

PMI

Caixin China
General Services
PMI Press Release

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Caixin China General Services PMI™

Services activity increases solidly during December

Chinese service providers signalled a strong end to 2021, with firms registering faster increases in both business activity and overall new work. Improved sales and efforts to increase capacity led to a further rise in staffing levels. Nonetheless, backlogs of work continued to increase and at the quickest rate for nearly two years. Cost pressures eased, with both input costs and output charges rising at weaker rates. However, uncertainty over the pandemic weighed on business confidence regarding the year ahead, with sentiment slipping to a 15-month low in December.

The headline seasonally adjusted Business Activity Index increased from 52.1 in November to 53.1 in December, to indicate a stronger rise in services activity at the end of 2021. Output has now increased in each of the past four months, with the latest rise solid overall. Companies that registered higher activity levels often mentioned that improved market conditions, new product releases and higher sales had supported growth.

Total intakes of new business also rose for the fourth successive month in December. The rate of expansion quickened from November's three-month low, but was moderate overall. Some firms indicated that the pandemic, and measures to contain the virus, had weighed on new orders.

Services companies also registered a further increase in new orders from abroad. That said, the rate of growth was similar to those seen in the prior two months and marginal.

Improved demand conditions and efforts to increase operational capacity led to an increase in Chinese service sector employment for the fourth month running. Though only mild, the rate of job creation was the quickest seen since May.

Although staff numbers increased, backlogs of work expanded for the fifth time in the past six months during December. The rate of accumulation was the quickest seen since February 2020, albeit modest overall. When explaining the latest rise in unfinished work, companies generally commented on higher intakes of new work, though some firms also mentioned that the pandemic had hampered their ability to fulfil orders.

As has been the case since July 2020, average input costs increased in the final month of 2021. The rate of inflation softened since November, but was nonetheless solid overall. Firms often cited increased costs for raw materials and staff. At the same time, charges set by services companies rose only modestly in December, with the rate of inflation edging down to a four-month low. Higher fees were generally associated with the pass-through of higher costs to clients.

Although Chinese service providers remained highly upbeat regarding the 12-month outlook for business activity, overall sentiment softened since November. Notably, the degree of optimism was the lowest seen since September 2020, largely due to concerns around how long it will take to bring the pandemic under control globally.

China General Services Business Activity Index

sa, >50 = growth since previous month



Key findings:

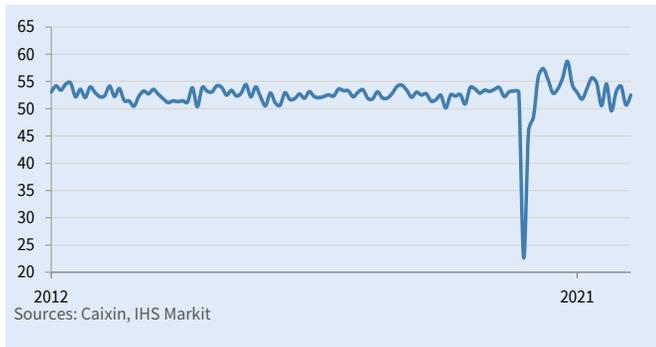
Companies signal stronger rises in business activity and new work

Inflationary pressures weaken

Business confidence edges down to 15-month low

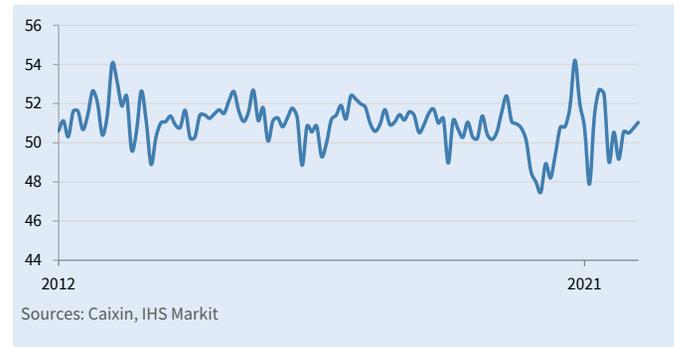
New Business Index

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 rose to 53.1 in December from 52.1 the previous month, indicating continuous recovery of the services sector.”

“Supply and demand both improved. As new products helped lift the market sentiment, business activity and total new business both expanded for the fourth consecutive month. But surveyed enterprises were concerned about the disruptions caused by scattered Covid-19 flare-ups. Overseas demand was stable with little change in the gauge for new export business from the previous month.”

“The job market for services improved as the measure for employment stayed in expansionary territory for the fourth consecutive month. But employment expanded at a significantly slower pace than business activity and total new business, resulting in an increase in outstanding work at the fastest pace since February 2020.”

“Service costs rose at a slower rate. The measures for input costs

and the prices charged by service providers both dropped from the previous month, indicating lower inflationary pressure. But raw material and labor costs were still high as input costs have risen for 18 months in a row. The gauge for input costs was higher than that for prices charged by service providers for the 15th consecutive month, reflecting the pressure on service providers.”

“Businesses were less optimistic due to worries about the pandemic’s fallout. Although the measure for business expectations remained in positive territory, it fell to the lowest since September 2020 and was remarkably lower than the long-term average.”



Caixin China General Composite PMI™

Chinese business activity expands at strongest rate since July

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 China Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

At 53.0 in December, the Composite Output Index rose from a three-month low of 51.2 in November and signalled a solid increase in overall business activity across China. Output has now risen in each of the past four months, with the latest increase the quickest since July. Detailed data highlighted stronger rates of output growth across both manufacturing and service sectors at the end of the year.

Total new orders also rose at a quicker pace in December, supported by a steeper increase in services sales and a renewed upturn in manufacturing orders. However, employment at the composite level was stagnant, as higher staffing levels at services companies were offset by a further fall in manufacturing payrolls.

Chinese companies registered a further increase in average input costs, albeit with the rate of inflation weakening to a 15-month low. Business confidence meanwhile softened at the end of the year, and slipped to its lowest since May 2020.

Comment

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

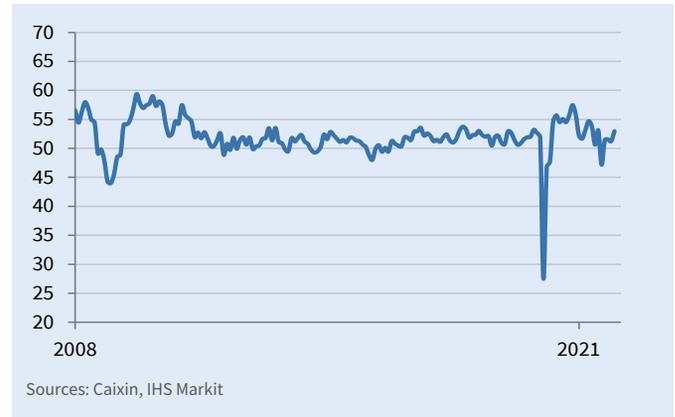
“The Caixin China General Composite PMI came in at 53 in December, higher than 51.2 the previous month. Supply and total demand of both manufacturing and services recovered. Employment was basically stable with the manufacturing job market being relatively weak. The gauges for prices dropped, indicating easing inflationary pressure. Overseas demand was stable. Businesses were less optimistic.”

“To sum up, the economy recovered in December with improvements in demand and supply of manufacturing and services. Inflationary pressure eased. But the job market was still under pressure and businesses were less optimistic, raising questions about the stability of the economic recovery. The repeated Covid-19 flare-ups and sluggish overseas demand were challenges to stability. As policymakers said at the Central Economic Work Conference that China’s economic growth is facing triple pressures of “demand contraction, supply shock and weakening expectation,” stabilizing the economy will become the key priority of economic work in 2022.”

“We are aware that the employment subindex under the Caixin manufacturing PMI and the official surveyed unemployment data both indicated a weakening momentum of the job market. Policymakers should focus on shoring up employment as well as on targeted support to small and midsize businesses. They should make policies more consistent, stable and predictable.”

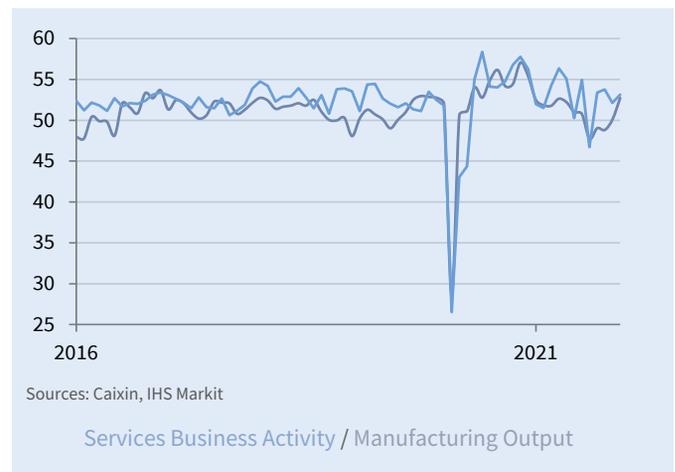
China General Composite Output Index

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 IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 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@ihsmarkit.com.

Survey dates and history

Data were collected 03-15 December 2021.

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.

<https://ihsmarkit.com/products/pmi.html>.

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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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About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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