

# Caixin China General Services PMI™

China sees renewed contraction of business activity at the end of 2015

## Summary – Services and Composite PMI data

Caixin China Composite PMI™ data (which covers both manufacturing and services) signalled reduced business activity in China in December, with the headline Caixin Composite Output Index posting below the neutral 50.0 value at 49.4. This was down from 50.5 in November, and pointed to a marginal rate of reduction. Nonetheless, overall business activity has now fallen in four of the past five months.

December data pointed to divergent sector trends, with business activity rising further at service sector companies while a renewed contraction of output was seen at manufacturers. That said, the rate of service sector activity growth eased to a fractional pace, with the Caixin China General Services Business Activity Index posting just over the no-change 50.0 mark at 50.2 in December, down from 51.2 in the previous month. Furthermore, this was the second-lowest index reading since the series began in November 2005 (behind July 2014).

Relatively subdued client demand was reported across both monitored sectors in December. This was highlighted by only a marginal increase in new work at service providers that was one of the weakest seen in the series history. New business meanwhile fell at manufacturing companies for the sixth month running and at a moderate pace. As a result, new orders declined for the second successive month at the composite level.

Despite slower growth in business activity, services companies continued to add to their payroll numbers in December. The rate of job creation was modest overall, and was generally linked by panellists to ongoing company expansion plans. Lower production requirements at goods producers led employment across the manufacturing sector to fall again in December, however. Furthermore, recruitment at services companies did not offset further job shedding in the goods-producing sector, and led composite employment to fall for the seventh month in a row, albeit marginally.

Backlogs of work were little-changed across China's service sector in December, thereby ending a 10-month sequence of reduction. In contrast, the level of work-in-hand rose for the eighth successive month across the manufacturing sector. Moreover, the rate of accumulation was the quickest since February. Consequently, composite outstanding business increased slightly for the third month in a row.

Softer client demand and greater competition for new business contributed to further falls in average tariffs set by services companies and manufacturers in December. While manufacturers registered a sharp rate of discounting, only a marginal reduction was seen in selling prices set by service providers. Input costs also declined markedly at manufacturers in December. Meanwhile, cost inflation persisted across the service sector, albeit at a modest rate that was much slower than the series average.

Service sector companies in China expressed a relatively low level of optimism towards the 12-month business outlook in December. Furthermore, the degree of positive sentiment remained only slightly stronger than the record low seen in October.

## Key points

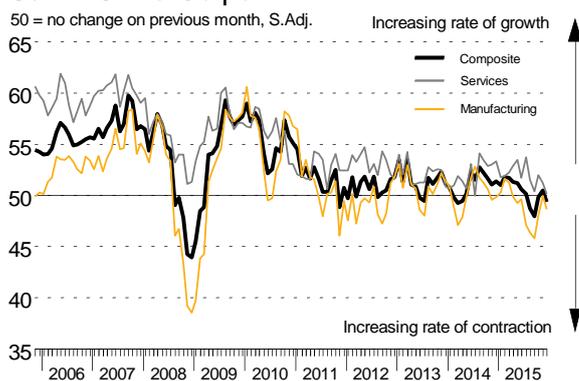
- Slowest increase in services activity for 17 months, while manufacturers see renewed contraction of output
- Composite employment falls for seventh successive month
- Both service providers and manufacturers continue to cut their selling prices in December

## 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 December is 50.2, down 1 point from the reading for the previous month and reaching the lowest point in 17 months. The Caixin Composite Output Index came in at 49.4, below the 50-point neutral level and 1.1 points lower than November's record. In light of the setback to services sector growth, the government needs to gradually relax restrictions in the sector. This will release the potential of supply-side reform, improve the economic structure and help with the industrial transformation and upgrading."*

## Caixin China Output PMI



Sources: Markit, Caixin

## For further information, please contact:

### Caixin Insight Group

Dr. He Fan, Chief Economist  
Telephone +86-10-8590-5001  
Email fanhe@caixin.com

Ma Ling, Director of Communications  
Telephone +86-10-8590-5204  
Email lingma@caixin.com

### Markit

Annabel Fiddes, Economist  
Telephone +44-1491-461-010  
Email annabel.fiddes@markit.com

Joanna Vickers, Corporate Communications  
Telephone +44-207-260-2234  
Email joanna.vickers@markit.com

## 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).

## **About Markit:**

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ approximately 4,000 people in 11 countries. Markit shares are listed on Nasdaq under the symbol MRKT. For more information, please see [www.markit.com](http://www.markit.com).

## **About PMI:**

Purchasing Managers' Index™ (PMI™) surveys are now available for over 30 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. To learn more go to [www.markit.com/economics](http://www.markit.com/economics).

The intellectual property rights to the Caixin China General Services PMI™ provided herein are owned by or licensed to Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Caixin use the above marks under license. Markit is a registered trade mark of Markit Group Limited.