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HSBC Hong Kong PMI

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

Key findings:

- 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.

Growth of the Hong Kong private sector economy was maintained at a marked rate in April. A rise in volumes of incoming new business, supported predominately by strong demand in mainland China, led to a further rise in output. However, pressures on operating capacity persisted, highlighted by another increase in outstanding business. Subsequently, employment rose at the strongest rate since December 2007. Meanwhile, rising raw material prices and higher wages drove a further increase in overall input costs. Companies subsequently lifted their charges, and at a marked rate, signalling a build-up of inflationary pressure in the Hong Kong private sector economy.

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.

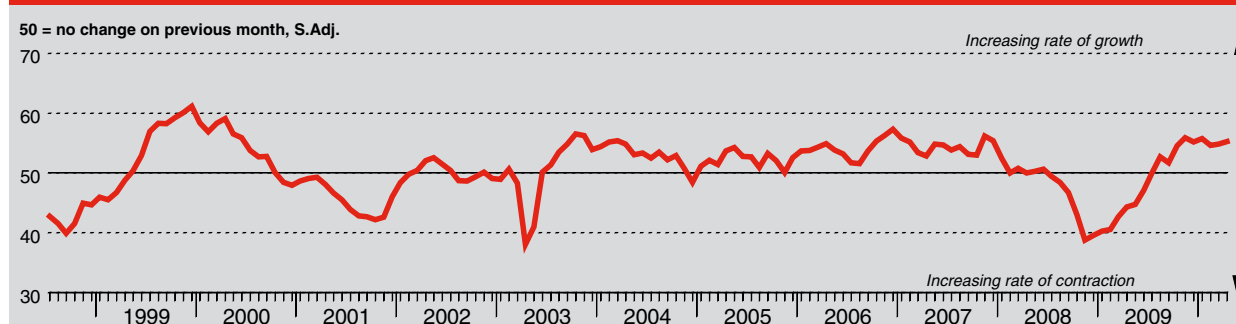
Reflective of the sustained expansion of incoming new business and further accumulation of outstanding work, employment within the Hong Kong private sector rose.

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. Stocks of purchases expanded for a ninth consecutive month.

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.

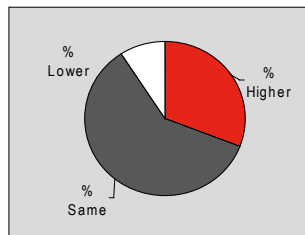
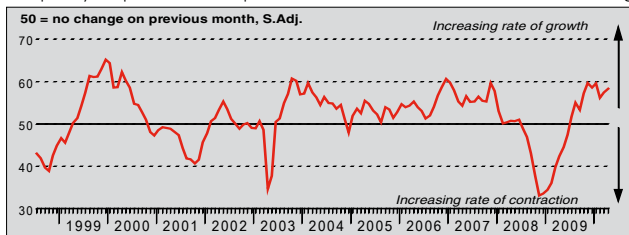
HSBC Hong Kong Purchasing Managers' Index (PMI™)



The HSBC Hong Kong Purchasing Managers' Index (PMI) is a composite indicator designed to provide an overall view of activity in the Hong Kong economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates that the manufacturing economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index.

Output Index

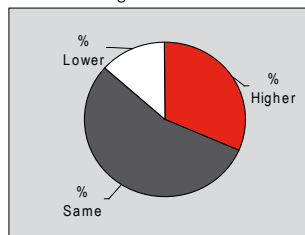
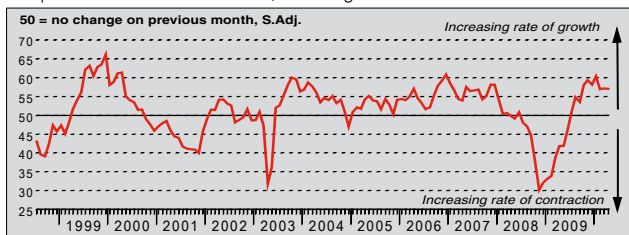
Q. Please compare your production/output this month with the situation one month ago.



Companies in Hong Kong reported a marked rise in output during April. Moreover, the pace at which output grew accelerated since March, and was the fastest since January. Panellists commented that the rise in output reflected a sustained increase in new business received, and a general improvement in economic conditions. Output has now risen in each of the last ten months.

New Orders Index

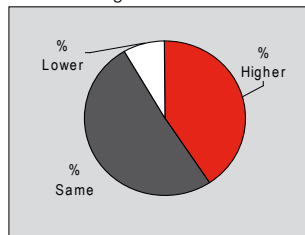
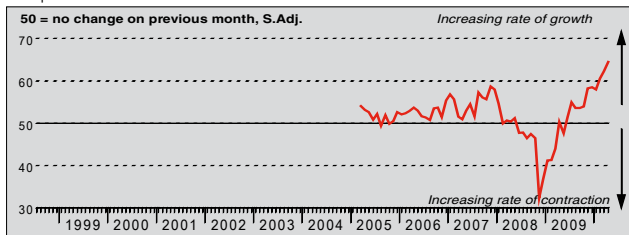
Q. Please compare the level of new orders/incoming new business received this month with the situation one month ago.



New orders received by companies in Hong Kong increased markedly during April, extending the sequence of sustained growth to ten months. The rate at which incoming new business expanded has been broadly flat over the last three months, although the latest increase remained comfortably above the long-run average for the series. Panellists attributed the rise in new business to better economic conditions, which boosted demand.

New Orders Index: Mainland China

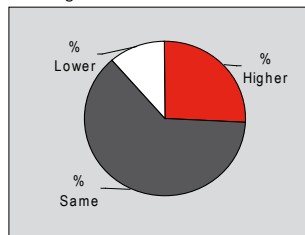
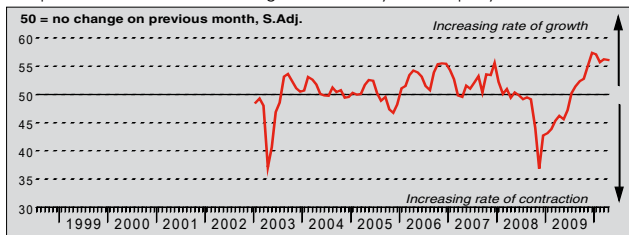
Q. Please compare the level of new business received from mainland China this month with the situation one month ago.



April data signalled a substantial rise in new business received by companies in Hong Kong from mainland China. Approximately 41% of panellists reported an increase in new work, and attributed this to stronger economic conditions in mainland China. The rate at which new business rose was the fastest in the series to date, with growth now sustained for eleven successive months.

Backlogs of Work Index

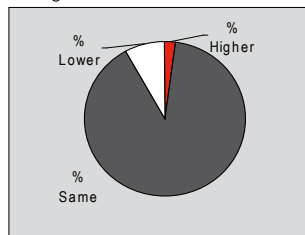
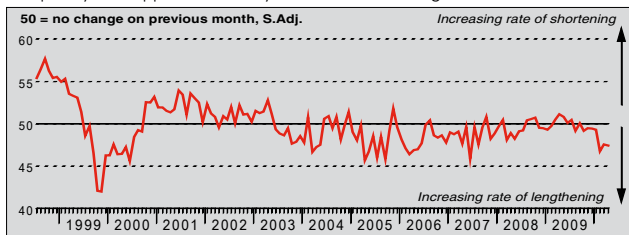
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



Backlogs of work at companies in Hong Kong increased markedly during April. The rate of accumulation of outstanding business eased, although remained above the long-run average for the series. Anecdotal evidence suggested that the rise in backlogs reflected pressures on operating capacity, with output growth insufficient to meet new order requirements.

Suppliers' Delivery Times Index

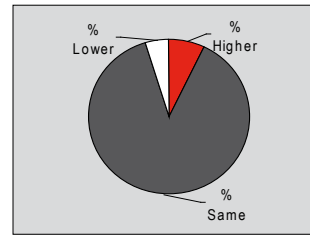
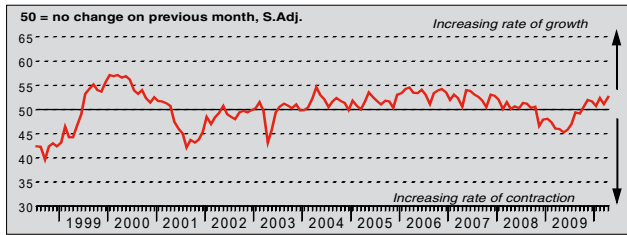
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Companies in Hong Kong reported a lengthening in suppliers' delivery times during April. Increased purchasing activity put pressure on vendors' operating capacity, leading to slower lead times. The extent to which deliveries slowed was broadly unchanged from that reported in March, and was faster than the historical average for the series.

Employment Index

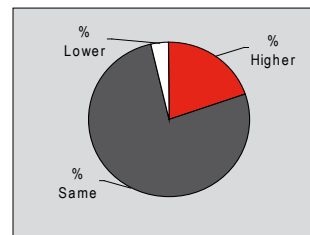
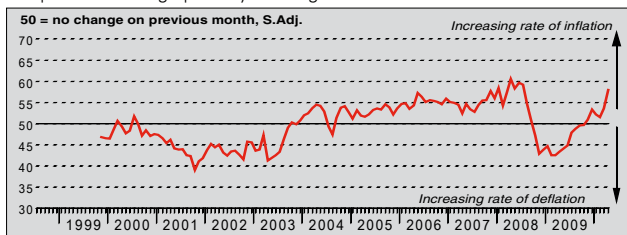
Q. Please compare the level of employment at your unit this month with the situation one month ago.



Employment within the Hong Kong private sector increased solidly during April, extending the sequence of sustained rises to seven months. The pace at which staffing levels rose was the strongest since December 2007, and above the long-run average for the series. Panellists reported that employment had increased due to the sustained rise in production requirements.

Prices Charged Index

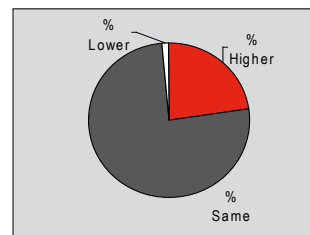
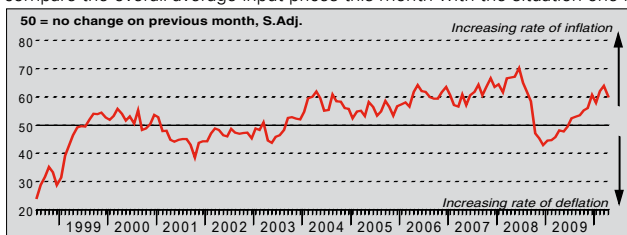
Q. Please compare the average prices you charged this month with the situation one month ago.



April data signalled a marked rise in prices charged by companies in Hong Kong. The rate at which output prices increased accelerated sharply since March, and was the strongest since July 2008. Panellists commented that charges were increased due to the sustained rise in input costs. Output prices have now risen over each of the past six months.

Overall Input Costs Index

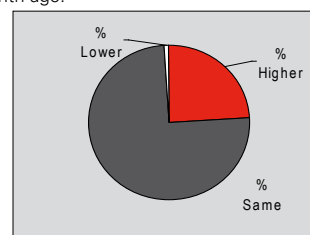
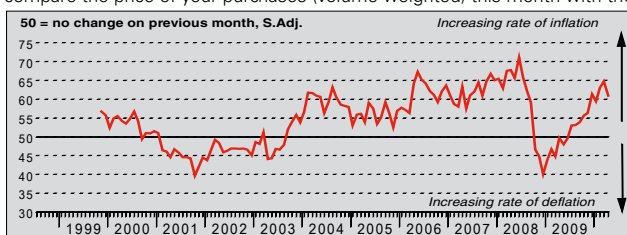
Q. Please compare the overall average input prices this month with the situation one month ago.



Overall input costs faced by companies in Hong Kong increased substantially during April. However, the pace at which input prices rose eased since March. Nonetheless, the latest increase remained above the long-run average for the series. Both purchase prices and staff costs increased during the month, although a slower rise in the former contributed towards the weaker overall input cost inflation.

Input Costs: Purchase Prices Index

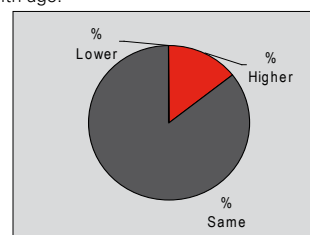
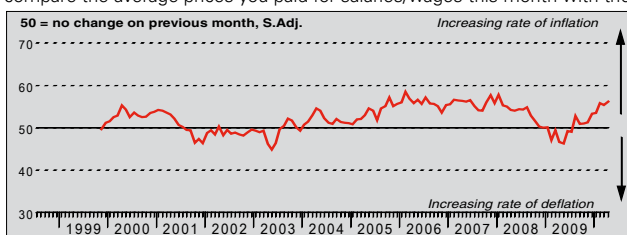
Q. Please compare the price of your purchases (volume weighted) this month with the situation one month ago.



April data signalled a marked rise in purchase prices. Costs of purchases have now increased for ten successive months, although the latest rise eased from that recorded in March (the strongest increase since July 2008). Approximately 24% of panellists indicated that purchase prices had risen during the month, and attributed this to higher raw material costs.

Input Costs: Staff Costs Index

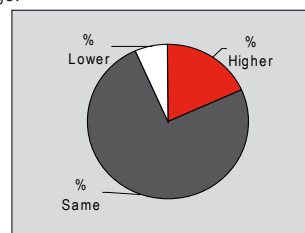
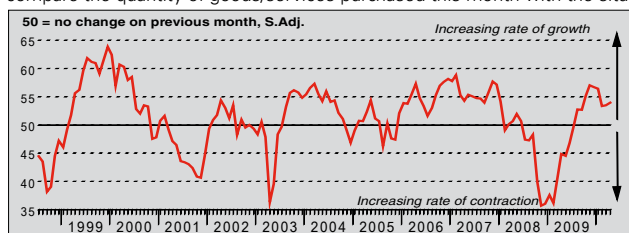
Q. Please compare the average prices you paid for salaries/wages this month with the situation one month ago.



Companies in Hong Kong reported a marked rise in staff costs during April, with wage inflation now recorded for nine consecutive months. The pace at which staff costs rose accelerated since March and was the fastest since January 2008. However, the majority of panellists (approximately 86%) indicated that wage costs remained unchanged during the month.

Quantity of Purchases Index

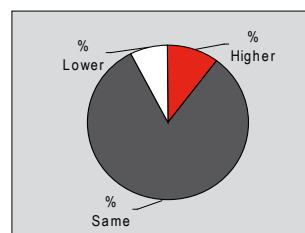
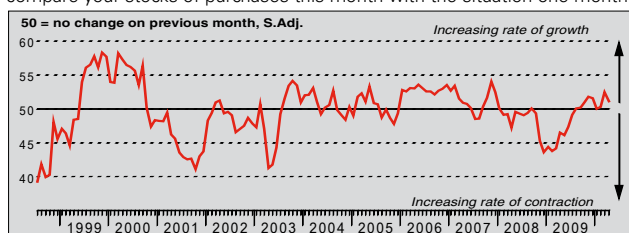
Q. Please compare the quantity of goods/services purchased this month with the situation one month ago.



Purchasing activity increased solidly during April, reflecting the sustained rise in incoming new business, and therefore output requirements. The latest increase in buying volumes was the ninth in successive months. The pace at which purchasing activity rose was the fastest since January, and above the long-run average for the series.

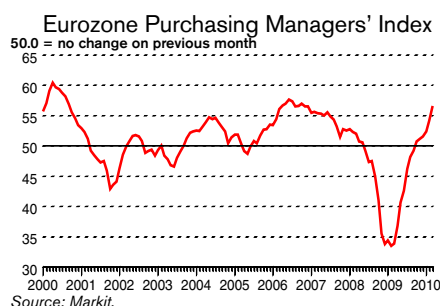
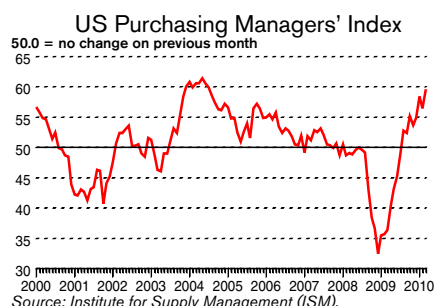
Stocks of Purchases Index

Q. Please compare your stocks of purchases this month with the situation one month ago.



Stocks of purchases at companies in Hong Kong increased during April for a ninth successive month. Panellists commented that the rise in pre-production inventories reflected the sustained expansion in output requirements. However, the rate at which stocks accumulated eased since March, and the majority of respondents (approximately 82%) indicated that inventories remained unchanged during April.

International PMI



March's ISM survey signalled marked growth of the US manufacturing sector, with expansion sustained for an eighth successive month. Posting 59.6, the headline PMI rose from February's reading of 56.5. This was the strongest rate of growth recorded since July 2004.

The Markit Eurozone Manufacturing PMI posted 56.6 in March, rising from 54.2 in February. The latest increase was the fastest since November 2006, and above the long-run average for the series. The PMI has now been above the 50.0 no-change mark for six successive months.

At 57.0, the headline HSBC China Manufacturing PMI™ rose to its third-highest level in the survey history during March. This pointed to a marked improvement of operating conditions in the Chinese manufacturing economy. Growth has now been recorded throughout a one-year period.

Notes on the Data and Method of Presentation

The Hong Kong Purchasing Managers' Index is a monthly publication, researched and published by Markit Economics, featuring original research data from a survey of purchasing managers in companies operating in Hong Kong. The survey panel comprises around 300 companies that have been carefully selected to accurately represent the true structure of the Hong Kong economy, including manufacturing, services, retail and construction. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to 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 tables show 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 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, Stocks of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

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