

PMI

Caixin China
General Services
PMI Press Release

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Caixin China General Services PMI®

Services activity growth accelerates in March

March PMI data revealed that China's service economy further expanded at the end of the first quarter of 2024. Moreover, the pace of business activity growth accelerated in March with new business rising at the quickest rate in the year-to-date. Business confidence also improved, although employment levels declined amid evidence of reduced capacity pressures.

Input cost inflation across China's service sector meanwhile eased in the latest survey period, resulting in average selling prices rising at a slower pace.

The seasonally adjusted headline Caixin China General Services Business Activity Index rose to 52.7 in March, up from 52.5 in February, to signal an increase in services activity for the fifteenth month in a row. Although the rate of expansion was faster, it remained below the long-run series average.

Faster new business growth underpinned the latest acceleration of services activity expansion. The rate of new business growth was solid and the quickest since last December. Anecdotal evidence revealed that improvements in underlying demand conditions and business development efforts helped to boost the rise in new work.

Export business also increased at a slightly faster rate in March, the quickest in nine months, aided by better external demand conditions and promotional activities.

As a result, Chinese services companies were enthused by the latest growth in services activity and maintained a positive outlook with regards to business activity in the next 12 months. Furthermore, the level of business confidence increased for the first time in three months amid hopes that new product lines, expansion plans and rises in client budgets will help boost sales.

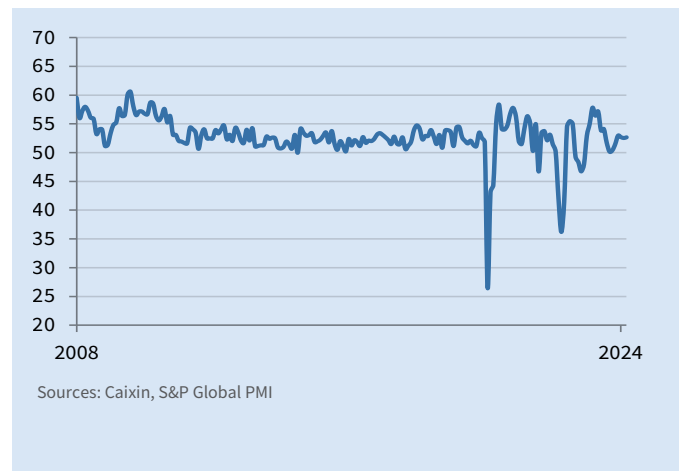
Employment levels declined for a second successive month in March, though the rate of job shedding eased from February and was only marginal. According to survey respondents, resignations among staff and redundancies to improve productivity resulted in the fall in payroll numbers.

Better productivity in March also led to the level of backlogged work falling despite faster new business inflows. The level of outstanding work declined marginally for a second consecutive month as a result.

Price pressures meanwhile eased across China's service sector in March. While average input prices continued to rise amid evidence of higher raw material, labour and transport costs, the rate of inflation fell further below the series average in March. This enabled service providers to raise selling prices at a slower rate, though the rate of charge inflation remained slightly above its long-term trend at the end of the first quarter.

China General Services Business Activity Index

sa, >50 = growth since previous month



Key findings:

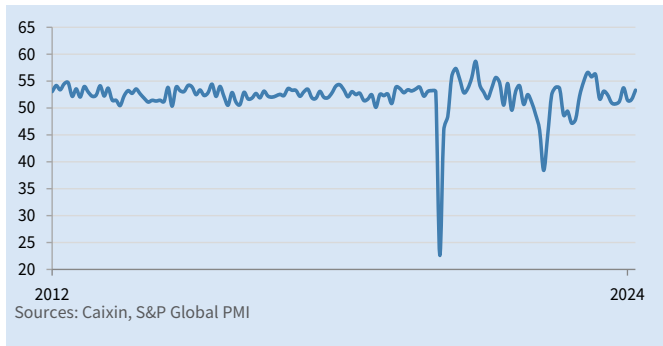
Incoming new business rises solidly, driving higher business activity

Business confidence improves

Selling prices increase at slower rate alongside fall in cost inflation

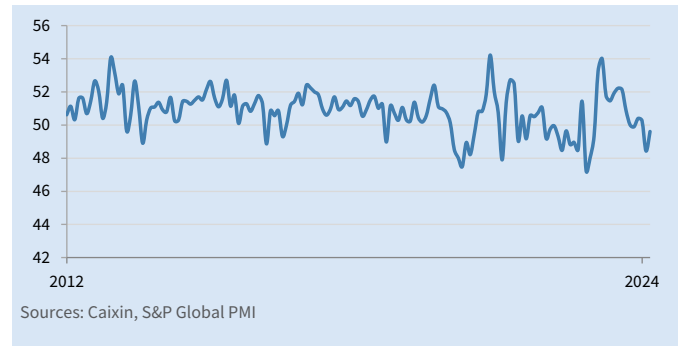
New Business Index

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 52.7 in March, up 0.2 points from the previous month, marking its 15th straight month in expansion and indicating a faster recovery in the sector.

“Growth of supply and demand picked up pace. Improved market demand drove a continuous increase in supply. Business activity and total new orders both grew for the 15th straight month, while exports continued to grow amid a recovery of the global economy, pushing the corresponding measure to its highest level since June.

“Employment shrank slightly despite the market upturn. Service providers remained keen to reduce staff and increase efficiency, keeping the corresponding indicator in the contraction zone for the second consecutive month, albeit higher than in February. Meanwhile, there was enough capacity to absorb new orders, with backlogs of work reduced.

“Prices continued to rise but at a slower pace. Price increases in raw materials, labor and freight have kept the gauge for input costs in expansion since July 2020, although with a marginal decline in the rate last month. Prices charged by businesses continued growing but at a relatively moderate pace.

“Market sentiment was generally optimistic. Surveyed companies expressed confidence for the coming year, keeping the gauge tracking business expectations about future activity in expansionary territory. However, the reading was below its historical average.”



Caixin China General Composite PMI®

Fastest rise in total business activity since May 2023

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 rose to 52.7 in March from 52.5 in February, to signal an expansion of overall Chinese business activity for the fifth consecutive month and at the most pronounced rate since May 2023. Underlying data revealed that both manufacturing output and services activity expanded at quicker rates compared to February.

Composite new orders growth picked up in March, supported by the quickest expansion in export orders growth in 13 months. Meanwhile employment levels declined marginally for a second straight month.

Softer cost inflation at the composite level was recorded in March. This was brought about by a first fall in average manufacturing input costs in eight months and slower services cost increases. Overall sentiment improved in March amidst heightened optimism among both manufacturers and service providers.

Comment

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

“In March 2024, the Caixin China General Composite PMI recorded 52.7, up 0.2 points from the previous month, marking its highest reading since May. Growth in supply and demand in both the manufacturing and services sectors accelerated slightly, with improved exports and sustained market optimism. However, employment in both sectors continued to contract, while input and output prices remained low, indicating that sluggish demand persisted.”

“The economic performance in the first two months of this year was better than expected, while the Caixin manufacturing PMI had remained in expansionary territory for five consecutive months as of March. This indicates a generally stable and positive economic recovery.”

“However, the economy still faces headwinds with prevalent uncertainties and unfavorable factors. Downward economic pressures persist, employment remains subdued, prices remain low, and insufficient effective demand has not been fundamentally resolved, underscoring the need to further boost domestic and external demand.”

“A slew of policies introduced earlier this year to stabilize growth is gradually having an effect. Given the current economic hurdles and an ambitious goal for economic growth this year, consistent efforts should be made to accelerate growth while improving the quality and efficiency of economic development.”

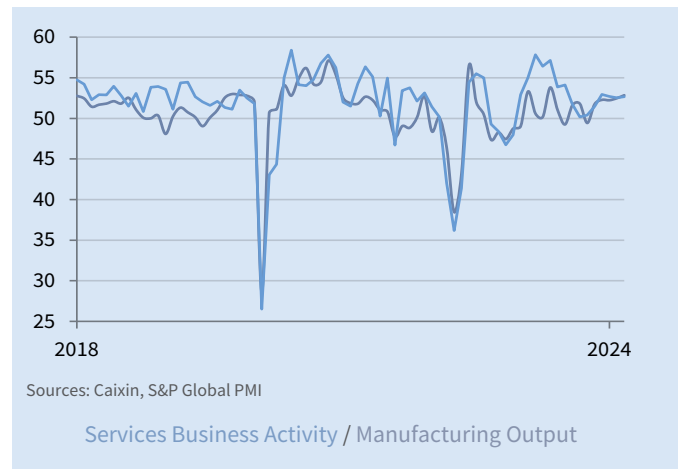
China General Composite Output Index

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 12-20 March 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.

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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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