

Caixin China General Services PMI™

Chinese service sector expands at weaker pace in February

Summary – Services and Composite PMI data

After broadly stabilising at the start of 2016, the Caixin China Composite PMI™ data (which covers both manufacturing and services) indicated a renewed fall in total Chinese business activity in February. At 49.4, the composite index was down from 50.1 in January and below the neutral 50.0 threshold to signal a marginal rate of contraction.

Latest data indicated a softening of growth momentum across China's service sector, with business activity expanding at only a modest pace. Furthermore, the Caixin China General Services Business Activity Index reading of 51.2 was down from January's six-month high of 52.4 and pointed to a rate of growth that was much slower than the historical series average. Manufacturing companies meanwhile saw a further contraction of output in February, with the rate of reduction quickening to the steepest since September 2015.

New business growth also slowed across the service sector in February after a solid rise at the start of the year. Furthermore, the latest increase in new orders was weaker than the long-run trend and only modest, with some panellists commenting on relatively subdued client demand. New orders continued to decline at manufacturing companies, and at a slightly quicker rate than at the start of 2016. Overall, new business was broadly unchanged at the composite level in February, following a marginal rise in January.

Slower increases in both activity and new orders contributed to a weaker expansion of service sector staff numbers in February. Companies that reported higher staff numbers generally mentioned hiring new employees in line with new order growth. Job shedding meanwhile intensified across the manufacturing sector in February, with the latest decline in workforce numbers the sharpest since January 2009. As a result, composite employment fell at a rate that, though modest, was the quickest in six months.

Manufacturers and service providers both recorded lower levels of outstanding business in February. This signalled a second successive monthly decline in backlogs at services companies, while it was the first time that the level of work-in-hand had fallen at manufacturers since April 2015. However, the rate of depletion was only slight across both sectors.

Input costs continued their upward trend across the service sector in February. The rate of inflation was modest overall, however, despite quickening to a four-month high. Manufacturing firms saw a further fall in input prices during February. That said, the rate of deflation was the least marked since August 2014. Consequently, input costs rose slightly for the first time in a year-and-a-half.

Sustained cost inflation at service providers led to the first increase in prices charged since last August, while goods producers continued to discount their selling prices in February. At the composite level, output prices fell at a marginal pace that was the slowest in nine months.

In spite of softer growth, service providers signalled improved confidence towards the one-year business outlook in February. Furthermore, the level of positive sentiment was the strongest in seven months.

Key points

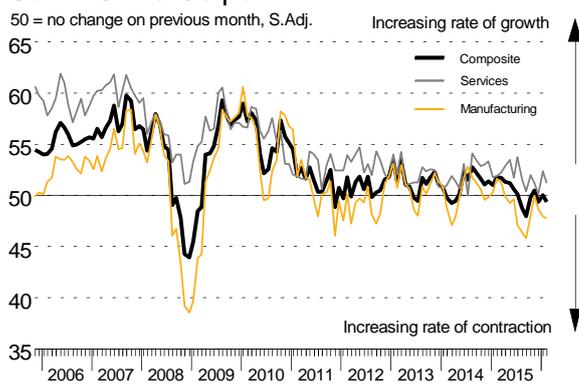
- Services business activity growth slows as manufacturers report further fall in output
- Composite employment falls at quickest rate in six months, as service sector job creation weakens and manufacturers cut staff numbers sharply
- Input costs increase at the composite level for the first time in a year-and-a-half

Comment

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

"The headline Caixin China General Services PMI for February is 51.2, down 1.2 points from January but remaining above the neutral 50-point mark. The Caixin Composite Output Index for February came in at 49.4, dipping below 50 again, indicating the economy is still weak and unstable. Overall, the services sector has outperformed manufacturing industries, reflecting continued improvement in the economic structure. While implementing measures to stabilize economic growth, the government needs to push forward reform on the supply side in the services sector to release its potential."

Caixin China Output PMI



Sources: Markit, Caixin

For further information, please contact:

Caixin Insight Group

Dr. He Fan, Chief Economist
Telephone +86-10-8590-5001
Email fanhe@caixin.com

Ma Ling, Director of Communications
Telephone +86-10-8590-5204
Email lingma@caixin.com

Markit

Annabel Fiddes, Economist
Telephone +44-1491-461-010
Email annabel.fiddes@markit.com

Joanna Vickers, Corporate Communications
Telephone +44-207-260-2234
Email joanna.vickers@markit.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@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.

About Markit:

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ approximately 4,000 people in 11 countries. Markit shares are listed on Nasdaq under the symbol MRKT. For more information, please see www.markit.com.

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/economics.

The intellectual property rights to the Caixin China General Services PMI™ provided herein are owned by or licensed to Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. 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 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. Markit is a registered trade mark of Markit Group Limited.