

PMI

Caixin China
General Services
PMI Press Release

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Caixin China General Services PMI®

Business activity rises in penultimate month of year

China's services economy continued to expand in November as incoming new business, including exports, rose again. The rate of new business expansion eased from October, but nevertheless contributed to additional capacity pressure as backlogs accumulated. Service providers subsequently hired additional staff to cope with workloads.

Meanwhile, optimism among services firms improved to the highest level in seven months, but rising competition resulted in falling output charges in November. This was as input prices were broadly unchanged.

The seasonally adjusted headline Caixin China General Services Business Activity Index posted 51.5 in November, down from 52.0 in October. This extended the period of expansion that commenced in January 2023. That said, the rate of expansion eased from October, falling further below the series average.

Services activity growth slowed in line with the trend for new business. While improvements in underlying demand and market conditions supported another rise in new business, the rate of growth eased from October and was below-average. Export business rose at a faster pace compared with overall new business but also saw the rate of growth moderate from October.

Despite the slowdown in new business growth, the level of outstanding business increased for a fourth straight month in November. This resulted in further job creation in the Chinese service sector as firms sought to hire additional staff to cope with higher workloads. The rates at which outstanding business and employment rose were marginal, however.

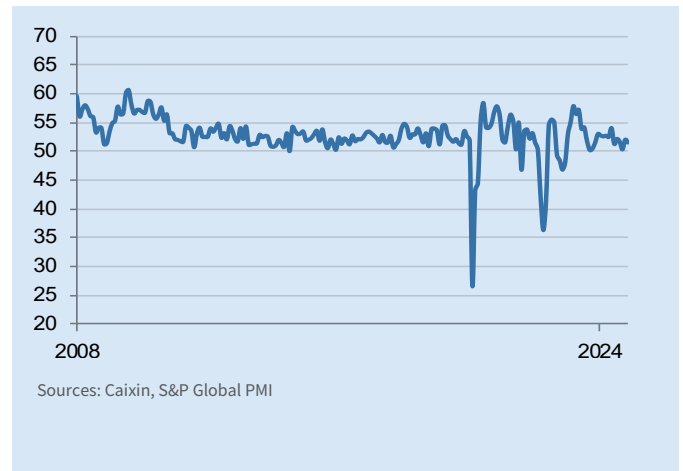
Turning to prices, average input costs rose only fractionally midway through the final quarter of 2024. While some firms indicated that input prices rose due to higher salaries, others reported that the lowering of costs for some input materials led to a reduction in average input costs.

The softening of cost inflation to the lowest since the current sequence of inflation began in July 2020, coupled with the heightening of competition for services firms, resulted in selling prices declining for the third time in four months. The rate at which average charges fell was marginal however and slower when compared to August and September.

Finally, sentiment in the Chinese service sector remained positive in November. The level of confidence was the highest since April but remained below the long-run average. Anecdotal evidence suggested that firms were hopeful that better economic conditions and government policy support could lift sales. Conversely, other companies were concerned about the outlook for global trade and rising competition.

China General Services Business Activity Index

sa, >50 = growth since previous month



Key findings:

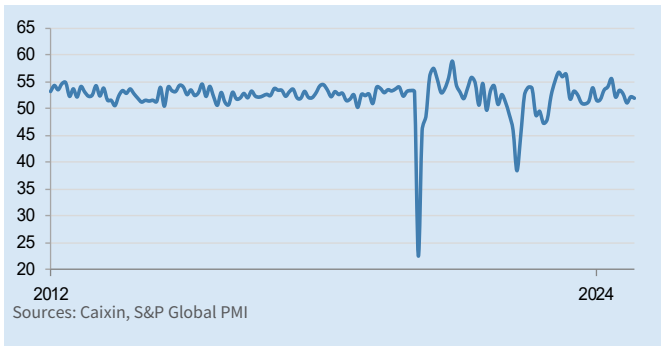
Modest new business and activity growth in November

Average selling prices decline for the third time in four months

Business confidence rises to highest level since April

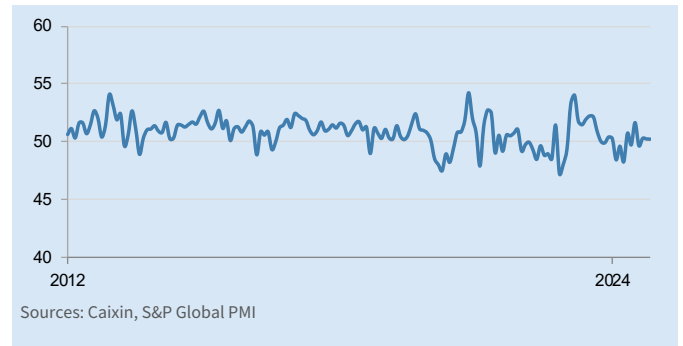
New Business Index

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 came in at 51.5 in November, down 0.5 points from the previous month, staying in positive territory as the sector has continued to expand since the beginning of last year.

“Supply and demand continued to grow amid an improved market, albeit at a marginally slower pace. Business activity and total new orders increased for the 23rd month in a row but slowed from October. Overseas demand growth decelerated for the second straight month.

“Employment grew for the third consecutive month, but the expansion was limited. Continued increases in total new orders pushed service providers to increase their workforces moderately. Backlogs of work increased fractionally for the fourth straight month.

“Price levels were weak. Although the gauge for input costs has remained in positive territory since July 2020, it registered the lowest level in 53 months, showing a minimal increase in costs. Some

surveyed companies reported rising costs in labor, while others saw a decline in raw material prices. Output prices were even weaker, with service providers reducing prices charged to customers for the third time in the past four months, suggesting the market remained competitive.

“Market optimism improved. The indicator for future activity expectations grew for the second straight month to reach a seven-month high. Service providers generally expressed confidence in market improvement amid policy support, although some were concerned about the future trade environment.”



Caixin China General Composite PMI®

Fastest output expansion in five months

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 Composite Output Index posted 52.3 in November, up from 51.9 in October to extend the current period of expansion in Chinese business activity to 13 months. Moreover, the rate of growth was the fastest since June as quicker manufacturing production expansion offset a slight slowdown in services activity growth.

Central to the acceleration in output growth was the uptick in the rate of new business expansion, albeit limited to the manufacturing sector. This was likewise the trend for the level of backlogged work. That said, workforce capacity continued to shrink, mainly in the goods producing sector.

Average input prices meanwhile increased at a softer rate in November, but conversely output price inflation rose to a five-month high. This was as business confidence improved to its strongest since April amid a broad-based rise in optimism levels.

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 measured 52.3, up 0.4 points from the previous month and remaining in expansionary territory for the 13th straight month. Expansion accelerated in manufacturing while decelerating in the services sector. Manufacturing’s shrinking employment dragged on the labor component of the composite PMI. Prices were generally stable, although the level in the services sector was relatively weak. Market optimism improved across sectors.

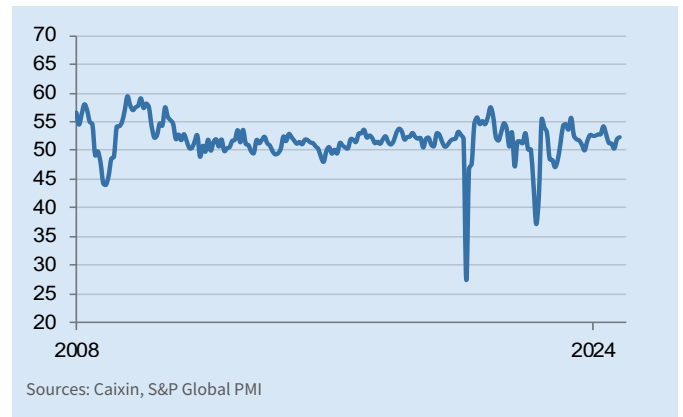
“Since late September, the synergy of existing policies and additional stimulus measures has constantly acted on the market, which is reflected in the improved economic performance in the past two months. Positive factors have increased, which contributed to an accelerated economic recovery in November.

“That said, it is worth noting that the downward pressure facing the economy remains prominent, marked by continued contraction of employment. This indicates that the effect of economic stimulus is yet to be felt in the labor market and businesses’ confidence in expanding workforce needs to be strengthened.

“While the economic downturn appears to be bottoming out, it needs further consolidation. The consistency and effectiveness of those additional stimulus measures deserves close attention. The structural and cyclical pressures facing the economy are expected to continue, coupled with the likelihood of continued accumulation of external uncertainties, which requires sufficient policy buffers.”

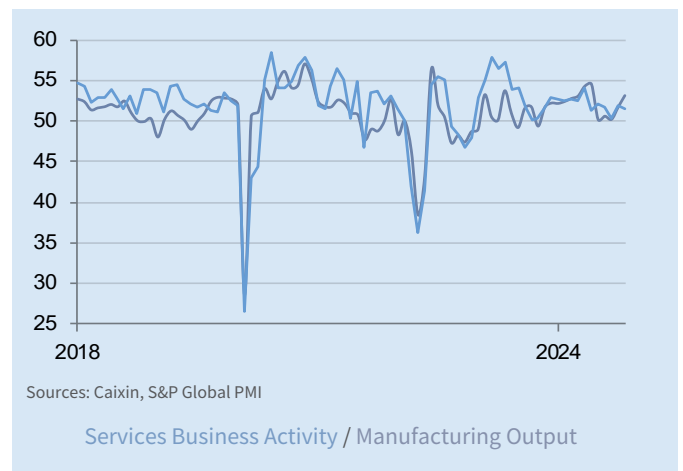
China General Composite Output Index

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 12-21 November 2024.

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.

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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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