

China

Stronger services growth offsets manufacturing downturn

- **Composite PMI rises to 50.1 as service sector growth accelerates**
- **Growth led by financial services and communications sectors**
- **Manufacturing acts as ongoing drag**

China's services economy showed signs of renewed life at the start of the year, helping to offset a deepening downturn in the manufacturing sector.

The Caixin services PMI survey, compiled by Markit, showed the strongest monthly expansion of business activity since last July, contrasting with manufacturing, which saw the largest drop in output since September.

The combined signal from the surveys was merely one of stabilisation, the composite index rising from 49.4 in December to 50.1. The extent of China's industrial downturn is further highlighted by the weakness of China's manufacturing PMI being surpassed only by that of Brazil in the [January global rankings](#).

But the latest survey results nevertheless provide further evidence of China's transition from a manufacturing-oriented economy towards services.

Service sector growth was led by the financial services and communications sectors, with more modest growth seen in hotels & restaurants and other consumer services. Business services saw mixed results, in part due to industrial-focused service providers struggling amid the manufacturing downturn. Similar, transport service providers acted as a drag on the wider services economy as goods shipment volumes remained subdued.

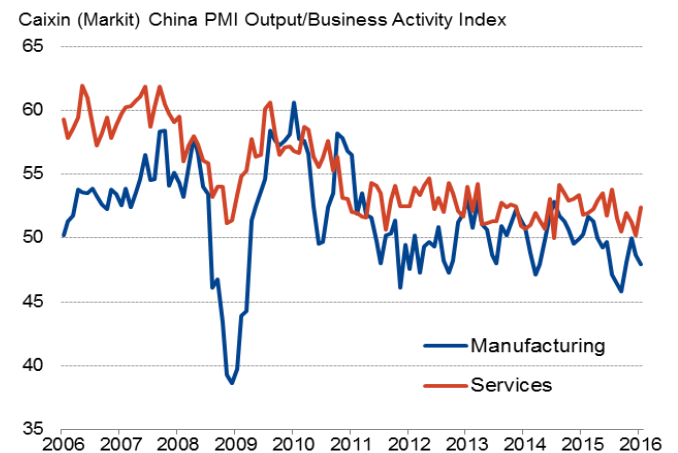
A similar growth divergence was seen in the employment numbers.

While the drop in manufacturing employment seen during the month was one of the steepest since the height of the global financial crisis, service sector job creation recovered to the fastest seen since last July. Although job losses in manufacturing continued to outweigh hiring in services, the overall drop in employment signalled by the two surveys was the weakest for six months, albeit by the smallest of margins. The fastest rate of job creation was seen in financial services, followed by communications.

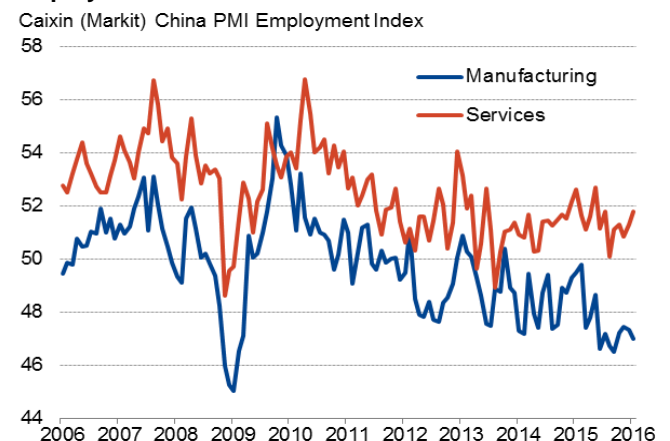
Caixin PMI and GDP



Output



Employment



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