

# Caixin China General Services PMI™

Chinese business activity expands at slowest pace since last September

## Summary – Services and Composite PMI data

The Caixin China Composite PMI™ data (which covers both manufacturing and services) pointed to a weaker increase in total Chinese output at the end of the first quarter. At 52.1 in March, the Composite Output Index fell from 52.6 in February to signal the slowest increase in Chinese business activity for six months.

Similar trends were seen at the sector level, with both manufacturers and service providers noting slower expansions in output. Furthermore, the rate of services activity growth weakened to a six-month low in March. This was highlighted by the seasonally adjusted Caixin China General Services Business Activity Index posting at 52.2, down from 52.6 in February, which was consistent with only a modest rate of increase. Chinese manufacturing production also rose modestly in March.

March data pointed to weaker growth in composite new orders, with the rate of expansion edging down to a four-month low. This reflected weaker increases in new work across both monitored sectors. As was the case with activity, service providers registered the slowest increase in new business since last September. A number of services companies mentioned that new product developments and greater client numbers had lifted sales. At the same time, goods producers signalled a softer, albeit still solid, rise in new orders.

Staffing levels continued to rise across services companies during March. That said, the rate of job creation was the weakest seen in 2017 so far and modest overall. In contrast, manufacturing employment declined again, albeit at a marginal pace that was little-changed from February. Nonetheless, a further increase in service sector staff numbers contributed to a second monthly rise in employment at the composite level, though the rate of growth remained slight.

Backlogs of work were broadly unchanged across China's service sector in March, after marginal increases in the prior two months, to suggest little pressure on capacity at the end of the first quarter. Meanwhile, manufacturing companies saw a further modest accumulation in outstanding business during March. At the composite level, unfinished workloads increased at the slowest pace in seven months.

Although the rate of input price inflation weakened to a five-month low, manufacturers continued to signal a sharp rise in cost burdens in March. At the same time, services companies noted a solid increase in input prices, with the rate of inflation the strongest seen since February 2013. According to respondents, higher salary costs were a key driver of inflationary pressures. Composite input prices rose at a rate that, though sharp, was the slowest since last October.

Higher output charges for both manufactured goods and services were reported in March. Though marginal, the extent to which service providers increased their charges was the most marked since August 2015. Meanwhile, goods producers increased their selling prices at the weakest rate in six months.

Chinese firms continued to express optimism towards the 12-month business outlook in March. Although the overall degree of positive sentiment edged down from February's recent peak, it remained at one of its highest levels seen in the past two years. At the sector level, a slight dip in confidence at manufacturers offset an improvement across services companies.

## Key points

- Activity growth slows across both manufacturers and service providers
- Employment expands modestly at services companies, while manufacturers continue to trim staff numbers
- Composite input price inflation continues to ease, but remains sharp

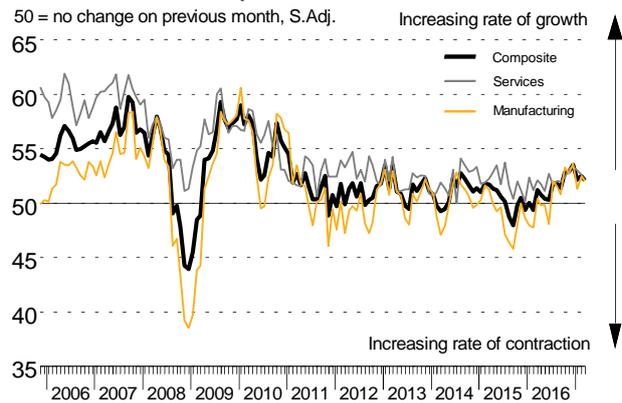
## Comment

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

*"The headline reading of the Caixin China General Services PMI deteriorated to 52.2 in March, the lowest in six months and down 0.4 points from the previous month. The new business sub-index also showed its lowest reading since last September, while both sub-indices for input costs and output prices rose to their highest levels in more than a year. The Caixin China Composite Output Index was 52.1 in March, down 0.5 points from February and the worst reading in half a year. The Chinese economy continued to expand in March, but growth in both manufacturing and services slowed. Weaker increases in*

new business have clouded the economic outlook, and investors should watch closely for signs of a turning point in the second quarter.”

## Caixin China Output PMI



Sources: IHS Markit, Caixin

## For further information, please contact:

### Caixin Insight Group

Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis  
Telephone +86-10-8104-8016  
Email [zhongzhengsheng@cebm.com.cn](mailto:zhongzhengsheng@cebm.com.cn)

Ma Ling, Director of Communications  
Telephone +86-10-8590-5204  
Email [lingma@caixin.com](mailto:lingma@caixin.com)

### IHS Markit

Annabel Fiddes, Economist  
Telephone +44-1491-461-010  
Email [annabel.fiddes@ihsmarkit.com](mailto:annabel.fiddes@ihsmarkit.com)

Jerrine Chia, Marketing and Communications  
Telephone +65 6922-4239  
E-mail [jerrine.chia@ihsmarkit.com](mailto:jerrine.chia@ihsmarkit.com)

Bernard Aw, Economist  
Telephone +65-6922-4226  
E-mail [bernard.aw@ihsmarkit.com](mailto:bernard.aw@ihsmarkit.com)

## 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](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).

## About IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners

© 2017 IHS Markit Ltd. All rights reserved.

## About PMI:

Purchasing Managers' Index™ (PMI™) surveys are now available for over 30 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. To learn more go to [www.markit.com/product/pmi](http://www.markit.com/product/pmi).

The intellectual property rights to the Caixin China General Manufacturing PMI provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index™* and *PMI™* are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Caixin use the above marks under license. IHS Markit is a registered trade mark of IHS Markit Limited.

*If you prefer not to receive news releases from IHS Markit, please [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com). To read our privacy policy, [click here](#).*