

ECONOMY

Services activity remains in contraction on mainland

Reuters in Beijing

China's services activity shrank in December as surging coronavirus infections hit demand, a private-sector survey showed yesterday, although the pace of recent declines slowed while business confidence rose to a 17-month high.

The Caixin/S&P Global services purchasing managers' index (PMI) rose to 48 from 46.7 in November but remained below

the 50-point mark, which indicates contraction in activity, for a fourth consecutive month.

China abruptly removed its stringent zero-Covid strategy in early December, triggering a surge of infections across the country.

The hit to business caused by the new spread of the virus extends the pain to the services sector from the now-lifted stringent curbs, and reflects a similar trend seen in a larger official services PMI published last week.

Companies in the Caixin/S&P survey reported the falls in output and new work for the fourth consecutive month in December, while external demand fell into contraction in November.

But surveyed firms were nonetheless bullish about recovery prospects for the next 12 months, thanks to the lifting of restrictions that could lead to increased consumption, with the confidence index rising to a 17-month high.

In December, companies also continued to cut staff and

raise their prices, while input cost inflation softened.

"Supply and demand shrank in the sector due to ... outbreaks, with the gauges for business activity and total new business staying below 50 for the fourth month," said Wang Zhe of Caixin Insight Group. "Nonetheless, some ... companies reported business had improved since November. The pandemic also took a toll on overseas demand as the reading for new export orders slid back into contraction."