

# Caixin China General Services PMI™

April signals slowest increase in Chinese business activity since June 2016

## Summary – Services and Composite PMI data

The Caixin China Composite PMI™ data (which covers both manufacturing and services) signalled a further slowdown in growth momentum at the start of the second quarter. This was highlighted by the Composite Output Index posting 51.2 in April, down from 52.1 in March, and the lowest reading for ten months.

Latest data saw a loss of momentum across both the manufacturing and service sectors during April. While manufacturers recorded the weakest rise in production since last September, service providers saw the slowest increase in business activity for 11 months. Weak services growth was illustrated by the seasonally adjusted Caixin China General Services Business Activity Index registering at 51.5, down from 52.2 at the end of the first quarter, to signal only a modest rise in activity levels.

Although business activity growth eased in April, the amount of new business placed with service providers expanded at a quicker pace in April. Some panellists mentioned that new products and improving market conditions had boosted new order intakes. That said, the rate of expansion remained weaker than the historical series average. Meanwhile, manufacturers saw growth in new work ease for the second successive month to a marginal rate. At the composite level, total new business increased at the softest pace since last September.

Services companies continued to add to their payrolls at the start of the second quarter. However, the rate of employment growth eased to the weakest in 2017 so far and was moderate overall. At the same time, manufacturers continued to cut their staff numbers in April, with the rate of decline quickening to a three-month record. As a result, composite employment fell for the first time since the end of 2016, albeit only slightly.

Data indicated a lack of pressure on operating capacity across services companies, as shown by a renewed fall in backlogs of work. Though marginal, it was the first time that unfinished workloads had fallen across the sector since last September. In contrast, outstanding business continued to rise across the manufacturing sector, though only modestly. Subsequently, composite backlogs of work accumulated at the slowest pace in a year.

Cost pressures eased across both monitored sectors in April. Service providers registered only a modest rise in input costs that was the weakest in six months. Manufacturers meanwhile saw a rate of input price inflation that, though solid, was the softest recorded since last September. Higher raw material costs were cited as a key factor pushing up cost burdens across both sectors. Overall, composite input prices increased at the slowest rate in seven months.

Similar trends were seen for prices charged in April, with both manufacturing and services companies raising their prices. Though marginal, April marked one of the fastest rates of charge inflation seen across the service sector for three-and-a-half years. However, it was the weakest rise in factory gate prices recorded since last August.

Chinese companies generally held positive growth expectations for the year ahead in April. That said, the overall degree of positive sentiment moderated to a five-month low. Weaker confidence at the composite level reflected reduced optimism across both sectors, with manufacturers the least positive towards the one-year business outlook.

## Key points

- Output expands at softer pace across both the services and manufacturing sectors
- Stronger increase in service sector new orders contrasts with weaker demand growth for manufactured goods
- Renewed fall in composite employment

## Comment

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

*“The headline Caixin China General Services PMI fell for the fourth straight month in April to 51.5. It marked the weakest reading since May last year and was down 0.7 points from March.*

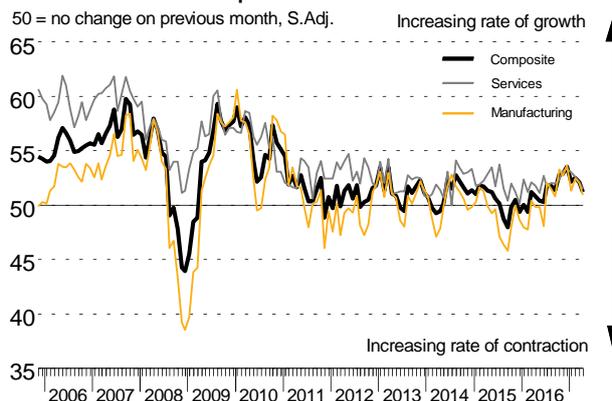
*“The sub-indexes of input costs and output prices dipped, while the sub-index of new business went up marginally.*

*Growth in both manufacturing and services decelerated in April, reflecting a clear slowdown in the expansion of the Chinese economy.*

"The Caixin China Composite Output Index also dropped for the second month in a row to 51.2 in April, down 0.9 points from the previous month.

"A turning point in growth appeared to have emerged at the beginning of the second quarter. Investors should be cautious about downward risks in the economy."

## 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 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).

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