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China's service sector declines in March, as the pandemic still takes a toll on business.

China’s service activity declined at a slower pace in March, as the country is controlling the spread COVID-19 by imposing restrictions on business activities.

China’s headline Business Activity Index rebounded to 43.0 from the record low of 26.5 in February, indicating a recovery in the downturn. Though the companies is trying to lower the cost by job cutting and lower selling prices, the input costs were on the rose during March and posing challenges for companies’ profitability.

The Caixin China Composite Output Index rose to 46.7 in March from 27.5 of February, the second-lowest level in 11 years. Despite the output and new orders were better compared with that in February, the pace of employee layoffs was on the record high.

The uncertainty on demand and supply chains made China's service sector still experiencing another fall in March. The backlog depletion rate was the quickest since September 2015. The service demand was on great pressure as domestic and overseas demand plummeted. The cost for logistics were rising, yet the price was cut in order to drive up consumptions.

The long-term side effects exerted by the epidemic kept business confidence low, as the gauge for future output climbed slightly from the record low in February.

“The recovery of economic activity remained limited in March, although the domestic epidemic was contained.”, said Zhengsheng Zhong, Chairman and Chief Economist at CEBM Group, “Estimates suggest their declines haven’t been as steep in March and the country’s first-quarter GDP is likely to have dropped significantly.”

Zhong also suggested the government to readjust this year’s GDP growth target and address policies to stimulate consumption and infrastructure.