

Caixin China General Services PMI™

Chinese business activity declines at quickest rate since start of 2009

Summary – Services and Composite PMI data

The latest Caixin China Composite PMI™ data (which covers both manufacturing and services) signalled a second successive monthly decline in total Chinese business activity during September. Furthermore, the Caixin Composite Output Index posted at 48.0, down from 48.8 in August, and signalled the fastest rate of contraction since January 2009.

The sharper decline in total business activity primarily reflected a steeper contraction of manufacturing output in September. Moreover, the latest fall in manufacturing production was the fastest seen in six-and-a-half years. Meanwhile, service sector companies continued to signal increased business activity in September, though the rate of expansion was only slight. This was signalled by the Caixin China General Services Business Activity Index posting marginally above the neutral 50.0 value at 50.5 in September, down from 51.5, and its lowest reading in 14 months.

September data pointed to a faster decline in total new business placed at manufacturing companies, while service providers saw only a marginal expansion in new work. Furthermore, it was the slowest rate of new order growth recorded in the service sector since July 2014. According to anecdotal evidence, the military parades that celebrated the 70th anniversary of the end of the second world war had partly dampened customer numbers and new business. With new work at manufacturers falling sharply, composite new orders declined at the fastest pace since March 2009.

Employment trends continued to diverge across the manufacturing and services sectors in September. Manufacturers cut their workforce numbers at a solid pace that was similar to that seen in the prior month, while service providers continued to increase their payroll numbers. However, the rate of job creation was only slight, despite improving upon August's fractional pace. Consequently, employment at the composite level declined for the fourth successive month.

Manufacturing companies signalled a further increase in outstanding workloads in September, which was often linked to reduced productive capacity. Meanwhile, softer growth in new work enabled service sector firms to work through their unfinished business in September and at the fastest rate in ten months. Overall, backlogs of work declined again at the composite level, albeit at a marginal rate.

Average input costs fell markedly at Chinese manufacturing companies in September, while service sector companies reported a further rise in cost burdens. That said, the rate of cost inflation was the slowest seen in three months and only slight. Consequently, input prices fell for the thirteenth month in succession at the composite level.

Latest data signalled that both manufacturers and service providers cut their prices charged in September, with both sectors citing relatively weak client demand as a key factor leading them to discount their tariffs. Furthermore, it was the fastest reduction in service sector selling prices since June 2012. At the composite level, output charges fell at the quickest rate for a year-and-a-half.

Key points

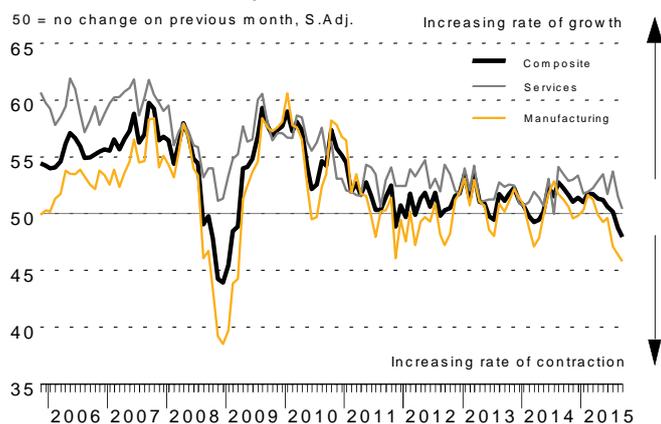
- Service sector activity increases only slightly, as manufacturing output falls sharply
- Staffing levels continue to decline at the composite level
- Composite output prices fall at the quickest rate in a year-and-a-half.

Comment

Commenting on the China General Services PMI™ data, Dr. He Fan, Chief Economist at Caixin Insight Group said:

"The headline Caixin China General Services PMI for September is 50.5, still in the territory of expansion but down from 51.5 in the previous month. The employment category improved markedly, pointing to the continued strength of the service sector in creating jobs. The Caixin China Composite Output Index was 48, down from 48.8 the previous month. However, the composite employment index improved from the previous month, indicating that economic restructuring underway has not affected employment too much."

Caixin China Output PMI



Sources: Markit, Caixin

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Important notice:

Markit will discontinue issuing the Caixin Flash China General Manufacturing PMI. The Caixin Flash China General Manufacturing PMI released on September 23rd 2015 was the final release. Markit will continue to issue the monthly Caixin China General Manufacturing PMI and the Caixin China General Services PMI on the first and third business day of the month at 09h45 Beijing time. We are pleased to be working in partnership with Caixin Media on these important indices and we remain committed to providing accurate and timely data on China's economy, which is important to stakeholders in China and outside the country.

Notes to Editors:

The Caixin China General Services PMI™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 companies. The panel has been carefully selected to accurately replicate the true structure of the services economy.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Purchasing Managers' Index™ (PMI™) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

Historical data relating to the underlying (unadjusted) numbers and seasonally adjusted series are available to subscribers from Markit. Please contact economics@markit.com.

About Caixin:

Caixin Media is China's leading media group dedicated to providing financial and business news through periodicals, online content, mobile applications, conferences, books and TV/video programs.

Caixin Insight Group is a high-end financial data and analysis platform. The group encompasses the monthly Caixin China Purchasing Managers' Index™, components of which include the Caixin China General Manufacturing PMI™ and Caixin China General Services PMI™. These indexes are closely watched worldwide as reliable snapshots of China's economic health.

For more information, please visit www.caixin.com.

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About PMI:

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