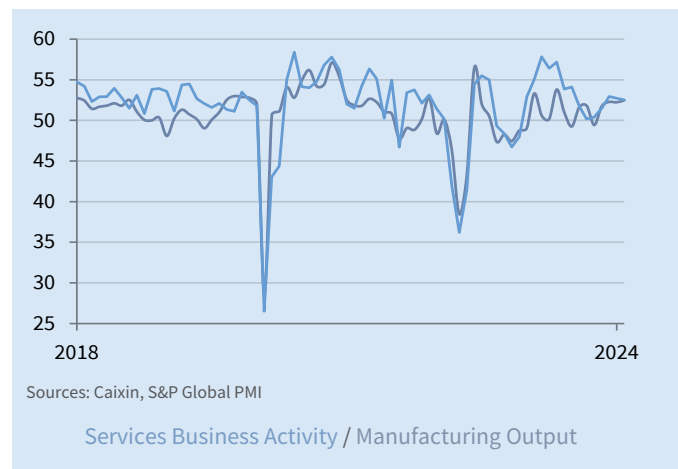
China General Composite Output Index

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 02-21 February 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.

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