

# Caixin China General Services PMI™

Overall activity increases at fastest rate since March 2013

## Summary – Services and Composite PMI data

Caixin China Composite PMI™ data (which covers both manufacturing and services) indicated the fastest expansion in Chinese business activity since early 2013 during October. This was shown by the Composite Output Index rising from 51.4 in September to 52.9 at the start of the fourth quarter.

October survey data indicated that activity growth was predominantly supported by stronger growth in manufacturing output, though services activity growth also picked up from the previous month. Furthermore, goods producers registered the quickest expansion in production since early 2011. Business activity at services companies meanwhile rose at a moderate pace that was the fastest for four months. This was illustrated by the seasonally adjusted Caixin China General Services Business Activity Index rising from 52.0 to 52.4 in October.

Total new order growth also strengthened at the beginning of the fourth quarter, with both sectors reporting an improvement in underlying market conditions and a subsequent rise in customer demand. Manufacturers saw the fastest expansion in new order books for just over two years in October. Services providers saw a rate of new business growth that, though modest, was the quickest seen since June. The marked upturn at manufacturers and faster increase at service providers led composite new orders to increase at the strongest pace since November 2014.

Chinese manufacturers continued to cut their staff numbers during October, though the rate of reduction was the weakest since May 2015. Meanwhile, services companies expanded their payrolls for the second month in a row, with the rate of growth edging up to its strongest since January. Firms that hired additional workers generally commented on business expansion plans and expectations of future activity growth. Overall, Chinese employment declined at a marginal pace that was the slowest in the current 17-month sequence of job shedding.

The amount of unfinished work increased across both manufacturing companies and service providers during October, with panellists across both sectors linking the rise to increased new order intakes which exerted pressure on capacity. Goods producers saw a moderate increase in outstanding business overall. Meanwhile, it was the first increase in backlogs at services companies since May, albeit at a marginal pace. At the composite level, unfinished work rose at a pace that, though modest, was the fastest since March 2011.

Manufacturing companies reported the sharpest rate of input cost inflation since September 2011 in October amid reports of greater costs for raw materials. At the same time, input prices rose at a moderate pace across services companies. The much faster increase in costs for goods producers was the main factor leading composite input prices to rise at a solid pace that was the strongest in just over five years.

Selling prices for manufactured goods increased at the fastest rate since February 2011, which a number of panellists attributed to the passing on of higher input costs to clients. Prices charged for Chinese services was meanwhile little-changed from the previous month, with some companies mentioning that increased competitive pressures had limited their pricing power. Nonetheless, the marked rise in prices set by goods producers led composite output charges to increase at the quickest pace since April 2011.

Service providers remained generally positive that business activity would increase over the next year. Furthermore, the level of confidence improved to its second-strongest in eight months. Anecdotal evidence suggested that improving economic conditions, forecasts of an expanding market sector and new project developments could all boost activity.

## Key points

- Composite output growth accelerates driven by stronger growth at both manufacturers and service providers
- Services employment increases for second month running, while job shedding eases at manufacturers
- Inflationary pressures intensify

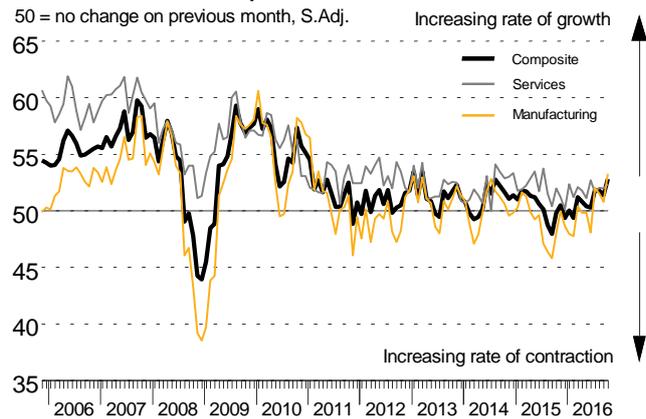
## Comment

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 October reached 52.4, edging up 0.4 from the previous month. Most indexes show mild improvements from their September readings, except the index for price charged, which fell slightly compared to the previous month. The Caixin China Composite Output Index for October reached 52.9, up 1.5 from the reading for September and marking the highest level in over three years. The growth was mainly due to a faster increase in manufacturing output. Overall, the economy continued to*

expand in October and at a stronger growth rate. It may be possible to sustain this stable condition throughout the fourth quarter, but it's important that supportive policies are not relaxed because the economy still lacks sufficient growth momentum."

## 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 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).

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