

# Caixin China General Services PMI™

Composite data show business activity rising at quickest pace since August

## Summary – Services and Composite PMI data

The Caixin China Composite PMI™ data (which covers both manufacturing and services) indicated that growth momentum improved slightly in November. Although the Composite Output Index rose from October's 16-month low of 51.0 to 51.6, the latest figure pointed to only a modest upturn in business activity that remained weaker than the series average.

Data broken down by sector indicated that business activity growth improved across both the manufacturing and service sectors during November. In the manufacturing sector, the pace of increase picked up from October's four-month low, but remained moderate overall. Services companies meanwhile saw the quickest rise in activity for three months, though growth was likewise modest. The latter was illustrated by the seasonally adjusted Caixin China General Services Business Activity Index increasing from 51.2 to 51.9 in November.

Services companies signalled a sustained rise in new work during November. As was the case for activity, the rate of expansion improved to a three-month record, with a number of firms indicating that new client wins and promotional activities had helped to lift overall sales. New business also increased at manufacturers, though the rate of expansion softened since October. At the composite level, growth in new orders edged up to its strongest since August.

Greater operational requirements contributed to a further rise in service sector staff numbers midway through the final quarter of 2017. Though modest, the rate of job creation was the quickest seen since August. In contrast, manufacturing firms continued to register lower workforce numbers, with the rate of reduction the most marked in three months. Staff hiring at services companies offset another fall in manufacturing payroll numbers, so that employment remained stagnant at the composite level.

Higher service sector employment helped firms to reduce their levels of work-in-hand during November. That said, the rate of depletion was similar to those seen in the prior two months and marginal. Meanwhile, goods producers noted a further marked rise in unfinished workloads, despite the rate of accumulation easing since October. This, in turn, led to another modest upturn in outstanding business at the composite level in November.

Rates of cost inflation remained markedly different between manufacturing and services companies. Input prices faced by service providers rose only modestly during November. At the same time, cost burdens rose sharply across the manufacturing sector, despite the rate of inflation edging down to a three-month low. Higher raw material costs were commonly cited as a key factor driving up input costs. As a result, composite input prices continued to rise markedly in the latest survey period.

In line with the trend for input costs, services companies raised their prices charged at a modest pace in November. Nonetheless, the rate of increase was the quickest seen since July 2015. Manufacturers meanwhile raised their factory gate prices at a solid rate, with a number of surveyed firms mentioning the pass through of greater input costs to clients. Overall, composite output charges rose at a moderate pace that was slightly faster than that seen in October.

Strengthening optimism towards the 12-month business outlook at services companies was offset by reduced positive sentiment at manufacturers in November. Furthermore, the degree of confidence across the manufacturing sector was the joint-weakest recorded since the series began in April 2012. Consequently, total business optimism declined to its weakest since December 2015.

## Key points

- Modest increases in output across both the manufacturing and service sectors
- Upturn in services employment offsets further job cuts at goods producers
- Stronger business confidence at service providers contrasts with reduced optimism among manufacturers

## Comment

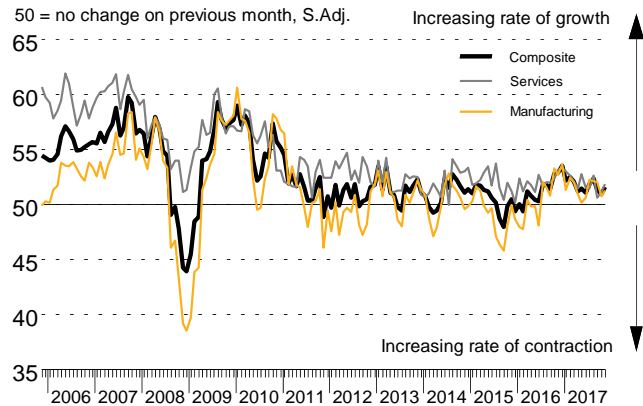
Commenting on the China General Services PMI™ data, Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis at CEBM Group said:

*"The Caixin China General Services Business Activity Index rebounded for the second straight month in November to 51.9, 0.7 points higher than in October. New business expanded at a rapid pace while input costs and prices charged continued to rise. Mainly driven by the strong reading in the service sector, the headline Caixin China Composite PMI came in at 51.6 in November, 0.6 points higher than for the previous month."*

Continued...

*“The Caixin PMI readings in November showed the economy has maintained stability and there was no imminent risk of a significant decline in its growth rate. But we should be cautious because the economy may come under rising inflationary pressure at the start of next year due to continued price increases.”*

## 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 IHS Markit. Please contact [economics@ihsmarkit.com](mailto: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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