

# Caixin China General Services PMI™

Chinese business activity rises modestly in November

## Summary – Services and Composite PMI data

The Caixin China Composite PMI™ data (which covers both manufacturing and services) pointed to a stronger rise in total business activity across China in November. Notably, the Composite Output Index rose from a 28-month low of 50.5 in October to 51.9 in November, to signal a modest rate of expansion.

The stronger performance was supported by a rebound in activity across the service sector, as manufacturing production was stable for the second month in a row. Furthermore, the latest upturn in services activity was the most marked for five months, with the seasonally adjusted Caixin China General Services Business Activity Index climbing from October's 13-month low of 50.8 to 53.8 in November. According to panellists, improved underlying demand conditions and greater client numbers contributed to higher activity levels. At the same time, relatively subdued demand across the manufacturing sector meant that factory output remained unchanged.

In line with the trend for activity, services companies signalled the steepest increase in total new orders since June during November. That said, the rate of expansion was moderate overall. New business meanwhile rose at a quicker, albeit still marginal, pace across the manufacturing sector. At the composite level, total new work increased at a modest rate that was the strongest for five months.

Divergent trends were seen regarding export sales, with Chinese service providers noting a modest increase in new business from abroad while manufacturers saw a further decline. New export work at the composite level consequently fell for the eighth month running.

Expectations that new orders will rise further in the coming months led services companies to increase their workforce numbers for the second consecutive month. That said, the rate of job creation remained marginal, and failed to offset a further modest reduction in manufacturing employment. As a result, overall staff numbers fell for the sixth month in a row, albeit marginally.

Outstanding business at service providers fell slightly for the third month in a row during November amid reports of greater efforts to clear backlogs. In contrast, unfinished workloads continued to expand at manufacturing companies. Taking both sectors into account, the amount of work-in-hand (but not yet completed) rose marginally at the composite level.

Average input costs continued to rise across both the manufacturing and service sectors during November, and at similarly solid rates. However, the latest increase in manufacturing cost burdens was the weakest seen for seven months, while the rate of cost inflation was unchanged from October across the service sector.

Prices charged by Chinese companies were unchanged from the previous month in November. Data broken down by sector showed that a fractional decline in factory gate prices offset a slight increase in charges set by service providers. Companies widely commented that relatively subdued demand conditions and efforts to remain competitive had weighed on overall pricing power.

Businesses operating in China remained optimistic that output would increase over the next year, but confidence remained subdued in the context of historical data. Although sentiment among manufacturing firms picked up from October's 11-month low, it remained among the lowest seen in the series history. At the same time, services companies expressed the weakest level of optimism since July, with a number of respondents citing concerns over the strength of future client demand and intense competition.

## Key points

- Steepest increase in services activity for five months, while manufacturing production remains stable
- Composite new business rises at quickest pace since June
- Inflationary pressures cool

## 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 picked up significantly to 53.8 in November from a recent low in October, recording its highest level since June.*

*“The gauge for new business also rebounded, indicating that weakening demand in October was a short-term fluctuation. The employment gauge stayed in positive territory but edged down, suggesting that the employment absorption capacity of the services industry weakened slightly. The gauge for prices*

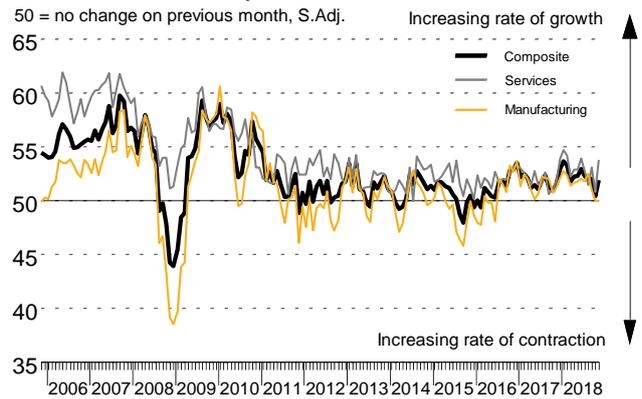
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charged by service providers fell, while the one for input costs remained unchanged from October, which was not good for companies' profit margins. The measure for business expectations, which reflects services providers' confidence about operation prospects over the next 12 months, dropped.

"The Caixin China Composite Output Index picked up to 51.9 in November from the month before, indicating easing downward pressure on China's economy.

"The gauge for composite new orders recorded the most positive rebound, reflecting that the recovery in economic activity was mainly driven by improved demand; domestic demand has probably played a key role as the measure for new export business dipped. The employment gauge slipped further into negative territory, but the overall labor market was still stable, which means the urgency of stabilizing employment is not high. The gauges for input costs and output charges both dropped, indicating easing inflationary pressure. The measure for future output, which reflects business confidence, edged down despite improved demand."

## 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) and [www.caixinglobal.com](http://www.caixinglobal.com).

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