

PMI

Caixin China
General Services
PMI Press Release

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Caixin China General Services PMI™

Softer increase in services activity during November

Latest PMI data showed a further expansion of service sector activity across China during November, but growth softened from October amid the recent rise in COVID-19 cases. New order inflows rose only slightly, while growth in new export business remained mild. Nonetheless, firms were strongly upbeat regarding the 12-month outlook for activity, and continued to increase their staffing levels. Higher labour, raw materials and energy costs all drove a sharper rise in input costs, however, which contributed to a further increase in output charges.

The headline seasonally adjusted Business Activity Index fell from 53.8 in October to 52.1 in November, to signal a third successive monthly increase in Chinese services activity. That said, the rate of expansion was the slowest seen over this period and only modest. Panel members often mentioned that the recent increase in virus cases had weighed on performance and impacted sales.

Total new business rose at the slowest rate for three months in November and only marginally overall. Firms indicated that measures to curb the spread of COVID-19 had dampened new order inflows. Foreign demand also rose only slightly, with the pandemic also cited as a key reason for relatively muted growth.

Despite the disruption to business activity due to COVID-19 and a softer rise in new work, firms remained strongly confident that output will increase over the next year, with the level of optimism strengthening from October. Growth forecasts were frequently linked to expectations that the pandemic will be brought under control globally and demand conditions will improve.

Strong business confidence and efforts to expand capacity led to a further rise in service sector employment during November. The rate of job creation was the quickest seen since May, albeit marginal overall. Staffing levels have now increased in four of the past five months.

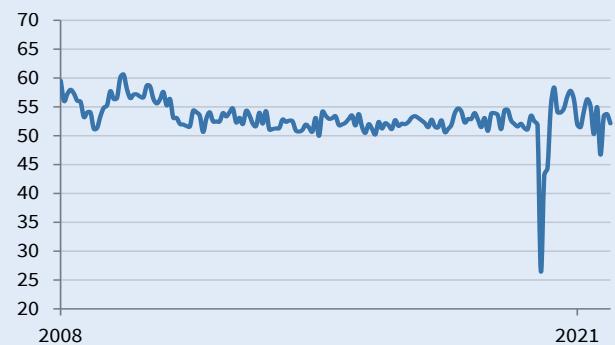
After stabilising in October, the amount of outstanding business at Chinese service providers rose in November. Some firms mentioned that a combination of higher sales and the pandemic had placed some pressure on capacities. That said, the rate of accumulation was only slight.

Average input prices rose for the seventeenth month running in November amid reports of increased costs for labour, materials and energy. Furthermore, the rate of inflation accelerated to a six-month high and was sharp overall.

In contrast to the trend for input costs, prices charged by services companies rose at a softer rate in November. Some firms commented that softer demand conditions had weighed on overall pricing power.

China General Services Business Activity Index

sa, >50 = growth since previous month



Sources: Caixin, IHS Markit

Key findings:

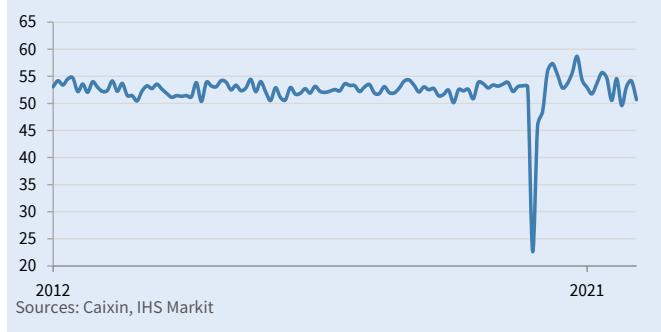
Business activity growth dips to three-month low amid slower rise in sales

Companies continue to expand workforce numbers

Input costs rise at sharper rate

New Business Index

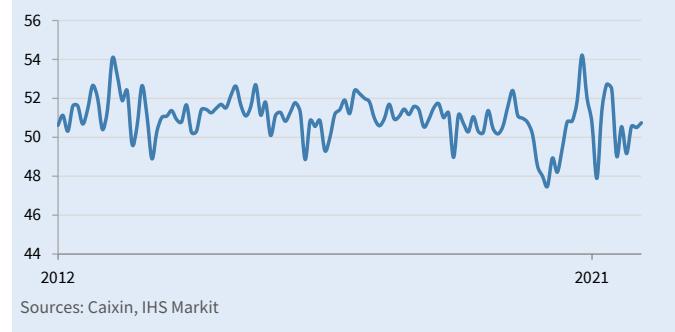
sa, >50 = growth since previous month



Sources: Caixin, IHS Markit

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 came in at 52.1 in November, down from 53.8 in October. The prospects for the services sector continued to improve.

"Supply and demand both recovered but at a slower pace. In November, the gauges of business activity and total new business both fell to their lowest in three months, while remaining in positive territory. The resurgence of local Covid-19 outbreaks had a bigger impact on demand than on supply. Overseas demand continued to strengthen, with the gauge of new export orders remaining in positive territory for the second straight month in November.

"The services job market continued to recover. Employment increased in four of the past five months, indicating that the recovery was solid. Outstanding business remained stable overall.

"Prices in the services sector kept rising. The gauge of input costs rose to the highest over the past half year in November, remaining in positive territory for 17 consecutive months. Rising prices of raw materials and energy, as well as higher labor costs, burdened

service providers. Part of this pressure was transmitted downstream. Output prices continued to rise. Notably, the gauge of input costs was higher than the gauge of output prices over the past 14 months, underscoring huge pressure in services.

"Businesses stayed relatively optimistic in November. The gauge of business expectations rose slightly from the previous month. Expectations that the coronavirus situation will improve were a major factor in this optimism."

Caixin China General Composite PMI™

Total business activity across China continues to rise modestly

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 edged down from 51.5 in October to 51.2 in November, to signal an increase in total Chinese business activity for the third month in a row. That said, the rate of expansion was the softest seen over this period and modest overall. The upturn was also weaker than the long-run trend (52.6). Sector data showed that a slower rise in services activity offset a renewed, albeit fractional, increase in manufacturing output.

At the composite level, new order growth slowed to a fractional pace that was the slowest for three months. Employment meanwhile remained broadly stable, as job creation at services companies largely offset a drop in manufacturing workforce numbers. Composite input prices and output charges both rose at noticeably slower rates compared to October, predominantly driven by slower increases in the manufacturing sector.

Comment

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

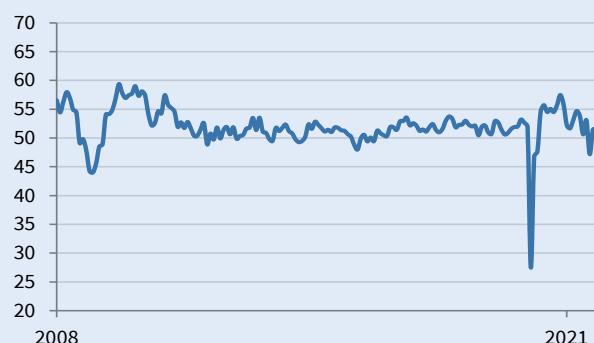
"The Caixin China General Composite PMI came in at 51.2 in November, down from 51.5 the previous month. Supply and demand at home and abroad, as well as employment, remained stable overall. Gauges for prices fell in November from the previous month but were still in positive territory. Costs in services rose fairly quickly."

"Overall, conditions in the manufacturing sector remained stable in November, while for the service sector, expansion occurred at a slightly slower pace. The downward pressure to the economy grew, and inflationary pressure was partly eased. From late October to mid-November, sporadic Covid outbreaks in several Chinese regions had a negative impact on the economy, in particular suppressing the demand side. On the supply side, production began to recover after power shortages were eased. But the recovery was limited, and the foundation of the recovery was not solid. The government's measures to stabilize commodity supplies and prices significantly eased cost pressures on manufacturing enterprises, but had a limited impact on the reduction of costs to service enterprises. Overall, inflationary pressure remained."

"Policymakers should still focus on supporting small and midsize enterprises. They should also pay attention to problems including deteriorating job prospects, limited household income growth and weak consumer purchasing power. In addition, the prices of some raw materials remained high. Enterprises are still facing high cost pressures. Policymakers should take inflation seriously."

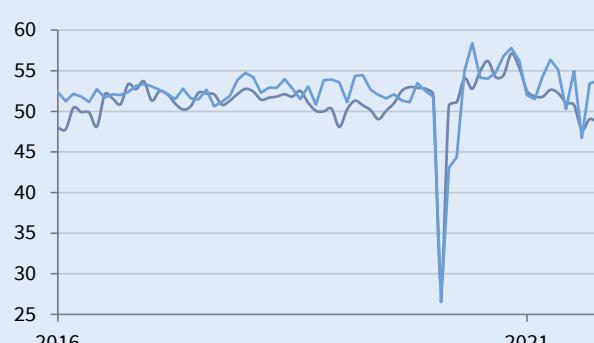
China General Composite Output Index

sa, >50 = growth since previous month



Index by sector

sa, >50 = growth since previous month



Services Business Activity / Manufacturing Output

Survey methodology

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.

Survey dates and history

Data were collected 12-22 November 2021.

Data were first collected November 2005.

About PMI

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 IHS Markit

IHS Markit (NYSE: 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 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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Contact

Dr. Wang Zhe

Senior Economist

Caixin Insight Group

T: +86-10-8590-5019

zhewang@caixin.com

Ma Ling

Brand and Communications

Caixin Insight Group

T: +86-10-8590-5204

lingma@caixin.com

Annabel Fiddes

Economics Associate Director

IHS Markit

T: +44 1491 461 010

annabel.fiddes@ihsmarkit.com

Joanna Vickers

Corporate Communications

IHS Markit

Telephone +44 207 260 2234

joanna.vickers@ihsmarkit.com