

# Growth in services sector loses momentum

**Sluggishness suggests businesses remain cautious on outlook after strong November**

Reuters

The services sector on the mainland expanded at a slower pace last month following a strong rebound in November, with business confidence falling to the second-lowest on record despite a pickup in new orders, a private survey showed yesterday.

The more downbeat reading suggests services firms remain cautious about the outlook for the mainland economy despite a flurry of stimulus measures, signs of improvement in the manufacturing sector and a long-awaited US-China trade deal.

The services sector accounts for more than half of the economy.

The Caixin/Markit services purchasing managers' index (PMI) slowed to 52.5 last month from 53.5 in November, but was still higher than the eight-month low hit in October.

The index has stayed above the 50-point margin that separates growth from contraction on a monthly basis since late 2005.

The cooling trend in the private survey echoed that in the official non-manufacturing PMI published by the National Bureau of Statistics, which fell from November's eight-month high.

Beijing has been counting on a strong services sector to cushion a prolonged slowdown in manufacturing and investment and create jobs for workers laid off in other areas. Economic growth has cooled to near 30-year lows amid sluggish demand at home and abroad.

"The mainland economy is likely to get off to a quick start in 2020, but it will still be constrained by limited demand for the rest of the year," Zhong Zhengsheng, director of macroeconomic analysis at CEBM Group, wrote in a note accompanying the Caixin PMI release.

Services companies expressed concerns over subdued economic conditions and a lack of staff, the Caixin survey showed. Their expectations regarding the one-year outlook for business activity fell to the second-lowest level since the series began in 2005.

Source: South China Morning Post

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The pace of job creation was also more modest, with the employment sub-index hitting the lowest level since July.

Meanwhile, input costs kept increasing, while firms had to lower selling prices for the first time in more than a year, squeezing companies' profit margins.

That was despite a faster rise in the volume of new work in December, suggesting some firms were cutting prices to promote sales amid fierce competition.

"It is difficult for the measure of business confidence, which remained at a relatively low level in December, to improve. That has become a major hurdle to stabilising the economy," Zhong said.