

ECONOMY

## Activity in services sector hits second-lowest level on record as curbs take toll

Reuters in Beijing

Activity in China's services sector contracted to the second-lowest level on record last month as coronavirus curbs halted the industry, leading to sharper reductions in new business and employment, a private-sector survey showed yesterday.

The Caixin services purchasing managers' index (PMI) stood at 36.2 in April, the second lowest since the survey began in November 2005 and down from 42 in March.

The index hit a record low of 26.5 in February 2020 during the onset of the pandemic. The 50-point mark separates growth from contraction.

"The new round of Covid-19 outbreaks hits the services sector hard," said Wang Zhe, a senior economist at Caixin Insight Group.

"Demand was under pressure, external demand deteriorated, supply shrank, supply chains were disrupted, delivery times were prolonged, backlogs of work grew, workers found it difficult to return to their jobs, inflationary pressures lingered and market confidence remained below the long-term average."

The pessimistic findings from the survey, which focuses more on small firms in coastal regions, are in line with the government's official PMI, pointing to the deterioration in a sector accounting for 60 per cent of the economy.

A subindex for new business stood at 38.4, also the second-lowest reading on record and down from 45.9 the previous month, with services firms reporting the virus measures weighed heavily on customer demand at the start of the second quarter.

Employment also declined for the fourth consecutive month in April, but the drop was marginal, compared with falls in activity.

Input costs, meanwhile, rose at a solid pace but efforts by services firms to attract more business amid lacklustre demand drove a drop in prices charged, highlighting rising cost pressures facing services providers.

"The government should boost support for enterprises in industries that are greatly affected by the outbreaks to stabilise market expectations," Wang said.

"During the recent round of outbreaks, many company employees, gig workers and low-income groups have watched their incomes shrink and their lives grow more difficult, so the government should offer them subsidies."

As of Tuesday, 43 cities were under full or partial lockdowns or had implemented district-based controls, which involve strict mobility restrictions for local residents, according to Nomura.

Caixin's April composite PMI, which includes both manufacturing and services activity, slumped to 37.2 from 43.9 in March.

The Caixin PMI is compiled by S&P Global from responses to questionnaires.