

PMI

Caixin China
General Services
PMI Press Release

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Caixin China General Services PMI®

Services activity expands at quickest pace since May

China's services economy expanded in December at the fastest pace in seven months. The acceleration in business activity growth was supported by greater new business inflows, though export business declined for the first time since August 2023. Quicker new business growth resulted in another accumulation of backlogged work. This was while services firms lowered employment levels amid a reduction in business optimism. Finally, selling prices rose for the first time in six months as cost pressures intensified.

The seasonally adjusted headline Caixin China General Services Business Activity Index posted 52.2 in December, up from 51.5 in November. This extended the period of expansion to two years. Moreover, the rate of business activity growth accelerated from November to the fastest since May.

The acceleration of services activity growth was in line with the trend for new business. Incoming new work rose to extend the current period of growth to two continuous years and at a rate that was the fastest in five months. According to service providers, promotional efforts and better underlying demand supported the latest increase in new sales. Sales growth was notably supported by higher domestic demand as new export business declined for the first time since August 2023 amid softening foreign interest.

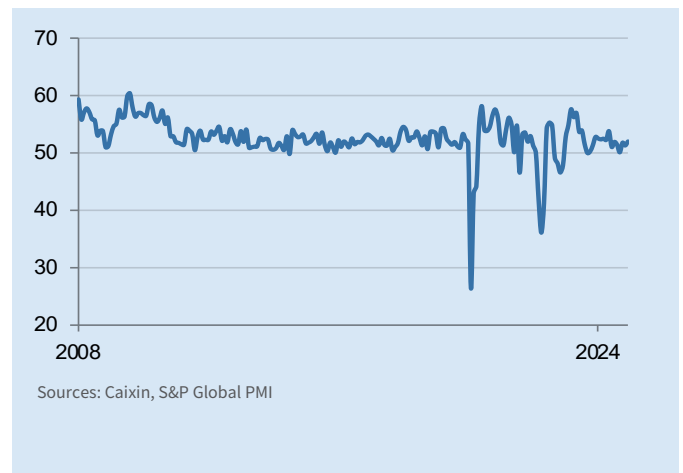
On the back of faster new business inflows, outstanding work accumulated again. The pace of growth was the fastest in the current five-month sequence in December but remained marginal. Meanwhile, employment fell for the first time since August even with intensifying capacity pressures. This was attributed to both resignations and redundancies according to panellists, with some firms mentioning cost concerns.

Indeed, cost inflation intensified in the latest survey period. Panellists often mentioned rising input material and wage costs had contributed to stronger cost pressures. This marked the first rise in the rate of cost inflation for three months, though it remained only marginal overall. As a result of rising cost pressures, average selling prices increased for the first time since June as Chinese service providers sought to share rising cost burdens with clients.

Finally, sentiment in the Chinese service sector remained positive at the end of 2024 as firms were generally hopeful that business development efforts and supportive government policies can support sales growth in 2025. That said, the level of business confidence eased to the second-lowest since March 2020, ranking just above September's level. Some businesses expressed concerns over rising competition and the negative effect outlook for international trade.

China General Services Business Activity Index

sa, >50 = growth since previous month



Key findings:

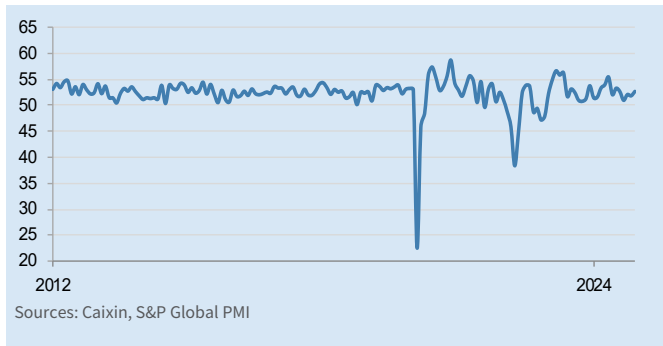
New business growth accelerates despite renewed export contraction

Employment levels decline for the first time in fourth months

Average selling prices increase for the first time since June

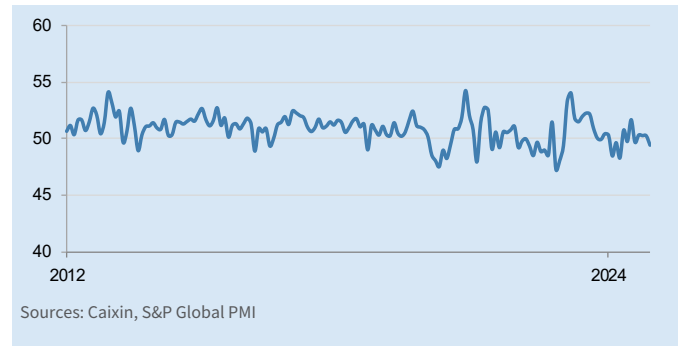
New Business Index

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 52.2 in December, up 0.7 points from November and staying in positive territory for the past two years.

“Supply and demand grew at a faster pace amid continued market improvements. Business activity and total new orders increased for the 24th month in a row, with the former growing at the fastest pace since May, while the latter grew at the fastest clip since July. Overseas demand fell, however, with the gauge dropping to the lowest level since December 2022.

“Employment contracted fractionally as businesses worked to reduce costs while improving efficiency. Companies were cautious about hiring. As a result, the corresponding indicator slid into contraction for the first time in four months. In December, rising demand resulted in an increase in backlogs of work, marking the fifth straight month of growth.

“Price levels ticked up. Input costs increased moderately on rising prices for raw materials and higher salaries. Service providers

slightly increased the prices they charged amid improved demand, pushing the indicator back into positive territory to reach the highest level recorded in the second half of last year.

“Market optimism weakened. The indicator for expectations of future activity stayed in expansionary territory, but fell by more than 3 points compared with the previous month, leaving it just above September’s four-and-a-half-year low. Competitive markets together with uncertainties over global trade were the main concerns of the surveyed businesses.”



Caixin China General Composite PMI®

Broad-based fall in employment during December

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 posted 51.4 in December, down from 52.3 in November. This extended the period of continuous expansion to 14 months. The pace of growth softened to its lowest level since September, however, as quicker services activity growth failed to offset softer manufacturing output expansion.

Similar trends were observed for new orders, where growth slowed amidst a renewed downturn in exports. Meanwhile, employment levels declined across both manufacturing and service categories for the first time since June. This was as optimism levels fell across the private sector economy.

Finally, selling prices declined for the first time in three months, driven by reductions in goods selling prices. The lowest cost inflation for nine months, and attempts to support sales, underpinned the latest fall in average charges.

Comment

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

“In December, the Caixin China General Composite PMI was 51.4, down 0.9 points from the previous month while remaining in expansionary territory for the 14th straight month. Both the manufacturing and services sectors saw increased output, with growth in demand at the composite level outpacing supply for the first time in four months.

“Employment contracted across the board. Price levels were weak, marked by a decelerating increase in input costs while output prices went from growth to decline, dragged by the manufacturing sector. Meanwhile, market optimism weakened.

“Since late September, the synergy of existing policies and additional stimulus measures has continued to act on the market, producing more positive factors. The economy in general remains stable, on the path to achieving the main goals set for 2024.

“That said, it is worth noting that prominent downward pressures remain, with tepid domestic demand and mounting unfavorable external factors. Meanwhile, employment remains sluggish and profit margins have been squeezed, leading to a decline in market optimism. In December, some of the Caixin manufacturing PMI survey’s gauges declined, suggesting more time is needed to assess the consistency and effectiveness of previous policy stimulus.

“The external environment is expected to become more complex this year, requiring early policy preparation and timely responses. In addition, future policy efforts should focus more on increasing household income and improving people’s livelihoods, with particular attention paid to increasing socially disadvantaged groups’ ability and willingness to spend.”

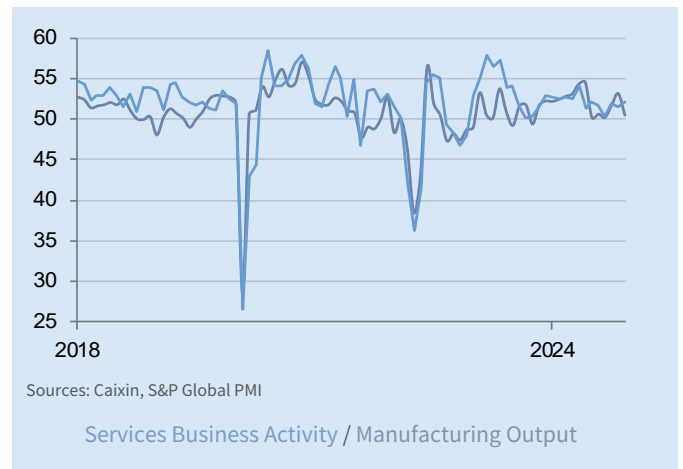
China General Composite Output Index

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 05-13 December 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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