

# Caixin China General Services PMI™

Business activity in China stabilises in October

## Summary – Services and Composite PMI data

Caixin China Composite PMI™ data (which covers both manufacturing and services) pointed to a broad stabilisation of Chinese business activity in October. This was highlighted by the Caixin Composite Output Index posting only fractionally below the neutral 50.0 value at 49.9, up from September's 80-month low of 48.0.

October survey data signalled that a stronger increase in service sector business activity was offset by a further decline in manufacturing output. That said, goods producers recorded the slowest rate of contraction for four months. Meanwhile, services activity rose at a quicker rate, one that was the most pronounced since July. This was shown by the Caixin China General Services PMI posting 52.0 in October, up from September's 14-month low of 50.5. Nonetheless, the latest reading was indicative of only a modest rate of growth that was slower than the historical average.

Service sector companies saw a further rise in total new business during October. In line with the trend for activity, the rate of new order growth picked up from September's recent low and was solid overall. Panellists that reported greater volumes of new work generally linked this to improved underlying client demand. In contrast, new business placed at manufacturing companies continued to decline, though at a slower rate than in September. Overall new business rose for the first time in three months, albeit fractionally.

Service providers in China continued to add to their payroll numbers in October. The rate of job creation was modest overall, despite edging up to a three-month high. Moreover, employment growth at services companies was not sufficient to offset a further fall in manufacturing staff numbers. Consequently, employee headcounts at the composite level continued to decline in October, though at the slowest rate since July.

October data signalled a reduced amount of unfinished work across China's service sector, but the rate of depletion was only slight. According to panellists, lower than expected sales had contributed to falling backlogs. In contrast, manufacturing work-in-hand increased for the sixth month running, resulting in a first rise at the composite level since March.

Service providers cut their selling prices for the second month in a row, albeit only fractionally. Manufacturing selling prices also decreased during October. Falling charges in the service sector were recorded in spite of a further increase in cost burdens, the sharpest in eight months. In contrast, a sharp fall in input costs at manufacturing firms meant that composite input prices continued to decline.

Business sentiment at services companies eased to the lowest in ten years of data collection. Relatively soft market conditions and an uncertain economic outlook had reportedly dampened optimism towards the outlook for activity over the coming year.

## Key points

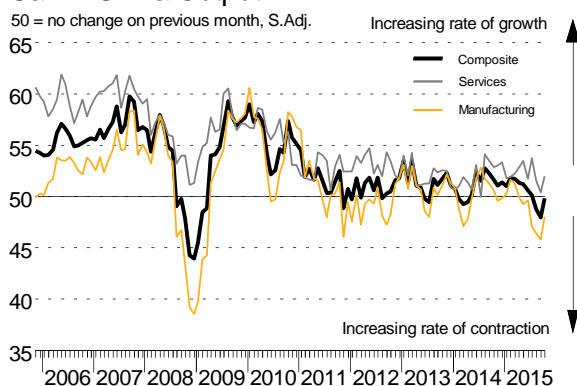
- Growth of services activity picks up, but manufacturing output falls further
- Composite new orders rise for first time in three months
- Services confidence drops to record low

## Comment

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

*"The Caixin China Services PMI is 52.0 for October, up significantly from 50.5 the previous month. The Caixin Composite Output Index reached 49.9, also much higher than 48.0 in September, close to the neutral 50-point level. This shows that previous stimulus policies have begun to take effect, while the economic structure steadily improved. The economy has started to show signs of stabilizing, reducing the need for a further stimulus. The government must be resolute and push forward the reform agenda in a well-rounded manner to release the long-term potential for sustainable economic growth."*

## 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](http://www.caixin.com).

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