

# Caixin China General Services PMI™

Output growth eases across both manufacturing and service sectors

## Summary – Services and Composite PMI data

The Caixin China Composite PMI™ data (which covers both manufacturing and services) indicated that total Chinese business activity expanded at the slowest pace for four months at the end of the first quarter. Notably, the Composite Output Index fell from 53.3 in February to 51.8 in March, to signal only a modest pace of expansion.

The dip in the headline index was driven by weaker increases in output across both the manufacturing and service sectors during March. Furthermore, rates of growth slipped to four-month lows in both sectors. At 52.3 in March, the seasonally adjusted Caixin China General Services Business Activity Index fell further from January's multi-year peak, having slipped from 54.2 in February. The latest reading pointed to a modest increase in services activity that was softer than the long-run trend. Growth in manufacturing output was also slightly weaker than that seen on average over the series' 14-year history.

In line with the trend for activity, manufacturers and service providers both noted slower upturns in new order volumes during March. Moreover, rates of growth were identical and modest across both sectors. Services companies generally linked higher sales to new client wins and new offerings, but some cited concerns over exchange rate movements and lower tourist numbers. Consequently, softer rises across both monitored sectors led to the slowest expansion in composite new business for six months at the end of the first quarter.

Employment trends deteriorated across both sectors during March. Services companies added to their payrolls at a marginal pace that was the weakest in the current 19-month sequence of expansion. At the same time, job shedding intensified at goods producers, with workforce numbers declining at the fastest rate since last August. As a result, composite employment fell for the first time since last October, albeit at a marginal pace.

Outstanding business increased slightly at services companies, following broadly stagnant backlogs over the opening two months of the year. Meanwhile, unfinished workloads increased for the twenty-fifth month running at manufacturers, and at a stronger rate than in February. At the composite level, the amount of work-in-hand (but not yet completed) rose at a pace that, though modest, was the second-fastest since January 2017.

Services companies based in China signalled a further increase in input costs during March. That said, the rate of inflation was the slowest recorded for four months and moderate overall. Cost burdens also increased at a weaker pace across the manufacturing sector, where prices rose to the least extent for nine months. Overall, input costs grew at the softest pace since last July.

Chinese companies continued to increase their selling prices in March as part of attempts to pass on higher cost burdens to clients. Although both manufacturers and services companies recorded slightly faster rates of charge inflation compared to February, increases were modest overall.

While the level of positive sentiment strengthened to a one-year high at manufacturers, optimism across the service sector dipped to a six-month low in March. At the composite level, business confidence edged up fractionally to the highest for nine months.

## Key points

- Chinese business activity growth weakens amid slower upturn in new orders
- Composite employment declines for first time in five months
- Input prices increase at weakest pace since last July

## 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 fell to 52.3 in March from 54.2 in February.*

*"Both new business and employment grew at a slower rate last month, pointing to cooling demand. However, the ability of service providers to make a profit improved as input costs increased at a weaker pace while output prices edged up. The sub-index gauging service companies' expectations towards business activity over the next 12 months declined to the*

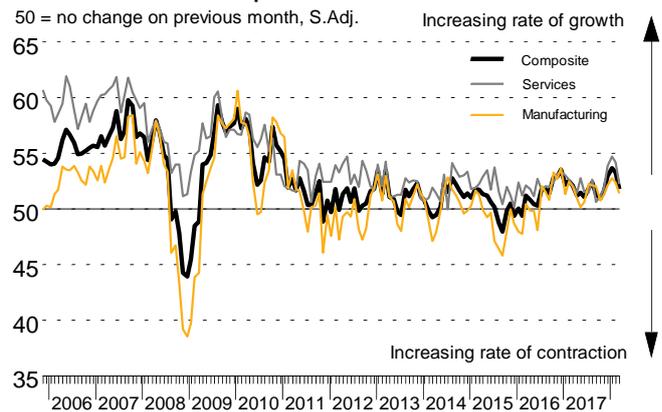
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lowest reading since September, suggesting that weakening demand has affected firms' confidence.

"The headline Caixin China Composite PMI dropped to 51.8 in March, the lowest reading in four months but remaining in expansionary territory. The slowdown of output growth in the services sector was faster than that in the manufacturing industry. The increase in input costs slowed while that in output prices picked up, improving chances for companies to gain a profit.

"Overall, the growth momentum of the Chinese economy weakened in March."

## 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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