

# PMI

Caixin China  
General Services  
PMI Press Release

2020.10



# Caixin China General Services PMI™

## Business activity growth accelerates amid stronger client demand

Latest PMI data signalled a further acceleration in the rate of growth of business activity across China's service sector at the start of the fourth quarter. Furthermore, the rate of expansion was the second-quickest for over a decade, driven by a substantial increase in total new work. However, the resurgence of coronavirus disease 2019 (COVID-19) cases across a number of export markets led to a quicker decline in new work from overseas. The strong improvement in overall demand conditions nonetheless led to a further rise in staffing levels, while confidence towards the year ahead strengthened to the highest level since April 2012.

The headline seasonally adjusted Business Activity Index rose from 54.8 in September to 56.8 at the start of the fourth quarter, to signal a substantial increase in service sector output. Notably, the rate of growth was the second-fastest since August 2010 (after June 2020). Business activity has now risen in each of the past six months, to signal a sustained recovery from the COVID-19 related drops in activity seen earlier in the year.

In line with the trend for business activity, services companies reported a sharp and accelerated rise in new orders during October.

Furthermore, the rate of increase was the third-steepest since September 2010, with panel members linking the upturn to a sustained recovery of client demand and new product launches. However, the amount of new work from overseas clients dipped for the fourth month in a row amid reports that a resurgence of the virus across a number of export markets had dampened foreign sales.

Increased amounts of new work and signs of firmer market conditions led companies to add to their payroll numbers for the third month in a row in October. Though modest, the rate of job creation was the strongest recorded for just over a year.

At the same time, outstanding workloads rose only slightly, with the rate of accumulation having softened since September. According to panellists, capacity pressures stemmed from a sustained and strong rise in new order inflows.

Service providers in China signalled a stronger rise in operating expenses at the start of the fourth quarter amid reports of higher staff and purchasing costs. Notably, the rate of inflation was the steepest for just over two years and solid.

However, efforts to remain competitive led firms to raise their output prices only slightly, with the rate of increased little-changed from that seen in September.

Finally, the latest survey revealed a marked improvement in business confidence regarding the 12-month outlook for output. The degree of optimism was, in fact, the strongest recorded since April 2012. Forecasts for growth were supported by expectations of further improvements in customer demand and that global economic conditions will strengthen once the pandemic is under control.

### China General Services Business Activity Index

sa, >50 = growth since previous month



#### Key findings:

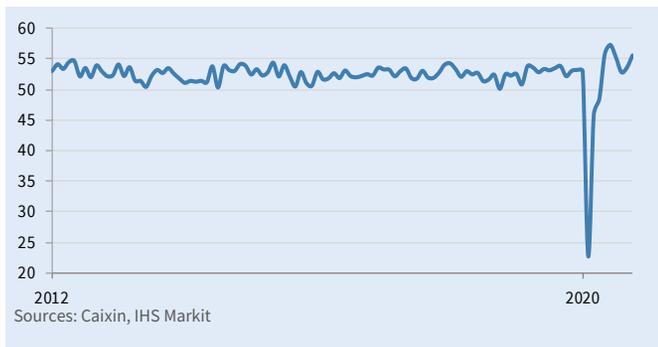
Business activity expands at second-steepest rate since August 2010

Total new order growth accelerates despite further dip in export sales

Business confidence improves to highest level since April 2012

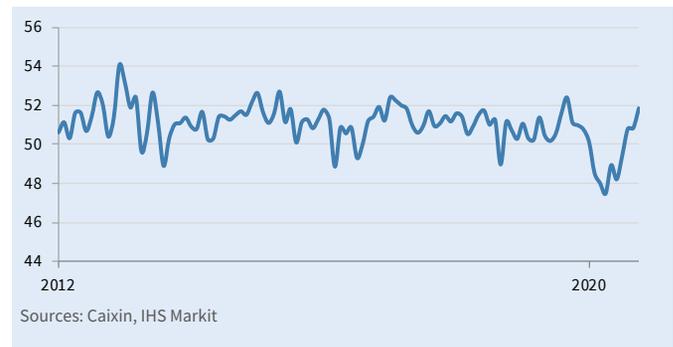
## New Business Index

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 services sector's post-epidemic recovery continued to accelerate in October, with the Caixin China General Services Business Activity Index rising to 56.8 from 54.8 the previous month. Last month's reading was the second highest in 10 years, behind only the 58.4 recording in June this year.

1. Domestic supply and demand in the services sector continued to recover at a faster pace, while overseas demand was subdued. The business activity index and the total new business gauge both rose and stayed in expansionary territory for the sixth straight month in October. That led to outstanding business increasing slightly from the month before. The second wave of coronavirus infections in Europe and the third wave in the U.S. have significantly suppressed China's overseas demand. The gauge for new export orders remained in contractionary territory, falling from September's reading.

2. Employment in the services sector expanded for the third consecutive month as companies expanded their hiring in the face of strong domestic demand. The improvement in employment was significant, though the recovery was much slower than that of demand. The employment gauge hit its highest point since September 2019, which also drove up enterprises' labor costs. The gauge for input costs remained in positive territory and rose significantly, while the prices that service providers charged increased at a slower pace.

3. Enterprises were positive about the economic outlook, as the gauge for business expectations rose to the highest since April 2012. Companies were confident about China's effective control of the epidemic and the ongoing economic recovery in the coming year."



# Caixin China General Composite PMI™

## Composite output expands at joint-quickest rate since November 2010

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. The China Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

The Composite Output Index rose from 54.5 in September to 55.7 at the start of the fourth quarter, signalling a sharp and accelerated rise in overall business activity across China. Notably, the rate of growth was the joint-quickest for nearly a decade, on a par with June 2020. Growth was supported by stronger increases in both manufacturing and services output.

Total new business received by Chinese firms also expanded at a quicker pace in October. Moreover, the latest upturn in overall sales was the fastest since November 2010, driven by substantial gains in both the manufacturing and service sectors. As a result, firms continued to add to their payrolls, though the aggregate rate of job creation was only modest.

Cost pressures picked up in October, with average input prices rising at the fastest rate for two years. However, composite output charges rose only slightly.

### Comment

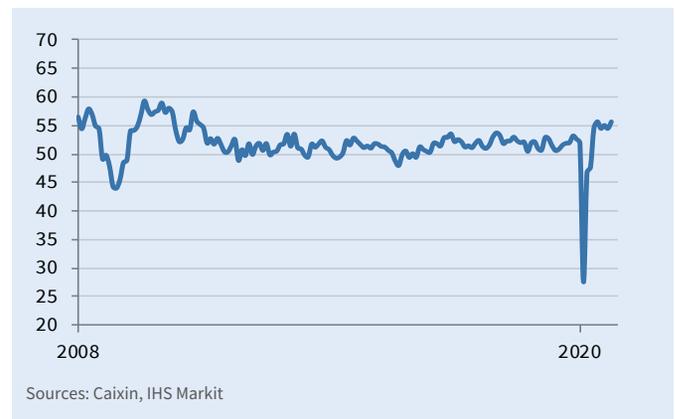
Commenting on the China General Composite PMI™ data, Dr. Wang Zhe, Senior Economist at Caixin Insight Group said:

"The Caixin China Composite Output Index came in at 55.7 in October, remaining on a strong uptrend as supply and demand were strong for the manufacturing and services sectors. The composite output index in October was the second highest in 10 years, and the composite new orders gauge also hit the highest point for a decade. Employment continued to recover, and the gauge for business expectations maintained a positive trend.

"Overall, as the domestic epidemic situation stabilizes, recovery remained the main economic theme. Supply and demand were both positive in the manufacturing and services sectors. The gauges for orders, purchases and inventories all remained strong, and enterprises were confident in the economic outlook for the year ahead. As market sentiment rebounded, employment in the manufacturing and services sectors also improved steadily. In October, the overseas epidemic put pressure on external demand for the two sectors. The development of the epidemic in Europe and the U.S. is still an uncertain factor affecting economic trends. In the coming months, a continued recovery of the Chinese economy is highly likely, but it is necessary to be cautious about the normalization of monetary and fiscal policies in the post-epidemic period."

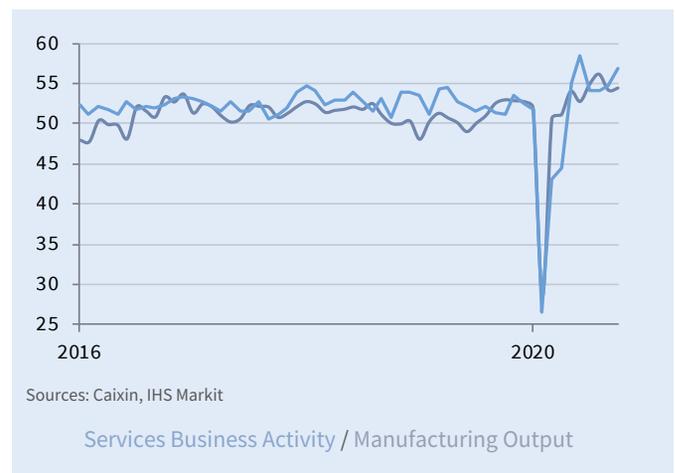
### China General Composite Output Index

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 IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 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 9-21 October 2020.

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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## About Caixin

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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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## About IHS Markit

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