Caixin China General Services PMI Press Release

2021.06

财新 Caixin

Caixin China General Services PMI ™

Service sector growth slows in June

June survey data signalled a slowdown in Chinese service sector growth, as an uptick in COVID-19 cases and reduced travel dampened demand. Notably, both business activity and new orders rose at the slowest rates for 14 months. At the same time, there were signs of reduced pressure on capacity and business confidence softened, which led to a slight fall in employment. On the prices front, operating expenses rose only slightly in June, while prices charged fell for the first time since July 2020.

The headline seasonally adjusted Business Activity Index posted 50.3 in June, down from 55.1 in May, but still above the neutral 50.0 level to signal a fourteenth successive monthly increase in service sector activity. However, the rate of growth was the softest seen over this period and only marginal.

The slower upturn in business activity coincided with a softer increase in overall new work. The latest upturn in total sales was likewise the least marked for 14 months and only slight. New work from abroad meanwhile increased only marginally. Firms that recorded higher sales generally commented on firmer market demand. That said, there were also reports that the recent uptick in COVID-19 cases and reduced travel had dampened overall new business.

The softer rise in new order volumes led to an easing of pressure on capacities in June. After rising modestly in May, outstanding workloads declined slightly at the end of the second quarter.

Companies readjusted their staffing levels in line with business requirements, while there were also reports of staff leaving their posts due to the uptick in virus cases. Consequently, employment across the service sector fell for the first time in four months (albeit marginally).

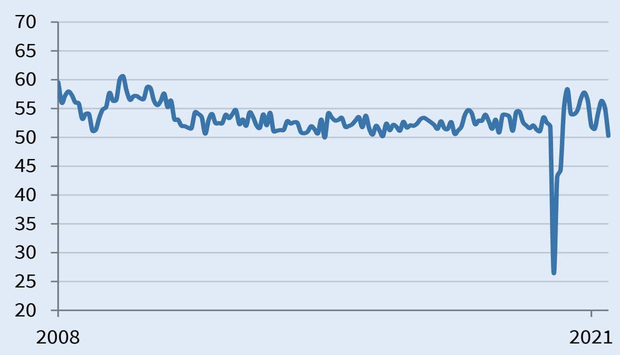
Latest data showed that the rate of input cost inflation eased markedly during June. Notably, it was the softest increase in operating expenses since September 2020. Companies that registered higher cost burdens generally linked this to increased prices for raw materials and greater staff costs.

Chinese services companies lowered their average output charges for the first time in nearly a year in June. Firms often attributed the fall to efforts to attract new business. That said, the rate of discounting was only slight.

Although Chinese services companies remained strongly upbeat regarding the year-ahead outlook for activity, the resurgence of the COVID-19 virus dampened overall optimism in June. Moreover, the degree of positive sentiment slipped to a nine-month low. Nonetheless, many firms were confident that the pandemic will be controlled, and that market conditions and global demand will revive further over the coming year.

China General Services Business Activity Index

sa, >50 = growth since previous month



Sources: Caixin, IHS Markit

Key findings:

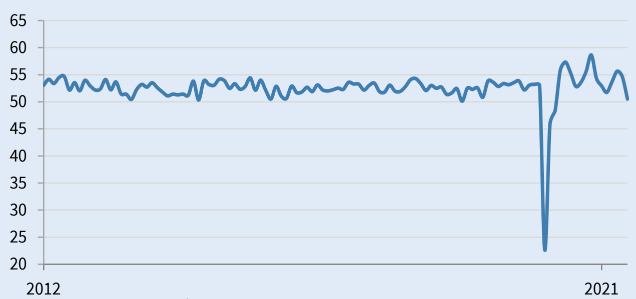
Softest increases in activity and new work for 14 months

Staff numbers fall as capacity pressures ease

Rates of input cost and output charge inflation slow notably

New Business Index

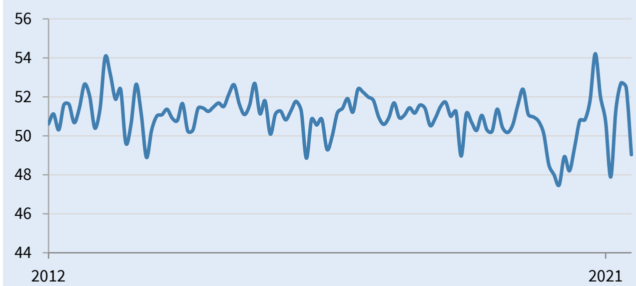
sa, >50 = growth since previous month



Sources: Caixin, IHS Markit

Employment Index

sa, >50 = growth since previous month



Sources: Caixin, IHS Markit

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 50.3 in June, down from 55.1 the previous month. The June reading was the lowest since April 2020. The services sector expanded for the 14th month in a row in June, but the rate of expansion significantly slowed from the previous month.

"Both supply and demand in the services sector expanded. The gauges for business activity and total new orders remained in positive territory for the 14th consecutive month in June, but both fell to the lowest in 14 months. The recent resurgence of Covid-19 in the Pearl River Delta had a certain impact on the services sector. External demand marginally improved. The gauge of new export business rose into positive territory, though the rate of expansion was marginal.

"Employment in the services sector came under pressure. The resurgence of Covid-19, coupled with weakening supply and demand, hurt the labor market. The measure for employment fell into contractionary territory in June for the first time in four months, though the contraction was not sizable. Also, due to the weak market, service enterprises' outstanding workload decreased.

"Prices in the service sector were stable, as inflationary pressure eased. High commodity and labor prices continued to push up costs for services companies, but the growth of input prices slowed. The gauge for input prices remained in expansionary territory for the 12th month in June, but fell to the lowest point in nine months. And the gauge of prices charged by service enterprises fell into contractionary territory in June, the first time since July 2020.

"Market sentiment remained optimistic. Nonetheless, the measure for business expectations fell to the lowest in nine months in June. Some surveyed enterprises were still concerned about the epidemic situation at home and abroad in the near future."

Embargoed until 0945 CST (0145 UTC) 5 July 2021

Caixin China General Composite PMI ™

Softest increase in overall activity for 14 months

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 50.6 in June, the Composite Output Index slipped from 53.8 in May but remained above the neutral 50.0 value to signal a sustained increase in overall business activity across China. However, the rate of growth was the softest seen in the current 14-month period of expansion and only marginal. Slower expansions in output were recorded across both the manufacturing and service sectors.

Growth in composite new orders likewise softened to a 14-month low in June, with both monitored sectors recording slower rates of growth. Overall employment meanwhile fell fractionally, as job cuts at services companies largely offset an upturn in manufacturing staff numbers.

Inflationary pressures meanwhile eased notably in June. Composite input cost inflation softened to an eight-month low, while prices charged by Chinese companies increased only slightly.

Comment

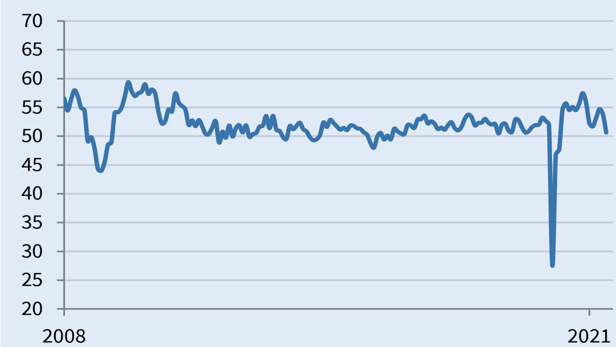
Commenting on the China General Composite PMI ™ data, Dr. Wang Zhe, Senior Economist at Caixin Insight Group said:

"The Caixin China General Composite PMI came in at 50.6 in June, down from 53.8 the previous month, showing a weakening expansion. Both the gauges of output and new orders were still in expansionary territory in June, but fell to the lowest in 14 months. Employment in the manufacturing sector was strong, while that in the services sector was weak. The labor market was stable overall. The gauges for input prices and output prices largely fell, indicating easing inflationary pressure.

"Overall, activity in both the manufacturing and services sector continued to expand. However, impacted by the resurgence of the virus in some regions in China, the services sector was weaker than the manufacturing sector, both in terms of market supply and demand or employment. Costs and factory-gate prices in the manufacturing sector still rose, while those in the services sector were basically stable. The gauges for input prices and output prices in the manufacturing and services sectors fell in June from the previous month's high, indicating inflationary pressure eased temporarily. The manufacturing industry has returned to normal in the wake of the epidemic, while the services industry is still sensitive to regional resurgences. In addition, the low base effect from last year will continue to weaken in the second half of this year. Inflationary pressure, intertwined with the economic slowdown, will still be a serious challenge."

China General Composite Output Index

sa, >50 = growth since previous month



Sources: Caixin, IHS Markit

Index by sector

sa, >50 = growth since previous month

Sources: Caixin, IHS Markit

Services Business Activity / Manufacturing Output

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 10-22 June 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.

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.

Read more: https://www.caixinglobal.com/index/

For more information, please visit

www.caixin.com

www.caixinglobal.com

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.

Disclaimer

Contact

Dr. Wang Zhe

Senior Economist

Caixin Insight Group

T: +86-10-8590-5019

zhewang@caixin.com

Ma Ling

Brand and Communications

Caixin Insight Group

T: +86-10-8590-5204

lingma@caixin.com

Annabel Fiddes

Economics Associate Director

IHS Markit

T: +44 1491 461 010

annabel.fiddes@ihsmarkit.com

Joanna Vickers

Corporate Communications

IHS Markit

Telephone +44 207 260 2234

joanna.vickers@ihsmarkit.com