

PMI

Caixin China
General Services
PMI Press Release

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Caixin China General Services PMI®

Business activity growth picks up in November

The latest PMI survey data signalled further increases in activity and demand across China's service sector in November. Though modest by historical standards, upturns in both activity and overall new work were the best seen for three months amid reports of firmer market conditions. Concurrently, companies expressed stronger optimism around the year-ahead outlook. Employment meanwhile fell fractionally, as some firms maintained a cautious approach to hiring.

Cost pressures moderated again in November, with average operating expenses rising at the weakest rate in nearly a year-and-a-half. Prices charged by services companies likewise rose only slightly.

The seasonally adjusted headline Caixin China General Services Business Activity Index rose from 50.4 in October to a three-month high of 51.5 in November. The rate of growth was modest, however, and remained notably softer than the long-run series average. Nevertheless, the index has now signalled an expansion of business activity across China's service sector in each of the past 11 months.

Aiding the quicker rise in Chinese services activity was a stronger upturn in total new business midway through the final quarter of the year. The rate of new order growth was likewise the best recorded since August, albeit moderate overall. Companies that experienced higher sales often mentioned that this was due to firmer underlying market conditions. The surveys indicated that both domestic and overseas demand for Chinese services improved in November, with new export business rising modestly for the third straight month.

After stagnating in October, employment across China's service sector fell fractionally in November. Firms that registered lower headcounts often linked this to restructuring efforts amid relatively subdued demand conditions.

Sustained caution around hiring contributed to a further upturn in outstanding orders midway through the final quarter of 2023. That said, the rate of backlog accumulation slowed from October and was only marginal.

Average input prices faced by Chinese services companies continued to rise during November. Where higher expenses were reported, firms often cited greater labour and raw material prices. That said, the rate of cost inflation was the slowest seen since June 2022 and marginal.

Prices charged by service providers also increased at a softer pace. Notably, the rate of inflation slipped to a three-month low and was broadly in line with the series average.

Signs of firmer growth momentum in November helped to lift business confidence when assessing the one-year outlook for service sector activity in November. Businesses were generally optimistic that stronger economic conditions will help to lift customer demand both at home and abroad over the next year. However, overall sentiment remained softer than seen on average since the survey began in late-2005.

China General Services Business Activity Index

sa, >50 = growth since previous month



Key findings:

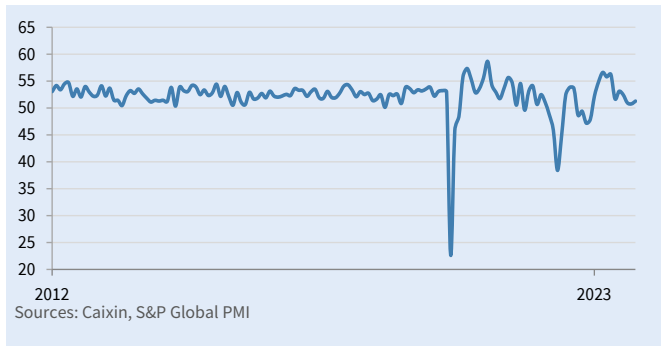
Business activity and new orders increase at quickest rates in three months

Confidence around the year-ahead improves

Inflationary pressures weaken

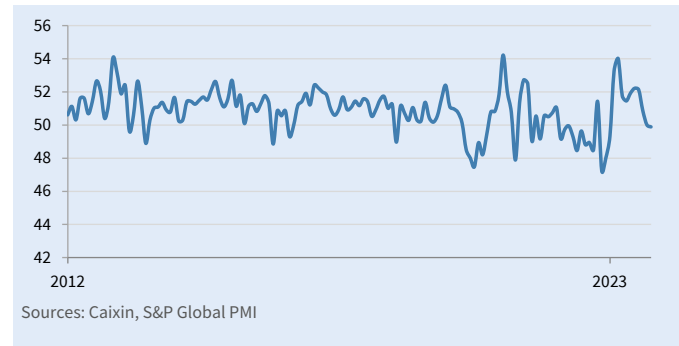
New Business Index

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 recorded 51.5 in November, up 1.1 points from the previous month. The gauge has remained in expansionary territory for 11 straight months, indicating a sustained improvement in the services sector.”

“Both services supply and demand expanded, as the market continued to heal. The gauges for business activity and total new orders were above 50 for the 11th consecutive month and hit three-month highs. However, some surveyed companies reported that the market improvement was slightly weaker than expected.”

“Services exports continued to rise, with the measure for new export business staying in expansionary territory for the third month in a row.”

“Employment shrank slightly, marking the first decline since January, with some companies adopting a cautious approach to hiring. This has led to increased backlogs of work, keeping the measure for outstanding business in expansion.”

“Prices increased slightly. Although costs for labor and some raw materials rose, the gauge for overall input costs recorded its lowest level since June 2022, though remaining in positive territory. Increases in prices charged to customers were also mild.”

“Optimism in the services industry rebounded. The downward trend of the gauge for service providers’ expectations about future activity came to an end after four consecutive months of decline, moving up by more than 2 points. However, the reading remained relatively low compared to the historical average, indicating lingering concerns about the economic outlook.”



Caixin China General Composite PMI®

Chinese business activity revives in November

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 51.6 in November, the Composite Output Index rose from the neutral 50.0 level in October to signal a renewed increase in total business activity across China. The rate of growth was the best seen since August, albeit modest overall. Sector data revealed that a fresh upturn in factory output and stronger rise in services activity helped to lift the composite figure.

Composite new orders also rose at a moderate rate that was the best seen for three months, supported by quicker increases in sales across both manufacturing and service sectors. New export business meanwhile declined again in November, as lower foreign demand for Chinese manufactured goods offset an increase in services exports. Composite employment fell slightly for the third straight month, despite a slight rise in outstanding workloads. Cost pressures eased again in November, with composite input prices rising at the slowest pace since July. As a result, prices charged by Chinese firms increased only slightly.

Comment

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

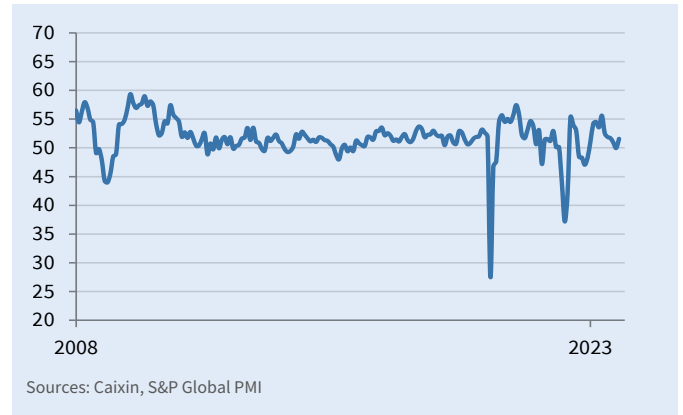
“In November, the Caixin China General Composite PMI recorded 51.6, up 1.6 points from the previous month. Manufacturing and services industries expanded, with overall supply and demand both reaching three-month highs. A decline in manufacturing exports dragged on overall external demand. Inflationary pressures were moderate and market optimism improved, but weak employment remained a concern.

“Overall, the macroeconomy showed signs of a positive recovery, with steady growth in consumer spending, solid progress in industrial production and improved market expectations. However, due to various unfavorable factors, both domestic and external demand still face challenges and employment pressures remain relatively high. The foundation for economic recovery needs to be further consolidated.

“Moving forward, policy efforts should continue to focus on stimulating consumption, increasing income, improving employment and stabilizing expectations. Recently, several state departments jointly issued a notice to strengthen support for private enterprises and facilitate their financing through multiple channels. Considering the slightly better-than-expected economic growth in the third quarter and the low base effect in the fourth quarter, achieving the annual economic growth target seems promising. Therefore, policy measures that focus on the long term and strengthen the foundation of economic growth should be doubled down to cultivate long-lasting market confidence.”

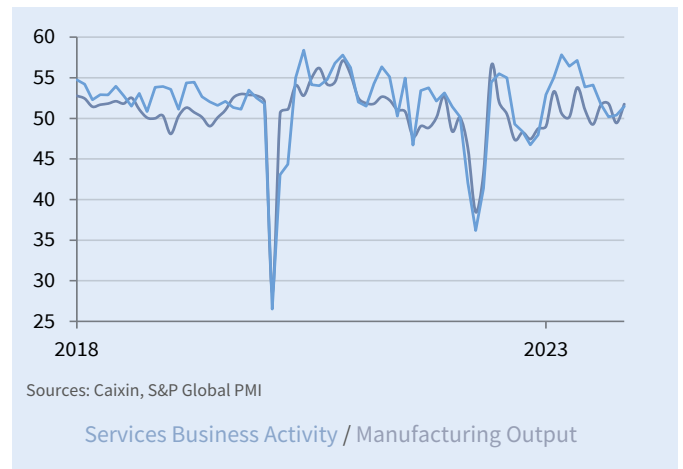
China General Composite Output Index

sa, >50 = growth since previous month



Index by sector

sa, >50 = growth since previous month





Survey methodology

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@spglobal.com.

Survey dates and history

Data were collected 09-22 November 2023.

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.

www.spglobal.com/marketintelligence/en/mi/products/pmi

About Caixin

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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