

# Caixin China General Services PMI™

August data signals further modest increase in business activity

## Summary – Services and Composite PMI data

The latest set of Caixin China Composite PMI™ data (which covers both manufacturing and services) pointed to a further rise in Chinese business activity during August, with the rate of expansion little changed from that seen in July. This was shown by the Composite Output Index falling only fractionally from July's 22-month high of 51.9 to 51.8 in August.

A further increase in total business activity was supported by moderate expansions of activity and output across the services and manufacturing sectors in August. The Caixin China General Services Business Activity Index rose from 51.7 to 52.1 in August. Although this showed that the rate of services activity growth picked up slightly from July, it remained moderate overall and slower than the series average. Meanwhile, manufacturers raised output for the second successive month, though the rate of expansion softened since July.

Services companies partly linked higher business activity to new projects. As was the case for activity, however, the rate of new order growth remained subdued, and the pace of expansion edged down slightly to a three-month low. Goods producers also saw new business increase during August, though the rate of growth weakened to a marginal pace. As a result, composite new work increased at a slightly softer pace than in July, with growth remaining modest overall.

After a marginal reduction in July, service sector staff numbers stabilised during August. Some service providers mentioned hiring additional employees to help with new projects, while others indicated that the non-replacement of voluntary leavers had cut workforce numbers. Meanwhile, manufacturing payrolls declined at a pace that, though marked, was the slowest seen in 2016 to date. At the composite level, employment fell for the fifteenth successive month, albeit at a moderate pace.

August data pointed to a third successive monthly fall in the level of work-in-hand (but not yet completed) at services companies, while backlogs continued to rise at manufacturers. The rate of depletion across the service sector remained similar to those seen in the prior two months and only marginal. Meanwhile, the pace at which outstanding work increased at goods producers eased to a moderate pace. Overall, composite outstanding workloads rose only slightly in August.

Input prices rose across both monitored sectors during August, though the rates of inflation eased from the previous month in both cases. Service providers saw only a marginal rate of cost inflation that was the slowest since January 2015. Panellists indicated that lower costs for particular items such as diesel had reduced price pressures. At the same time, the rate at which input costs increased at manufacturers slowed to a moderate pace. Consequently, composite input prices rose modestly in the latest survey period.

Prices charged for both manufactured goods and services rose only slightly during August. This contrasted with a solid increase in charges set by manufacturers in July, while it was the weakest rate of charge inflation seen at services companies for five months. A number of monitored firms mentioned that selling prices rose in line with increased input costs.

Services companies continued to express optimism towards the 12-month business outlook in August. Furthermore, the degree of positive sentiment was the strongest seen in six months, albeit below the series historical average. Expectations of improving market conditions and new business developments were mentioned as key drivers of business confidence in the latest survey period.

## Key points

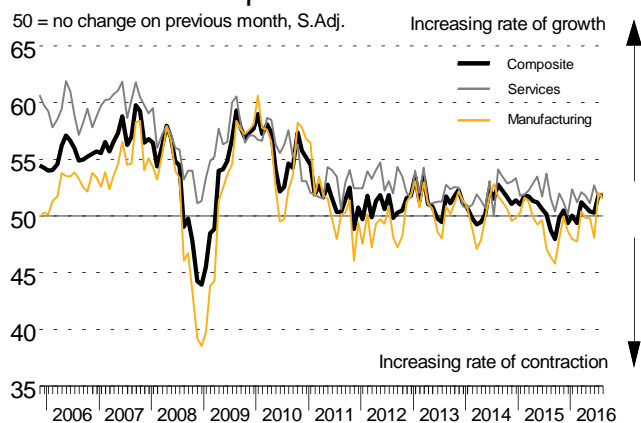
- Services activity growth improves slightly, but manufacturers see softer expansion in output
- New business rises at weaker pace across both monitored sectors
- Services employment stabilises, while manufacturers cut staff numbers at slower pace

## 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 August came in at 52.1, up 0.4 points from the previous month. The indexes for employment and business expectations improved markedly over July’s readings, while the others did not change much. The Caixin China Composite Output Index for August was 51.8, down 0.1 points from the reading for July, but remained steady at a relatively high level. Overall, the economy continued to expand in August at a pace similar to the growth rate for July, but conditions in manufacturing and service sectors diverged again. Downward pressure on China’s economy remains and supportive policies must continue.”*

## Caixin China Output PMI



Sources: IHS Markit, Caixin

**For further information, please contact:**

### Caixin Insight Group

Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis  
Telephone +86-10-8104-8016  
Email zhongzhengsheng@cebm.com.cn

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

### IHS Markit

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

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

## About IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2016 IHS Markit Ltd. All rights reserved.

## 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/product/pmi](http://www.markit.com/product/pmi).

The intellectual property rights to the Caixin China General Manufacturing PMI provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS 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 IHS 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. IHS Markit is a registered trade mark of IHS Markit Limited.

*If you prefer not to receive news releases from IHS Markit, please [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com). To read our privacy policy, [click here](#).*