

# PMI

Caixin China  
General Services  
PMI Press Release

2022.11



# Caixin China General Services PMI™

## Services activity falls at quicker rate in November

The ongoing implementation of COVID-19 containment measures continued to dampen the performance of China's service sector in November. Companies registered the strongest falls in output and new work for six months, as efforts to contain the spread of the virus impacted operations and dampened customer demand. At the same time, companies recorded a renewed drop in workforce numbers, and confidence regarding the 12-month outlook for output slipped to an eight-month low.

Cost pressures were relatively muted, with input costs rising at the softest pace since June and only modestly. Concurrently, prices charged by services companies rose only slightly.

The seasonally adjusted headline Business Activity Index dipped from 48.4 in October to 46.7 in November, to signal a third successive monthly reduction in service sector output. The rate of decline was solid overall, but remained weaker than the falls seen during the previous major wave of COVID-19 cases from March to May.

Efforts to curb the spread of COVID-19 amid a notable rise in case numbers in recent weeks, weighed on service sector business operations and customer demand across China during November. Total new business fell for the third month running, and at the strongest rate since May, with a number of firms citing reduced client numbers. In contrast, the amount of export business returned to growth in November, with some firms stating that the relaxation of international travel rules had supported higher export sales. That said, the rate of growth was only fractional as the global economic environment remained challenging.

Restrictions around mobility meant that some staff were unable to attend the workplace, which contributed to a renewed fall in employment at services companies. There were also reports of firms trimming workforce numbers due to reduced activity levels. Notably, the rate of job losses was the quickest seen since the survey began in November 2005.

Further disruption to business operations due to pandemic restrictions led to a further accumulation of unfinished work. Backlogs at service providers rose at the fastest rate for six months, albeit modestly overall.

Prices data signalled relatively muted cost pressures in November. The rate of input cost inflation softened for the third month in a row, and was among the weakest seen in over two years. Where higher expenses were reported, firms linked this to greater costs for raw materials, office supplies, transport and staff. Companies also registered a slower rise in prices charged, which increased only slightly overall. Some firms mentioned that efforts to boost sales amid the pandemic had limited their pricing power.

Although companies were generally optimistic that business activity will rise over the next year, the degree of positive sentiment slipped to an eight-month low in November. While many firms were hopeful of a strong post-pandemic recovery and firmer customer demand, others expressed concerns over how long it will take to contain the virus and the impact of restrictions on operations and market demand.

### China General Services Business Activity Index

sa, >50 = growth since previous month

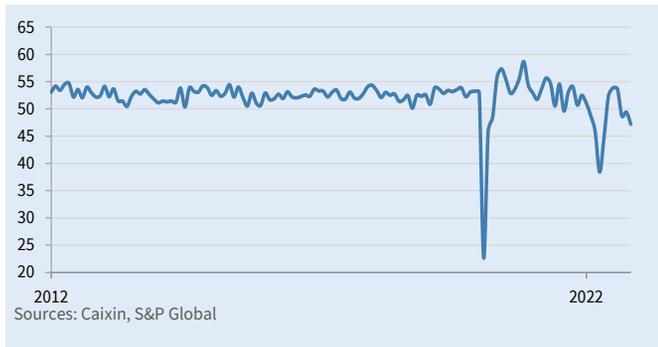


#### Key findings:

- Service sector activity and demand dampened by ongoing COVID-19 restrictions
- Renewed fall in employment
- Cost pressures continue to ease

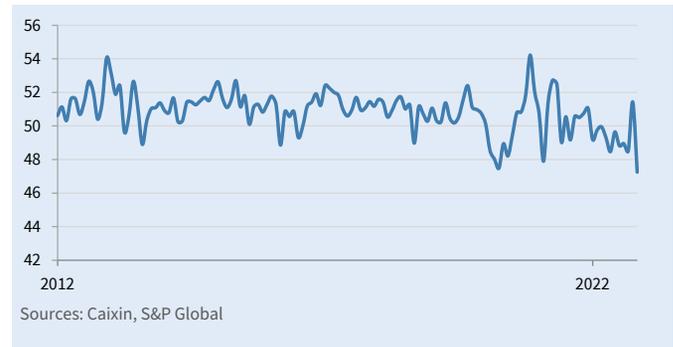
## New Business Index

sa, >50 = growth since previous month



## Employment Index

sa, >50 = growth since previous month



Commenting on the China General Services PMI™ data, Dr. Wang Zhe, Senior Economist at Caixin Insight Group said:

*“The Caixin China General Services Business Activity Index (services PMI) in November dropped 1.7 points from the previous month to 46.7, hitting its lowest since May as Covid-19 outbreaks curtailed services activity in many parts of China.*

*“Both supply and demand weakened at a faster pace in the sector due to a spike in Covid infections and subsequent tightening of containment measures. The gauges for business activity and total new business each logged its worst performance in six months. The gauge for new export orders rose into expansionary territory as overseas demand picked up following an easing of international travel restrictions. However, the expansion remained extremely marginal amid a sluggish global economy.*

*“Job numbers in the services sector took a dive. The Covid outbreaks made it difficult for some workers to return to their jobs, while businesses cut jobs due to weak demand. The reading for employment came in below 50 for the 10th time in the past 11 months and marked its lowest since November 2005.*

*Correspondingly, there was moderate growth in backlogs for November.*

*“Prices remained stable for the sector. The rising cost for raw materials, office supplies, transport and labor pushed up the aggregate expenditure for service providers, with the measure for input costs staying slightly above 50. Given the sluggish demand amid persistent Covid infections, the bargaining power of service businesses remained limited on the prices charged, with the related measure also slightly above 50.*

*“The market remained cautiously optimistic. The gauge for expectations for future activity recorded an eight-month low, and was significantly below its long-term average. Entrepreneurs’ concerns stemmed from the direction in which the pandemic was heading, and its impact on the market.”*



# Caixin China General Composite PMI™

## Overall business activity declines at faster pace

Composite indices are weighted averages of comparable manufacturing and services indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

At 47.0 in November, the seasonally adjusted Composite Output Index fell from 48.3 in October and signalled a third successive monthly reduction in Chinese business activity. Notably, the rate of decline was the strongest seen since May, driven by quicker falls in both manufacturing and service sector output.

New business meanwhile declined at a stronger pace, though mild overall, which was driven by a steeper fall in sales across the service sector. After rising slightly in October, employment fell and at the fastest rate since February 2020. This was due to renewed job losses in the service sector and a quicker fall in manufacturing headcounts.

Cost pressures meanwhile remained relatively subdued, with average input costs rising modestly across both the manufacturing and service sectors. Prices charged were broadly stable for the second month in a row.

### Comment

Commenting on the China General Composite PMI™ data, Dr. Wang Zhe, Senior Economist at Caixin Insight Group said:

*“The Caixin China General Composite PMI came in at 47 in November, down 1.3 points from the previous month and the lowest since May.”*

*“Manufacturing and services activity contracted in varying degrees, with the services sector hit harder by Covid outbreaks. Employment tumbled sharply, and the services sector saw a steeper contraction. Input costs for all surveyed enterprises rose slightly, while prices charged remained stable.”*

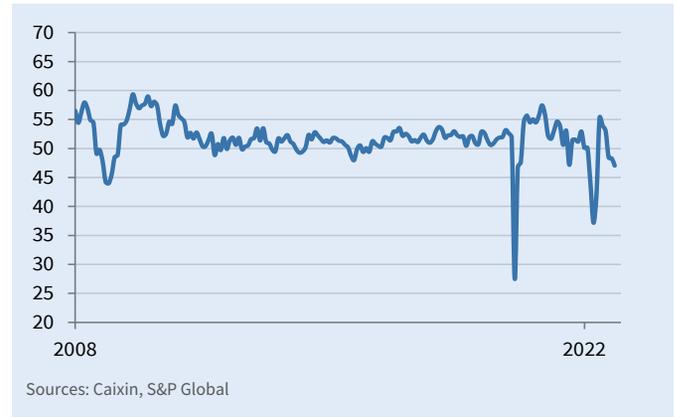
*“China is currently bracing for the third wave of Covid infections following the first wave at the start of 2020 and the second during the first half of 2022. The prolonged pandemic has battered the economy. While the third wave has led to a softened slowdown on both supply and demand than the previous ones, there has been significant pain in the job market.”*

*“Since October, the impact of Covid outbreaks has taken a heavy toll on the economy, and the challenge of how to balance Covid controls and economic growth has once again become a core issue. Top policymakers recently issued clear requirements on how to further optimize Covid prevention and control. How local governments implement these instructions has thus become crucial.”*

*“Under pressures from shrinking demand, weakening expectations and a supply shock, the employment index has long remained low. The downturn in employment coupled with the triple pressures have created a negative feedback loop. The market is in urgent need of policies to promote employment and stabilize domestic demand. Beijing should further coordinate fiscal and monetary policies to expand domestic demand and boost incomes of the poorer parts of the population.”*

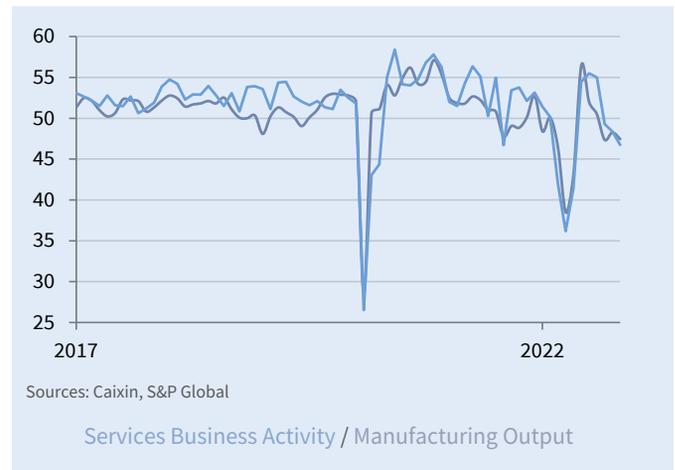
### China General Composite Output Index

sa, >50 = growth since previous month



### Index by sector

sa, >50 = growth since previous month





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## Survey methodology

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The Caixin China General Services PMI™ is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 650 private and state-owned services companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. For the purposes of this report, China is defined as mainland China, excluding Hong Kong SAR, Macao SAR and Taiwan.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For more information on the survey methodology, please contact: [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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## Survey dates and history

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Data were collected 11-22 November 2022.

Data were first collected November 2005.

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## About PMI

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Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 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.

<https://ihsmarkit.com/products/pmi.html>

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Caixin is an all-in-one media group dedicated to providing financial and business news, data and information. Its multiple platforms cover quality news in both Chinese and English. Caixin Insight Group is a high-end financial research, data and service platform. It aims to be the builder of China's financial infrastructure in the new economic era.

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