

PMI

Caixin China
General Services
PMI Press Release

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Caixin China General Services PMI™

Services activity growth hits four-month high in April

April PMI data signalled a sharp expansion of Chinese service sector business activity, that was supported by the strongest rise in overall new work for five months. In order to meet rising customer demand businesses increased their staff numbers at a faster rate, which helped to alleviate pressure on capacity. Input costs meanwhile rose solidly, which prompted firms to raise their prices charged again.

Although easing from March's recent record, optimism around the 12-month business outlook remained marked, partly driven by expectations that business conditions at home and abroad will continue to recover from the pandemic.

The headline seasonally adjusted Business Activity Index increased from 54.3 in March to 56.3 in April, to indicate a sharp expansion of service sector output. Notably, the upturn was the strongest recorded in 2021 to date and quicker than the series average (54.1).

The faster upturn in business activity was linked to the successful containment of COVID-19 and a further improvement in demand conditions. Total new orders expanded at the fastest rate since last November and sharply overall. The steeper rise in sales was also supported by a renewed upturn in export work. New business from abroad rose solidly overall, after a two-month period of decline.

Firmer demand conditions led companies to raise their staffing levels for the second month running in April. Moreover, the rate of job creation was the fastest recorded for five months and solid.

Increased workforce numbers and efforts to improve efficiency drove a renewed fall in the level of outstanding business. That said, the rate of backlog depletion was only slight.

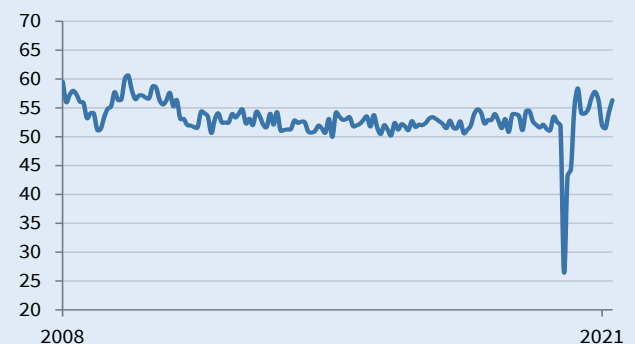
Average input costs faced by Chinese service providers rose again in April, and at a sharper rate than in March. Anecdotal evidence indicated that increased staff and raw materials costs drove the latest upturn in expenses.

Prices charged by services companies also rose in April, though to a lesser extent than that seen for input costs. A number of businesses mentioned raising their charges to help ease pressure on margins, while others indicated that stronger client demand had enabled them to raise their prices.

Looking ahead, services companies in China were strongly optimistic that business activity would be higher than current levels in 12 months' time. Furthermore, the level of positive sentiment slipped only slightly from March's eight-year record. Growth forecasts were frequently linked to expectations that customer demand will continue to recover from the pandemic, as well as planned company expansions and new product releases.

China General Services Business Activity Index

sa, >50 = growth since previous month



Sources: Caixin, IHS Markit

Key findings:

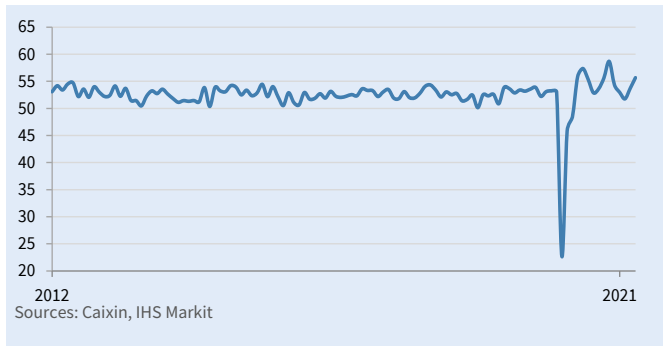
Steeper increase in activity amid strongest upturn in sales for five months

Quicker rise in employment helps to ease capacity pressures

Optimism towards the year ahead remains historically sharp

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 56.3 in April, up from 54.3 the previous month and staying in expansionary territory for 12 months in a row. The reading hit the highest level this year, signalling an accelerated recovery of the services sector.

1. Services supply and demand both expanded at a faster pace than the previous month and continued the upward trend for the 12th consecutive month. Both gauges hit this year's highest levels. Overseas demand recovered fast despite resurgence of Covid-19 cases in some countries. The measure for new export orders bounced sharply back to positive territory in April.

2. The job market continued improving along with market recovery. Service companies added staff gradually to meet market demand. The gauge for employment has stayed in expansionary territory in eight out of the past nine months, reflecting the continuity of services recovery. Outstanding orders declined slightly as an increased number of staff finished part of orders.

3. Price gauges remained at a high level and inflationary pressure heightened. Input costs increased faster last month than the previous one, maintaining expansion for the 10th month in a row, amid rising raw material prices and demand-driven higher labor costs. Prices set by service providers rose along with costs. Surveyed enterprises said strong market demand provided some room for them to raise prices.

4. Entrepreneurs remained confident. Although the gauge for business expectations slightly declined from the previous month, it stayed significantly above the long-term average. Surveyed service providers were confident about the control of the epidemic and the economic recovery."

Caixin China General Composite PMI TM

Sharper rise in total business activity in April

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.

The Composite Output Index rose from 53.1 in March to 54.7 in April, to signal a sharp and accelerated rise in total business activity across China. Notably, the rate of expansion was the strongest recorded in 2021 to date and above the long-run trend. Stronger rates of growth were reported across both manufacturing and services, with the latter noting the steeper rate of increase.

The upturn was supported by the quickest upturn in total new orders for four months, which in turn drove the fastest increase in employment since last November. At the same time, inflationary pressures remained strong, with input cost inflation hitting its highest since January 2017, while prices charges rose solidly.

Although slipping from March's eight-year record, business confidence towards the year-ahead outlook for output remained historically sharp in April.

Comment

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

"The Caixin China General Composite PMI came in at 54.7 in April, stronger than 53.1 the previous month and hit the highest level this year. The gauges for total demand, supply, employment and overseas demand were all in expansionary territory. Surveyed enterprises remained confident about the economic outlook in the next 12 months. Both the gauges for input costs and output prices stayed at a high level, indicating high inflationary pressure.

"To sum up, the post-epidemic manufacturing and services recovery accelerated as both supply and demand expanded. Business confidence was high amid strong overseas demand and improved employment. Services recovered faster than manufacturing. Inflation will be a focus in the future. Inflationary pressure was evident as input costs and output prices in manufacturing and services have continued to increase for several months.

"Policymakers have expressed concerns about rising commodity prices on several occasions and urged adjusting raw material markets and easing businesses' cost pressure. In the coming months, rising raw material prices and imported inflation are expected to limit policy choices and become a major obstacle to the sustained economic recovery."

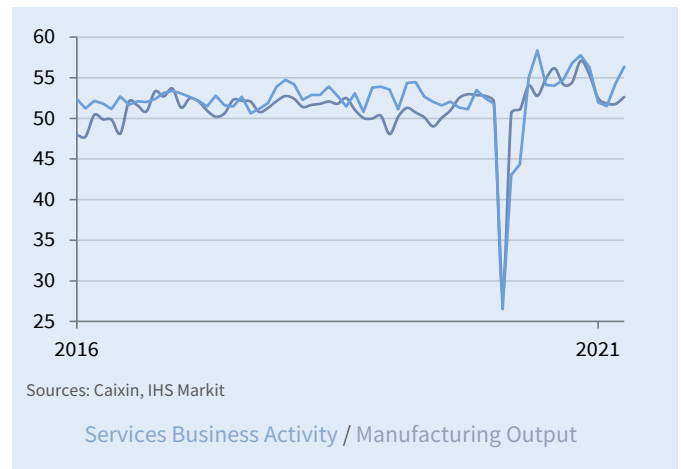
China General Composite Output Index

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 12-22 April 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

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