

# Caixin China General Services PMI™

Services companies report slower growth of business activity in August

## Summary – Services and Composite PMI data

Caixin China Composite PMI™ data (which covers both manufacturing and services) pointed to a renewed fall in overall Chinese business activity in August. This was highlighted by the Caixin Composite Output Index posting below the neutral 50.0 value at 48.8, down from 50.2 in July. Though only modest, it was the fastest contraction of output seen since February 2009.

The renewed decline in overall output was largely driven by a faster contraction of manufacturing production in August. Furthermore, the latest fall in manufacturing output was the quickest seen in 45 months. Meanwhile, slower growth in service sector business activity also weighed on the headline index. The Caixin China General Services Business Activity Index posted at 51.5 in August, down from 53.8 in July, and signalled the slowest increase in activity in the current 13-month sequence of expansion.

Total new order growth at service sector companies also weakened in August, with the latest increase in new business the slowest seen in just over a year. According to anecdotal evidence, relatively subdued market conditions had dampened client demand in the latest survey period. Meanwhile, new orders contracted again at Chinese manufacturing companies in August, with the rate of reduction quickening to a 17-month record. Consequently, total new business at the composite level fell for the first time since April 2014, albeit marginally.

Softer activity and new order growth led to a slower increase in service sector employment in August. Moreover, the latest expansion in service providers' staff numbers was the weakest seen in the current two-year sequence of job creation and fractional. Job shedding persisted at manufacturing companies, with the pace of reduction quickening slightly since July. Overall, composite employment fell for the third month in a row and at a modest pace.

Service sector companies registered lower backlogs of work for the seventh successive month in August. That said, the rate of depletion was moderate overall. According to panellists, weaker growth in new work enabled firms to complete unfinished business. Outstanding workloads meanwhile rose at manufacturing companies, though the rate of accumulation remained marginal overall. The level of work-in-hand (but not yet completed) at the composite level fell for the fifth straight month, though only fractionally.

Cost trends continued to differ between manufacturers and service providers in August. Service sector businesses reported a further modest rise in input prices, while goods producers signalled a marked reduction in their input costs. Furthermore, the sharp decline in manufacturers' cost burdens led input prices at the composite level to fall for the twelfth successive month and at a moderate rate.

Average prices charged by services companies increased modestly for the second successive month in August. In contrast, factory gate charges set by manufacturing companies declined at the sharpest rate since January.

## Key points

- Composite output and new orders both contract for the first time in 16 months
- Job shedding intensifies at manufacturers, while employment rises only fractionally at service providers
- Composite input costs and output charges continue to fall

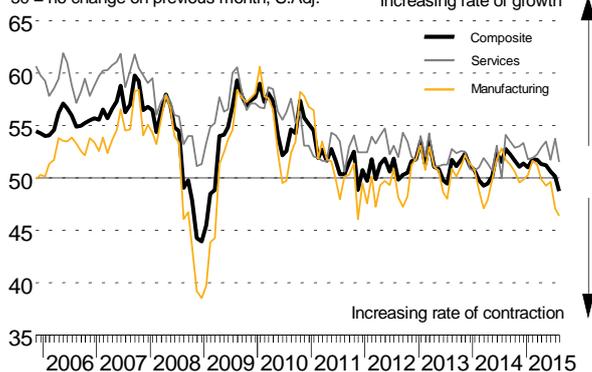
## Comment

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

*"The headline Caixin China Services PMI remained above the 50-point mark that separates growth from contraction in August, but the increase in activity was smaller than in July, driven in part by a softer expansion in the financial services sector caused to some extent by stock market fluctuations. The Caixin China Composite PMI fell below 50 for the first time since April 2014, indicating that the expansion of services activities was not strong enough to offset the contraction in manufacturing. In the face of continued pressure on growth, macroeconomic stabilization policies must continue and fresh reform measures must be introduced. Fine-tuning should go hand in hand with speedier implementation of structural reform to release the full potential of growth and lead the market to confidence."*

## Caixin China Output PMI

50 = no change on previous month, S.Adj.



Sources: Markit, Caixin

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### 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](http://www.caixin.com).

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