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ECONOMY

Services growth a fresh recovery sign

Reuters

Activity in the nation's services sector in May accelerated at the quickest pace in 10 months, while employment levels expanded for the first time since January, a private sector survey showed yesterday, pointing to sustained recovery in the second quarter.

The Caixin/S&P Global services purchasing managers' index (PMI) rose to 54 from 52.5 in April, expanding for the 17th straight month and growing at the fastest pace since July 2023. The 50-mark separates expansion from contraction.

Together with the Caixin manufacturing PMI, which hit a near two-year high, the readings suggested business activity expanded robustly last month, although more indicators

including exports, bank lending and retail sales due to be released would give more clues on the growth momentum.

The Caixin/S&P's composite PMI, which tracks both the services and manufacturing sectors, rose to 54.1 last month from 52.8 in April, the highest in a year.

Faster new business inflows underpinned services activity growth. New business increased at the quickest pace since May 2023, as did new export business.

Additional staff were hired last month to cope with ongoing workloads, according to respondents, pushing up employment levels to their highest since September.

Price pressures intensified, however, with firms raising their charges amid rising cost burdens.

Business confidence levels

also eased to a seven-month low amid concerns about the global economic environment and rising prices.

The economy had a solid start in the first quarter, prompting the International Monetary Fund and rating agency Moody's to lift their annual growth forecasts.

But a protracted property industry downturn has weighed on any meaningful economic rebound.

Nomura analysts on Monday said "growth momentum has remained tepid in general, especially for domestic demand, as developer contract sales remain in deep contraction".

But in light of the export strength, the Japanese investment bank revised up China's 2024 gross domestic product growth forecast to 4.5 per cent from 4.3 per cent.