

Caixin China General Services PMI™

Chinese business activity growth softens slightly in April

Summary – Services and Composite PMI data

Caixin China Composite PMI™ data (which covers both manufacturing and services) indicated a second successive monthly expansion of overall business activity in China during April. That said, the rate of activity growth eased since March to signal only a marginal rate of increase, with the composite index posting 50.8, down from 51.3.

April data indicated that growth of Chinese business activity continued to be led by the service sector, as output broadly stagnated at manufacturers. That said, the rate of services activity growth slowed slightly since March, with the Caixin China General Services Business Activity Index posting 51.8 in April, down from 52.2 in March. Moreover, this indicated that the pace of service sector expansion remained modest overall, and slower than the historical series average.

Despite softer growth in activity, service providers reported a faster rise in new orders in April. Furthermore, the rate of new order growth was the strongest seen in three months, with some firms commenting on improved underlying client demand and new product launches. At the same time, goods producers in China signalled no change to their new order books in April, following a slight increase in the previous month. Overall, new business at the composite level expanded modestly for the second month in a row.

The modest rebound in new order growth led services companies to raise their staff numbers in April. Though the rate of payroll expansion was marginal, it contrasted with a slight reduction in employment in the previous month. Meanwhile, manufacturers continued to reduce their staffing levels at the start of the second quarter. Furthermore, the rate of job shedding was only fractionally slower than February's post-global financial crisis record. Consequently, composite employment fell further in April, albeit at a softer pace than March's seven-year peak.

The amount of outstanding business at Chinese service providers increased for the first time in 2016 so far in April, albeit only slightly. Reports from panellists indicated that improved inflows of new work contributed to renewed capacity pressures and higher unfinished workloads. The level of work-in-hand (but not yet completed) also rose marginally across the manufacturing sector in April.

Average input costs continued their upward trend at service providers, with the rate of inflation picking up slightly in April. That said, the rate of increase remained modest overall and much slower than the series average. Goods producers meanwhile reported the fastest rise in cost burdens since the start of 2013, amid reports of higher raw material prices. As a result, composite input costs increased at the quickest pace since February 2013.

Sustained cost inflation contributed to a renewed rise in prices charged by service providers in April. However, the rate of charge inflation was only marginal. Anecdotal evidence suggested that increased competitive pressures across the service sector had restricted overall pricing power. Manufacturing companies meanwhile raised their charges solidly in April. At the composite level, average tariffs rose at the quickest rate since October 2011.

Overall business sentiment remained unchanged from March's three-month low in April. Anecdotal evidence suggested that some companies expect improving market conditions, are planning operational expansions and are forecasting new projects to boost activity. However, other businesses commented that relatively subdued market conditions could dampen growth.

Key points

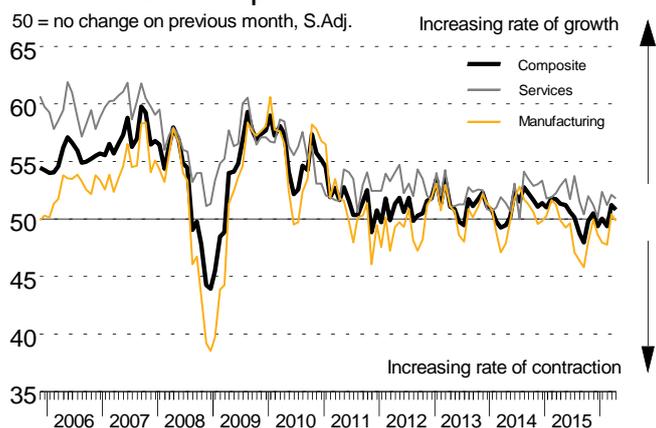
- Softer expansion of services activity while manufacturing output is broadly stagnant
- Employment rises slightly at services companies, but continues to fall solidly at goods producers
- Inflationary pressures pick up across both sectors

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 April came in at 51.8, down 0.4 points from March, but the employment category picked up strongly and rose to above the neutral 50-point mark. The Caixin China Composite Output Index for April was 50.8, still above the neutral mark, but down 0.5 points from the previous month. Expansion in the services sector helped offset some of the impact caused by flagging manufacturing. Overall, however, the economy still faces relatively strong downward pressure. The government needs to keep implementing moderate stimulus to prevent a hard landing of the economy."

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.

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About PMI:

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