

Caixin China General Services PMI™

Chinese business activity increases slightly in November

Summary – Services and Composite PMI data

Caixin China Composite PMI™ data (which covers both manufacturing and services) indicated that business activity in China increased for the first time in four months in November. That said, the rate of expansion was only marginal, as signalled by the Caixin Composite Output Index posting 50.5 in November, up from 49.9 in October.

The renewed increase in overall Chinese business activity was supported by a further rise in service sector activity in November. That said, the pace of expansion eased since October and was only modest. This was signalled by the Caixin China General Services Business Activity Index posting at 51.2 in November, down from October's three-month high of 52.0. Meanwhile, manufacturing production stabilised in November, following a six-month sequence of reduction.

After a solid expansion in October, total new work placed at Chinese service providers rose only slightly in November. According to panellists, relatively weak market conditions had softened client demand in the latest survey period. Furthermore, September 2015 excepted, the latest increase in new work was the slowest seen in 16 months. In contrast, manufacturing firms saw a further decline in new business during November. Though modest, the decrease in new order volumes at manufacturers offset the increase at service providers, and led to a slight fall in composite new business.

Employment at Chinese service providers continued to increase in November. However, the rate of job creation eased to a marginal pace that was the second-weakest for a year-and-a-half (after August 2015). Anecdotal evidence suggested that relatively subdued business conditions had contributed to softer payroll growth. Goods producers continued to cut their workforce numbers in November, albeit at the weakest rate in six months. Overall, staffing levels declined for the sixth successive month at the composite level, though the rate of job shedding was only slight.

Outstanding business continued to fall across the Chinese service sector in November, as companies commented on a general lack of pressure on operating capacity and increased efficiency. The rate of depletion quickened slightly from October to a modest pace. Backlogs of work meanwhile rose again at manufacturing companies and at a moderate pace. Consequently, the level of work-in-hand (but not yet completed) was little-changed at the composite level.

Increased competition for new work led services companies to reduce their selling prices for the third month in a row in November. That said, the rate of discounting was only slight. Manufacturers also cut their charges in November and at a sharp rate. As a result, output prices at the composite level fell at a solid pace that was the steepest seen in 20 months.

Service sector optimism towards the 12-month business outlook improved only slightly from October's record low, as a number of companies expressed concerns over a challenging economic outlook.

Key points

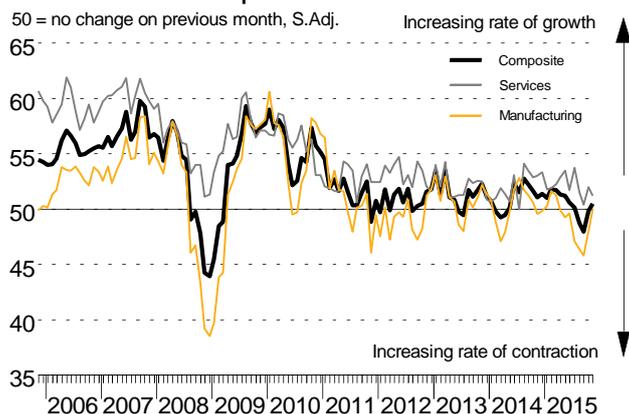
- Slower increase in service sector business activity, as manufacturing output stabilises
- Softer expansion of service sector staff numbers, while manufacturing employment continues to decline
- Composite output charges decline at steepest rate in 20 months

Comment

Commenting on the China General Services PMI™ data, Dr. He Fan, Chief Economist at Caixin Insight Group said:

"The headline Caixin China General Services PMI for November is 51.2, down slightly from October's 52 but still above the neutral 50-point level. The Caixin Composite Output Index climbed to 50.5 from October's 49.9, rising over 50 for the first time in four months. This shows that the macro economy has moved further toward stable growth and the economic structure is improving. Future fiscal and monetary policies must be coordinated and large-scale stimulus should be avoided as much as possible."

Caixin China Output PMI



Sources: 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@markit.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.

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About PMI:

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