

# Caixin China General Services PMI™

Chinese business activity expands at quickest pace for six months

## Summary – Services and Composite PMI data

The Caixin China Composite PMI™ data (which covers both manufacturing and services) indicated that Chinese business activity growth picked up for the second month in a row during August. Furthermore, the latest expansion of activity was the strongest seen for six months, as shown by the Composite Output Index posting 52.4, up from 51.9 in July.

August data revealed that the latest expansion of overall business activity was underpinned by increased activity at both manufacturers and services providers. Notably, services companies registered the quickest upturn in business activity for three months. This was highlighted by the seasonally adjusted Caixin China General Services Business Activity Index rising from 51.5 in July to 52.7. At the same time, goods producers noted a further modest increase in output that was little-changed from that seen in the previous month.

In line with the trend for activity, growth in new business accelerated in the service sector midway through the third quarter. The latest increase in new work was the fastest seen in three months and solid overall, with a number of companies linking growth to improving market conditions and new marketing strategies. At the same time, new order intakes at manufacturers rose to the greatest extent in over three years. As a result, composite new business increased at the joint-quickest pace in 2017 to date.

Stronger growth of activity and new orders led service providers to expand their payrolls again in August. Notably, the rate of job creation was the fastest seen for four months. Meanwhile, manufacturers reported a further reduction in headcounts in the latest survey period, though the rate of job shedding moderated since July. At the composite level, employment stabilised in August, thereby ending a four-month sequence of decline.

Manufacturers and services companies in China both reported higher amounts of outstanding work during August that was in turn linked to greater new order intakes. That said, service providers saw only a marginal rate of backlog accumulation that was the weakest in four months. The level of work-in-hand (but not yet completed) at manufacturing firms increased at a pace that, though modest, was the quickest seen in the year to date. Consequently, unfinished workloads continued to rise modestly at the composite level.

Cost burdens continued to rise at a sharper pace at manufacturers than service providers in August. Notably, the rate of input price inflation at goods producers accelerated to five-month high, with a number of panellists commenting on higher raw material costs. In contrast, average input prices rose at a marginal pace at services firms that was one of the slowest seen over the past eight years. Subdued cost pressures at services companies did not offset the steeper increase in input costs at manufacturers, however, as shown by composite input costs rising to the greatest extent since March.

Prices charged by Chinese services firms declined during August amid reports of greater market competition. Though only marginal, it was the first time that prices had fallen for nearly a year-and-a-half. Manufacturers meanwhile increased their factory gate charges and at a solid rate. According to panellists, companies raised their selling prices due to greater cost burdens. At the composite level, prices charged increased at the steepest rate for five months.

After dipping in July, overall business confidence in China picked up slightly in August. The improvement was driven by stronger optimism across both the manufacturing and service sectors, with the latter expressing the most marked degree of positive sentiment.

## Key points

- Services activity growth strengthens to three-month high, while manufacturing output grows modestly
- New orders increase at faster pace at both service providers and goods producers
- Inflationary pressures build further

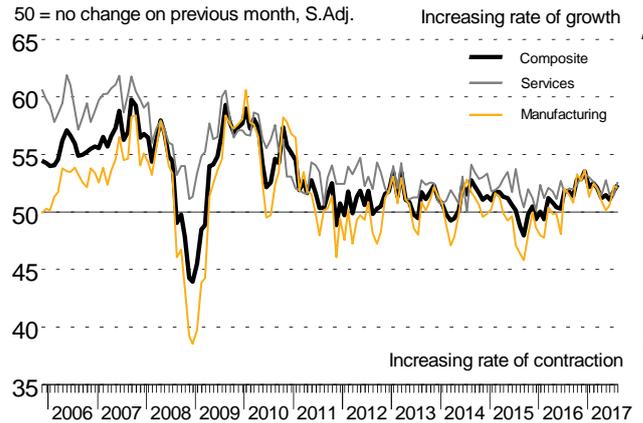
## Comment

Commenting on the China General Services PMI™ data, Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis at CEBM Group said:

*“The Caixin China General Services Business Activity Index rose 1.2 points from July to 52.7 in August. The index of new business signalled a solid increase in workloads. Input costs increased only marginally while prices charged surprisingly fell to contraction territory. The Composite Output Index increased 0.5 points from July to 52.4, the highest reading since February. The recovery in both manufacturing and services has led the*

*economic outlook to continue to improve. But we need to closely watch whether the recent rises in input costs will weigh on corporate profits and fuel inflation.”*

## Caixin China Output PMI



Sources: IHS 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 IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.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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