

# Caixin China General Services PMI™

March data signals renewed expansion of Chinese business activity

## Summary – Services and Composite PMI data

Latest Caixin China Composite PMI™ data (which covers both manufacturing and services) signalled a renewed increase in overall Chinese business activity in March, following a slight reduction in February. The composite index posted above the neutral 50.0 mark at 51.3, up from 49.4, and the highest reading in 11 months.

March survey data pointed to a modest rebound in overall Chinese business activity, driven by slightly stronger growth of services activity and a renewed expansion of manufacturing output. The stronger performance of the service sector was highlighted by the Caixin China General Services Business Activity Index posting at 52.2, up from 51.2. That said, the reading continued to point to a modest rate of expansion that was slower than the series average. Meanwhile, manufacturing output returned to growth after an 11-month sequence of stagnant or reduced production, though the rate of growth was only marginal.

In line with the trend for activity, new orders rose modestly at service providers in March, with the rate of growth little-changed from the previous month. Some respondents commented that improving underlying market conditions had helped to secure new work. Meanwhile, goods producers saw the first rise in new business since June 2015. As was the case with output, however, the rate of expansion was only slight. At the composite level, new business rose at a rate that, though modest, was the strongest recorded in ten months.

Despite the slightly stronger expansion of business activity, services companies took a cautious approach to staff numbers. This was highlighted in March by the first fall in service sector employment since August 2013, albeit only slight. Companies that reported job shedding generally commented on the non-replacement of voluntary leavers and, in some cases, job cuts due to relatively muted growth in new work. Manufacturers also cut their payroll numbers in March, with the rate of reduction having eased only slightly since February's post-recession record. Consequently, composite employment fell at the sharpest rate since January 2009.

Fewer-than-expected sales at services companies underpinned a further decline in outstanding business across the sector. That said, the rate of backlog depletion was only slight. In contrast, an upturn in new business at manufacturing companies contributed to a slight increase in the level of work-in-hand at goods producers. Overall, composite outstanding business increased for the first time in 2016 so far, albeit at a marginal pace.

Service providers saw a further rise in average input costs during March. However, the rate of inflation weakened since February and was modest overall. Cost burdens meanwhile increased for the first time in 20 months at manufacturing firms. The pace of input price inflation was also modest across the goods producing sector.

Although input costs increased, service sector firms reduced their selling prices in March amid reports of greater competition for new work. That said, the rate of discounting was only slight. On the other hand, prices charged by manufacturing companies increased at the end of the first quarter, with firms suggesting that tariffs rose in line with higher cost burdens. At the composite level, prices charged rose slightly for the first time since July 2014.

Service sector confidence towards the 12-month business outlook slipped slightly in March to its lowest level in 2016 so far. Optimism was generally linked to forecasts of an improving economic climate and planned company expansions.

## Key points

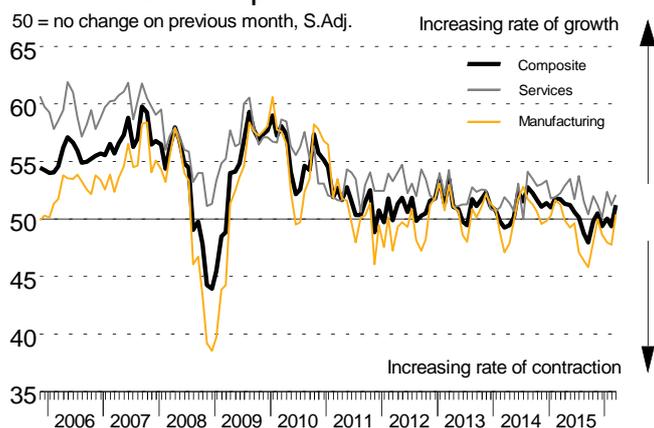
- Slightly stronger expansion of services activity as manufacturing output returns to growth
- Overall employment falls at the fastest rate since January 2009
- Composite selling prices increase for the first time since July 2014

## 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 March came in at 52.2, up 1.0 point from February's figure, but the employment category fell below the neutral 50-point level for the first time since August 2013. The Caixin Composite Output Index for March rebounded over the 50-point mark, at 51.3, as economic conditions continued to fluctuate. Overall, the services sector developed well, but the economy is riding choppy waves, indicating the lack of a solid foundation for a recovery. The government needs to push forward with "supply-side reform" to encourage the development of emerging industries."*

## 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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