

Caixin China General Services PMI™

Chinese business activity growth slows at the end of the third quarter

Summary – Services and Composite PMI data

Caixin China Composite PMI™ data (which covers both manufacturing and services) signalled increased Chinese business activity for the seventh successive month in September. However, at 51.4 in September, down from August's 51.8, the Composite Output Index indicated that the rate of expansion slowed to a three-month low.

Latest survey data pointed to further growth of both manufacturing and service sector output at the end of the third quarter. That said, the degree to which manufacturers raised production was the slowest in three months and only marginal. At the same time, growth in service sector business activity was little-changed from the previous month and modest overall. This was shown by the seasonally adjusted Caixin China General Services Business Activity Index posting 52.0 in September, down only fractionally from 52.1 in August.

Higher business activity at services companies was generally linked to greater new order intakes and new project developments. This was highlighted by a further increase in total new business during September. That said, the rate of new order growth remained moderate, despite quickening slightly since the previous month. Meanwhile, manufacturers signalled only a marginal increase in new order books. Overall, composite new business increased for the seventh month in a row and at a modest pace.

Service sector employment returned to growth in September. Although the rate of job creation was moderate overall, it was the first time that headcounts across the sector had increased since June. A number of panellists mentioned adding to their payrolls to help with new projects. However, staff hiring at service providers could not offset further marked job cuts at manufacturing companies. Subsequently, composite employment declined for the sixteenth consecutive month, albeit only slightly.

Lower employment and further growth in new work contributed to a further rise in backlogs of work at Chinese manufacturers during September. In contrast, services companies noted a marginal drop in outstanding business for the fourth month in a row. Some service providers commented on efforts to reduce the amount of work-in-hand (but not yet completed) at the end of the third quarter. At the composite level, the amount of unfinished work rose modestly over the month.

September data indicated that average input costs rose across both manufacturing and service sectors. The rate of input price inflation accelerated across the manufacturing sector and was solid overall. Meanwhile, services companies signalled a pace of increase that, though moderate, was the fastest recorded in three months. Stronger rates of cost inflation across both monitored sectors led composite input prices to rise at the quickest pace in five months.

In line with the trend for costs, prices charged by manufacturers and service providers increased during September. Goods producers noted a moderate rate of inflation, while services companies noted only a slight increase overall. Overall, data indicated that composite selling prices rose for the seventh month in a row and at a modest rate.

Service providers signalled a relatively cautious level of optimism towards future growth prospects in September. This was shown by the degree of positive sentiment declining from August and remaining well below the series average. Confidence was mainly linked to hopes of improving market conditions and stronger underlying client demand.

Key points

- Service sector activity continues to expand modestly, but manufacturing output growth eases to three-month low
- Renewed upturn in services staff numbers, while job shedding continues at manufacturers
- Composite input price inflation quickens to five-month high

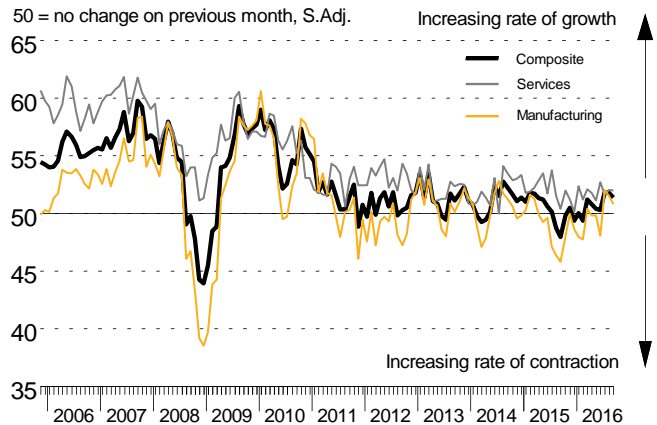
Comment

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

“The headline Caixin China General Services PMI for September edged down by 0.1 from the previous month to 52.0, despite an improvement signalled by data for most indexes. The readings for employment and input prices, for example, were both significantly higher than those for August, but the measure of business expectations was much lower than its level for the previous month. The Caixin China Composite Output Index for September was 51.4, down 0.4 from the reading for August, but remained at a relatively high level. Overall, the economy continued to grow in September, but the rate of expansion fell two months in a row. Fiscal policy

needs to continue to support the economy, because there is insufficient growth momentum on its own.”

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 Markit. Please contact 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.

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