

HSBC Hong Kong PMI

Expansion of Hong Kong private sector economy gathered pace at the start of Q2

Summary

The headline HSBC Hong Kong Purchasing Managers' Index (PMI™) – a composite index designed to provide timely indications of changes in prevailing business conditions in the Hong Kong economy – posted 55.3 in April. The latest reading signalled a marked improvement in business conditions, which was the strongest in three months.

Incoming new business received by private sector companies in Hong Kong increased during April. The latest rise in new work was the tenth in successive months, with the rate of growth broadly unchanged over the last three survey periods. The expansion in overall new business largely reflected a further substantial rise in new work received from mainland China (which was the strongest in the series history).

The sustained increase in new work supported another rise in output. Production growth accelerated since March, as improving economic conditions appeared to boost confidence.

Nonetheless, backlogs of work increased for a tenth successive month, suggesting that pressures on operating capacity at private sector companies in Hong Kong persisted.

Reflective of the sustained expansion of incoming new business and further accumulation of outstanding work, employment within the Hong Kong private sector rose.

April data signalled a solid rise in purchasing activity at companies in Hong Kong. Panellists commented that purchases had increased in line with higher output requirements. Subsequently, suppliers' delivery times slowed during the month, as operating capacity at vendors was tested under the increased demand.

Overall input costs faced by companies in Hong Kong increased substantially during April. However, the rate at which input prices rose weakened since March. Both higher purchase prices and wages contributed to the rise in overall costs. However, a slower increase in purchase prices during April led the weaker overall input cost inflation.

Reflective of the sustained rise in input prices, charges increased during the month. Moreover, the pace at which charges rose was marked, and the strongest since July 2008.

Comment

Commenting on the Hong Kong PMI survey, Mark McCombe, Chief Executive of HSBC Hong Kong, said:

"Hong Kong's PMI continued to strengthen in April signalling increased business activity. Mainland China is still our major driver of new business with growth in new orders rising to the series' historical high. This will benefit employment as well as private consumption in the territory. While growing demand is causing price pressures to build up, the modest underlying inflation in Hong Kong suggests this is still manageable."

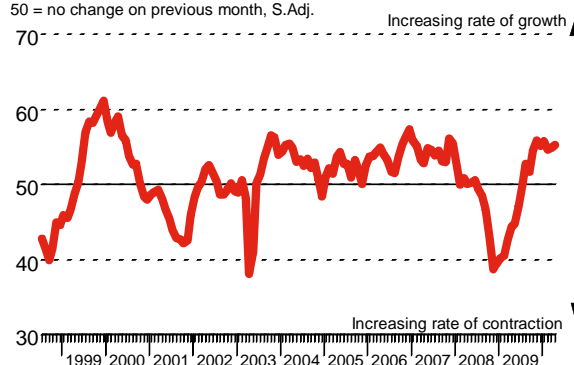
Key points

- Growth in new business received from mainland China highest in series history.
- Employment increased for seventh successive month.
- Inflationary pressure built as output prices rose at fastest pace 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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