

Caixin China General Services PMI™

Chinese business activity continues to expand at a solid rate in November

Summary – Services and Composite PMI data

Caixin China Composite PMI™ data (which covers both manufacturing and services) showed a further solid increase in Chinese business activity in November. The Composite Output Index was unchanged from October's 43-month record of 52.9 in November.

Services companies based in China saw a solid increase in business activity during November, which offset a slight slowdown in the rate of output expansion across the manufacturing sector. Furthermore, the seasonally adjusted Caixin China General Services Business Activity Index rose from 52.4 to reach a 16-month high of 53.1 in November.

According to panellists, the commencement of new projects and higher new orders contributed to increased activity at service providers. That said, the rate of new business growth weakened slightly from the four-month high seen in October and was moderate overall. Manufacturers also saw their new order books expand at a slower pace in November, after increasing at the fastest rate in over two years in October. Overall, the amount of new work placed with Chinese businesses increased for the ninth month in a row and at a moderate pace.

In order to support higher activity, services companies raised their staffing levels for the third successive month in November. The rate of job creation, though modest, was the fastest seen in a year-and-a-half. At the same time, manufacturers cut their staff numbers at the slowest pace in 18 months. Stronger services employment growth broadly offset job cuts at manufacturers, and therefore composite employment was little-changed from the previous month. Furthermore, the fractional reduction in total employment was the weakest seen since the current sequence of job shedding began in June 2015.

Unfinished workloads at services companies rose for the second month running in November, though the rate of increase was little-changed from October's fractional pace. Goods producers also noted a further rise in backlogs of work, with the rate of accumulation edging up slightly from the previous month. At the composite level, outstanding business rose at a modest pace that was identical to that seen in October.

Price pressures were relatively muted at service providers in November. Despite rising to a 21-month high, the rate of cost inflation across the service sector was only modest overall, and weaker than the historical average. Companies that reported higher cost burdens generally commented on increased raw material prices and labour costs. In contrast, manufacturers saw a sharp and accelerated rise in total input prices in November, with the rate of inflation the highest for over five-and-a-half years. This contributed to a steep increase in composite input costs, which rose to the greatest extent since April 2011.

Latest survey data saw a further marginal increase in prices charged for Chinese services in November, as has been the case in each of the past eight months. In line with the trend for input costs, manufacturers raised their selling prices sharply over the month in a bid to help protect their margins. Therefore, the rate of composite charge inflation quickened to a solid rate that was the fastest since February 2011.

Optimism towards future growth prospects moderated to a 13-month low at services companies in November. While some panellists expect company expansion plans and further increases in new orders to support future activity, others commented on relatively subdued market conditions.

Key points

- Stronger services activity growth contrasts with slight slowdown in manufacturing output expansion
- Composite employment is broadly stable
- Sharpest increase in total input costs and output charges since early 2011

Comment

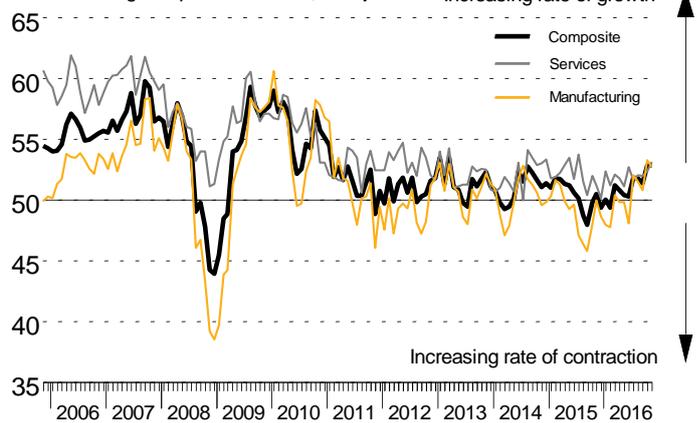
Commenting on the China General Services PMI™ data, Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis at CEBM Group said:

"The headline Caixin China General Services PMI for November increased by 0.7 from the previous month to 53.1, with November also seeing increases in the index readings for input prices and prices charged. Meanwhile, the Caixin China Composite Output Index for November remained unchanged at 52.9, but it was still a three-year high. While the services sector continued to expand in November, the growth in manufacturing has slowed. Price inflation, rather than a structural improvement, seems to be the main reason behind the recent recovery of the economy in general. The economy may remain

stable in the fourth quarter, but it will still face significant downward pressure next year.”

Caixin China Output PMI

50 = no change on previous month, S.Adj.



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.

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