

Caixin China General Services PMI™

Business activity growth improves slightly in April

Summary – Services and Composite PMI data

The Caixin China Composite PMI™ data (which covers both manufacturing and services) showed that growth of business activity across China picked up since March, but remained weaker than that seen at the turn of the year. At 52.3 in April, the Composite Output Index was up only slightly from a four-month low of 51.8 in March.

April survey data pointed to stronger increases in output across both the manufacturing and service sectors. Growth of services activity improved to a solid pace, although remained slower than that seen at the start of 2018. This was highlighted by the seasonally adjusted Caixin China General Services Business Activity Index posting 52.9 in April, up from March's recent low of 52.3. At the same time, manufacturing production expanded at a slightly quicker, but still modest, rate.

New business placed at Chinese companies followed a similar trend to activity, with the rate of growth quickening slightly but remaining moderate overall. The acceleration was predominantly driven by service providers, who registered a stronger increase in sales during April amid reports of improved market conditions, greater tourist numbers and new product offerings. In contrast, factory orders increased at a softer pace.

Staffing levels continued to decline across the manufacturing sector in April, while services companies took on additional workers to assist with new projects. That said, the rate of job shedding at goods producers was marginal, while the pace of job creation at services companies was negligible. Consequently, employment at the composite level stabilised at the start of the second quarter, after a marginal decline in March.

Latest data signalled ongoing capacity pressures, with both manufacturers and services companies in China noting higher levels of backlogged work in April. While goods producers noted the strongest rise in unfinished work for three months, services providers registered only a marginal increase in the level of work-in-hand (but not yet completed). At the composite level, outstanding business rose at a modest pace that was the fastest since January.

The rate of input price inflation across China's service sector continued to ease from January's multi-year peak in April. Notably, the latest increase in operating expenses was the slowest seen for six months. Meanwhile, cost inflation picked up slightly at manufacturing companies, but remained much weaker than the rates seen late last year. Overall, input prices rose at a modest pace that was the softest since June 2017.

Higher cost burdens prompted firms to raise their selling prices again in April. Prices charged for services grew at a modest pace that was little-changed from the previous three months. Factory gate prices rose only slightly, with the rate of inflation easing from March. Consequently, prices charged at the composite level continued to increase modestly.

Weaker business confidence at manufacturers offset an improvement at services companies in April, pushing overall sentiment towards the year ahead outlook for output to the lowest level for three months.

Key points

- Stronger increases in activity recorded across both manufacturing and service sectors
- Overall employment stabilises
- Inflationary pressures weaken

Comment

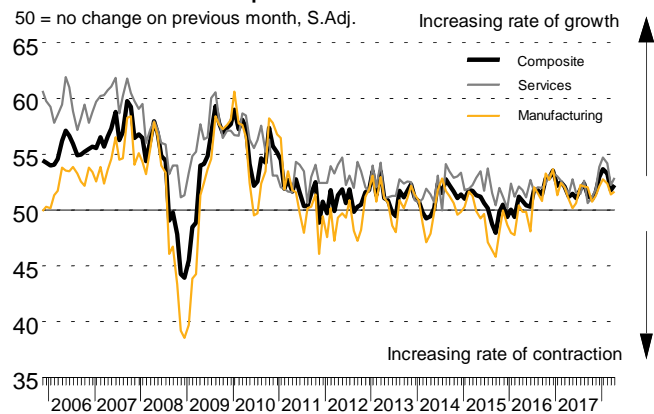
Commenting on the China General Services PMI™ data, Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis at CEBM Group said:

"The Caixin China General Services Business Activity Index stood at 52.9 in April, up from 52.3 in March. The new business and employment indices both rose, indicating strengthening demand across the service sector after easing for two consecutive months. However, input prices increased at a slower pace, leading to a softer rise in prices charged. The index of business expectations, a gauge of service providers' confidence towards the 12-month outlook for activity, improved slightly, reflecting companies' optimism about their business prospects."

Continued...

“The Caixin China Composite Output Index, which covers both manufacturers and service providers, rose to 52.3 in April following a decline in March, indicating relatively stable economic growth. The operating conditions of the service sector improved more significantly than the manufacturing sector. Input costs and prices charged both rose at slower rates than in March, pointing to easing inflationary pressures. Overall, expectations regarding future output weakened due to reduced optimism across the manufacturing sector, which may further weigh on investment in the manufacturing industry.”

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.

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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