

PMI

Caixin China
General Services
PMI Press Release

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Caixin China General Services PMI®

Services activity growth continues at start of second quarter

China's service economy expanded moderately in the opening month of the second quarter of 2024. Faster new business growth, the quickest in nearly a year, supported the latest rise in activity and an improvement in confidence. New export business also rose at a faster rate in April. That said, service providers continued to reduce employment amid an absence of any capacity pressure at their units.

Meanwhile, both input cost and output price inflation rates increased slightly in the latest survey period but remained moderate overall.

The seasonally adjusted headline Caixin China General Services Business Activity Index fell to 52.5 in April, down from 52.7 in March. Although slightly softer, growth was again solid and has now been sustained for 16 consecutive months.

Central to the latest expansion in services activity was another rise in new business. After adjusting for seasonality, the volume of new work also expanded for the sixteenth month in a row. Moreover, the pace of growth was the fastest since May 2023 and solid overall. Panellists attributed the rise in new work to improved demand conditions and a broadening of customer bases on the back of business development efforts.

In line with overall new business, foreign demand for China services also rose in April. New export business increased at the fastest pace in ten months. Anecdotal evidence signalled that better external market conditions and rising tourism activity had supported the latest uptick in new business from abroad.

Meanwhile, work outstanding was little changed in April and this lack of capacity pressure led to Chinese service providers cutting their employment levels for a third straight month in April. Panellists reported that job shedding reflected a mixture of resignations and redundancies.

Overall business sentiment improved among Chinese service providers in April to the highest level since last December. There are hopes that market conditions can improve in the year ahead, which should spur new sales and activity at units.

Finally, average input costs continued to increase in the service sector during April. The rate of inflation rose slightly from March on account of higher input material, labour, and energy costs, but remained below its long-run survey average. In contrast, output price inflation, though mild, rose further above the series average in April as firms sought to share rising cost burdens with clients.

China General Services Business Activity Index

sa, >50 = growth since previous month



Sources: Caixin, S&P Global PMI

Key findings:

New business expands at fastest pace in nearly a year

Price indices edge higher in April

Business confidence up to highest level in the year-to-date

New Business Index

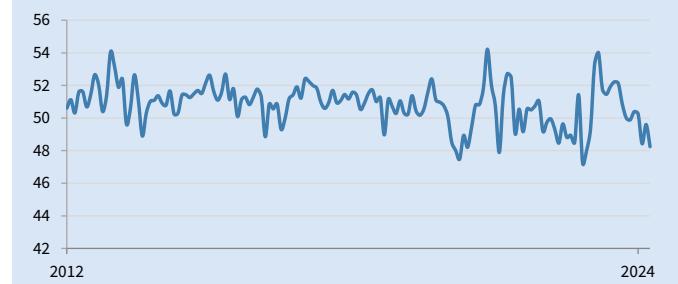
sa, >50 = growth since previous month



Sources: Caixin, S&P Global PMI

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 April, down 0.2 points from the previous month. The index remained in expansionary territory for the 16th straight month, indicating continued improvement in the sector."

"Improved market demand drove a continuous increase in supply. Business activity and total new orders both grew for the 16th straight month, with the latter increasing at the fastest pace since May last year, indicating a solid resurgence in demand. The recovery of the global economy has resulted in an increase in inbound tourist numbers. This has helped produce an upward trend in service exports, allowing the corresponding gauge to stay in positive territory for the eighth consecutive month and hit the highest level since last June."

"However, employment declined. Similar to the previous two months, the sector's labor market remained in contraction despite an overall market rally. Businesses remained reluctant to fill vacancies left by departures out of cost concerns. The gauge for

employment dropped from March, staying in negative territory for the third straight month. Backlogs of work, however, remained largely unchanged."

"Prices rose modestly. Both input costs and prices charged by service providers increased, albeit only slightly. Input costs rose on increased prices for raw materials, labor and energy, which were partially passed onto consumers."

"Market sentiment remained optimistic. Although below its historical average, the gauge for future activity expectations was the highest in four months. Surveyed companies expressed confidence in the market prospects for the coming year."

Caixin China General Composite PMI®

Business activity growth accelerates to 11-month high

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 52.8 in April, up from 52.7 in March, to indicate a sustained expansion of overall Chinese business activity for the sixth successive month and at the fastest pace since May 2023. Underlying data revealed that output growth accelerated in the manufacturing sector but slipped slightly in services.

Composite new orders likewise rose at the fastest pace since last May, attributed to faster expansions in both manufacturing and service sectors. However, employment levels declined for a third straight month.

Rising input cost inflation, partly due to renewed manufacturing input cost inflation, meanwhile underpinned an increase in average selling prices. Business confidence was unchanged in April.

Comment

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

"In April, the Caixin China General Composite PMI measured 52.8, up 0.1 points from the previous month, marking a new high since last May. Growth in supply and demand in the manufacturing and services sectors picked up pace, with outstanding export growth. Overall market optimism was maintained."

"Nevertheless, the pressure on the job market should not be overlooked, with employment at the composite level declining at a rate more than 1 point faster than the previous month. In addition, input and output prices remained relatively low, particularly due to the drag from manufacturing factory gate prices."

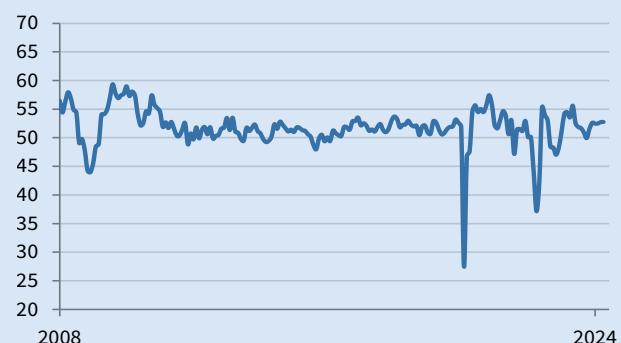
"China's economic performance in the first quarter surpassed market expectations, with steady growth in manufacturing and a gradual recovery in consumption. The strong start to the year is consistent with the Caixin manufacturing and services PMIs, which have remained in expansionary territory for several straight months."

"The services sector outperformed its manufacturing counterpart. Manufacturing investment goods gained momentum in April with increased production and sales, showing signs of improved downstream conditions gradually benefiting upstream markets."

"Weak expectations remain one of the major hurdles facing economic development, leading to increasing pressure on employment and a greater risk of deflation. Therefore, consistent efforts should be made to ensure earlier policies are implemented effectively and promptly, maintaining the current economic recovery momentum and eventually improving overall market expectations."

China General Composite Output Index

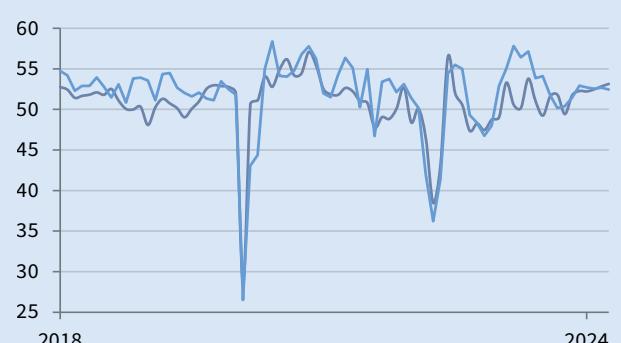
sa, >50 = growth since previous month



Sources: Caixin, S&P Global PMI

Index by sector

sa, >50 = growth since previous month



Sources: Caixin, S&P Global PMI

Services Business Activity / Manufacturing Output

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 11-22 April 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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