

HSBC Hong Kong PMI

Expansion of Hong Kong private sector economy slowest in four months

Summary

The headline HSBC Hong Kong Purchasing Managers' Index (PMI™) posted 54.6 in February. While signalling a marked improvement in business conditions, the latest PMI reading fell since January and was the weakest in four months.

New orders grew markedly in February, as global economic conditions continued to recover. However, the rate at which incoming new business expanded eased since January and was the weakest in five months. The slower growth in new business contributed to the overall decline in the headline PMI since January.

In contrast to the trend for overall new orders, growth of incoming new business received from mainland China accelerated since January. The rate at which new business from mainland China increased was the fastest in the series history.

Output at private sector companies in Hong Kong increased markedly in February, with the latest rise the eighth in successive months. In line with a slower rate of overall new order growth, the rate at which output increased eased since January.

However, growth of backlogs of work persisted, suggesting that there were pressures on operating capacity. Reflecting this, employment within private sector companies in Hong Kong increased solidly, and at the strongest rate since December 2007.

Overall input prices rose substantially in February, with cost inflation the highest in nineteen months. Rising overall input costs were predominately driven by higher purchase prices, as the cost of raw materials increased further. However, staff costs also rose solidly during February.

Despite the rise in costs, output prices rose only modestly and at the weakest pace during the past three months. Panellists commented that strong competition for new business limited the extent to which charges could be increased.

Slower new order growth, as well as further rises in input costs, meant that purchasing activity increased at a weaker pace in February. Some companies reported that they were aiming to rebuild stocks, although the slower increase in purchases resulted in only a slight rise in inventories.

Comment

Commenting on the Hong Kong PMI survey, Janus Chan, Economics Analyst at HSBC said:

"Hong Kong's PMI remains strong in February, after seasonal adjustment for the Lunar New Year when business activities normally slow down slightly. Despite a slower expansion in output and new orders, the sub-index of new orders received from China rose to its highest level since the index was composed. A robust increase in tourists from China is one of the major factors. Given business activities continue to expand, there is also increasing demand for labour."

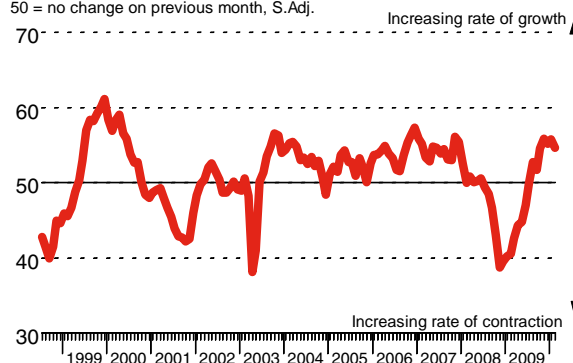
Key points

- New order growth weakened from last month's three-year high.
- Employment rose further to support increase in operating capacity.
- Input cost inflation the strongest since July 2008.

Historical Overview

HSBC Hong Kong PMI

50 = no change on previous month, S.Adj.



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Notes to Editors:

The HSBC Hong Kong PMI Report is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 300 companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on industry contribution to Hong Kong GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index (PMI) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

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About Markit Economics:

Markit Economics is a specialist compiler of business surveys and economic indices, including the Purchasing Managers' Index (PMI) series, which is now available for 26 countries and key regions including the Eurozone and BRIC. The PMIs have become the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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