

# Caixin China General Services PMI™

Including Caixin China Composite PMI™

## Services companies see steep increase in activity amid easing of COVID-19 measures

### Key findings

Business activity and new work rise at quickest rates since late 2010

Pandemic continues to weigh heavily on export orders

Employment falls slightly as firms look to raise efficiency

Data were collected 12-20 May 2020

Latest PMI data signalled the first increase in Chinese services activity for four months in May amid an easing of measures related to the coronavirus disease 2019 (COVID-19) outbreak. Notably, both business activity and new orders expanded at the quickest rates since late 2010. However, the pandemic continued to have a detrimental impact on new export work, which fell sharply.

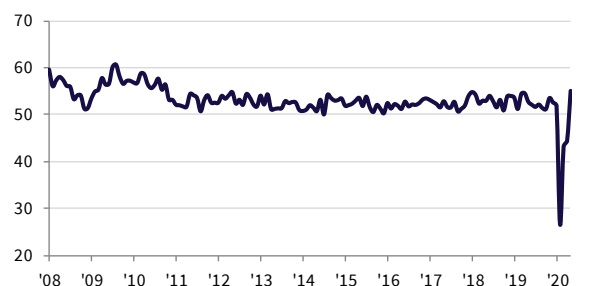
Backlogs of work fell for the third month in a row, in part driven by the resumption of normal business operations at many firms. Efforts to improve efficiency led to a further fall in staff numbers. Confidence regarding the year ahead remained strong overall, despite weakening since April.

At 55.0 in May, the seasonally adjusted headline Business Activity Index rose from 44.4 in April to signal the first increase in services activity since January. Furthermore, the rate of expansion was the steepest recorded since October 2010. Companies mentioned that an easing of restrictions related to the COVID-19 outbreak had driven the renewed expansion of activity.

The resumption of business operations and an improvement in client demand reportedly led to the first upturn in total new orders since January. The rate of expansion was the sharpest since September 2010 and faster than the historical average. Data indicated that the increase was largely supported by firmer domestic demand, as new export business continued to fall markedly in May. Firms frequently mentioned that external demand was weak amid the ongoing pandemic and subsequent public health measures

### Caixin China General Services Business Activity Index

sa, >50 = growth since previous month



Sources: Caixin, IHS Markit.

that were maintained across many key markets.

Despite the improved sales trend, firms reported a further fall in outstanding business in May, albeit marginal. Signs of spare capacity and efforts to raise efficiency led companies to reduce their staffing levels again, though the rate of job shedding was the slowest for four months.

Average input prices were broadly unchanged for the second month running in May. While some firms reported that the resumption of more normal business operations had raised costs, others mentioned increased efforts to reduce expenses. Meanwhile, prices charged by services companies continued to fall amid efforts to stimulate sales.

Business confidence across China's service sector remained strong in May, despite softening since the previous month. A number of monitored companies anticipate global economic conditions to strengthen once the pandemic situation improves.

### Caixin China Composite PMI™

## Total Chinese business activity increases for the first time in four months in May

Composite indices are weighted averages of comparable manufacturing and services indices. Weights reflect the relative size of the manufacturing and service sectors

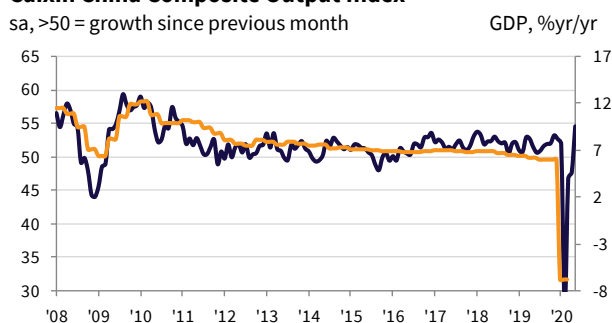
according to official GDP data. The China Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

At 54.5 in May, the Composite Output Index rose from 47.6 in April to signal the first expansion in total Chinese business activity since January. Furthermore, the rate of growth was the quickest since January 2011 and solid. The upturn was driven by steep increases in both manufacturing and services activity amid the relaxation of COVID-19 measures.

Overall new work also rose for the first time in four months. The solid rise was due to a sharp increase in sales at services companies, as new orders declined slightly across the manufacturing sector. Employment trends remained subdued, however, as both sectors reported slight falls in staffing levels amid signs of spare capacity. Notably, backlogs of work fell for the first time in a year.

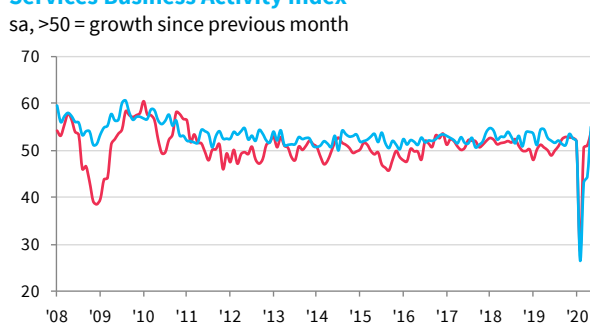
Average input costs fell slightly for the second month running, while efforts to attract new orders led to a further drop in output charges.

### Caixin China Composite Output Index



Sources: Caixin, IHS Markit, NBS.

### Manufacturing Output Index Services Business Activity Index



Sources: Caixin, IHS Markit.

## Comment

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

*“The Caixin China General Services Business Activity Index rose to 55 in May from 44.4 the previous month, marking the index’s first return to expansionary territory since January and its highest level since October 2010. The recovery of the services sector accelerated last month.*

1) *Supply and demand both recovered quickly in the services sector. The business activity index hit its highest reading in nearly 10 years, as service providers accelerated resumption of work after the domestic Covid-19 outbreak was largely brought under control. The measure for new business also reached its highest point in almost 10 years, returning to positive territory. External demand remained sluggish, however, as the pandemic continued raging overseas. The gauge for new export business remained in negative territory for the fourth straight month.*

2) *Employment in the services sector remained worrisome. The employment gauge stayed in negative territory for its fourth month in a row despite rebounding slightly as the supply and demand situation improved. Most companies in the survey expressed caution about expanding hiring, citing concerns over “cutting costs and improving efficiency.” Input costs for service providers remained stable in May, while the prices they charged customers declined slightly, pointing to an insufficient recovery of business activity.*

3) *Service companies remained optimistic about their business over the next 12 months and the gauge for future activity was broadly stable, as restrictions were gradually lifted after China’s domestic outbreak began to abate and supply and demand in the broader economy both recovered.*

*“The Caixin China Composite Output Index jumped to 54.5 in May from 47.6 the month before, as output in both the manufacturing and service sectors expanded sharply. Demand for services recovered more strongly than that for manufacturing, which was more constrained by sluggish exports amid the ongoing impact of the pandemic’s spread outside China. Backlogs of work fell for the first time this year as all industries gradually resumed production.*

*“In general, the improvement in supply and demand was still not able to fully offset the fallout from the pandemic, and more time is needed for the economy to get back to normal. The composite employment gauge stayed in negative territory as companies were cautious about increasing headcounts. But they were relatively optimistic about the economy’s forward momentum, and look forward to implementation of the policies announced during the annual session of China’s top legislature.”*

## Contact

Dr. Wang Zhe  
Senior Economist  
Caixin Insight Group  
+86-10-8590-5019  
[zhewang@caixin.com](mailto:zhewang@caixin.com)

Ma Ling  
Senior Director  
Brand and Communications  
Caixin Insight Group  
T: +86-10-8590-5204  
[lingma@caixin.com](mailto:lingma@caixin.com)

Annabel Fiddes  
Principal Economist  
IHS Markit  
T: +44 1491 461 010  
[annabel.fiddes@ihsmarkit.com](mailto:annabel.fiddes@ihsmarkit.com)

Bernard Aw  
Principal Economist  
IHS Markit  
T: +65 6922 4226  
[bernard.aw@ihsmarkit.com](mailto:bernard.aw@ihsmarkit.com)

Katherine Smith  
Public Relations  
IHS Markit  
T: +1-781-301-9311  
[katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com)

If you prefer not to receive news releases from IHS Markit, please email [katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com). To read our privacy policy, click [here](#).

## Methodology

The Caixin China General Services PMI™ is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. 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).

## Survey dates and history

May data were collected 12-20 May 2020.

Data collection began in November 2005.

## 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.

For more information, please visit [www.caixin.com](http://www.caixin.com) and [www.caixinglobal.com](http://www.caixinglobal.com).

## 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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

## 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. To learn more go to [www.ihsmarkit.com/products/pmi.html](http://www.ihsmarkit.com/products/pmi.html).

## Disclaimer

The intellectual property rights to these data are owned by or licensed to IHS Markit and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. IHS Markit is a registered trademark of IHS Markit Ltd and/or its affiliates.