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## HSBC Hong Kong PMI™

Hong Kong PMI fell to seven-month low, as growth of output slowed.

### Key findings:

- New orders increased, but also at a weaker rate.
- Employment rose solidly.
- Sharp input price inflation drove prices charged up at fast pace.

With growth of output and new orders easing, April's PMI data indicated only a modest overall improvement in operating conditions within the Hong Kong private sector. However, job creation remained robust and broadly unchanged from the previous two survey periods, while input prices continued to rise sharply.

The headline HSBC Hong Kong PMI™ – a composite index designed to provide timely indications of changes in prevailing business conditions in the Hong Kong private sector economy – posted 52.9 in April, down from 54.9 in March. The latest figure signalled the smallest improvement in the health of the Hong Kong private sector for seven months.

Business activity at companies in Hong Kong increased for the twenty-second month in succession, but the rate of expansion was moderate and the slowest since last August. This in part reflected the weakest monthly increase in new business for eight months. Within the latter was a slower, albeit solid, rate of growth in new orders from mainland China.

Responding to higher levels of sales, panellists continued to create jobs at a robust pace, and for the fourth month in a row. Despite this increase in employment, the volume of outstanding work across the Hong Kong private sector continued to rise.

Overall input cost inflation remained at an historically high

rate in April, underpinned by a combination of higher purchase prices and staff costs. Indeed, the cost of raw materials pushed input costs up at one of the fastest rates in the series history, with panellists highlighting prices of metals in particular.

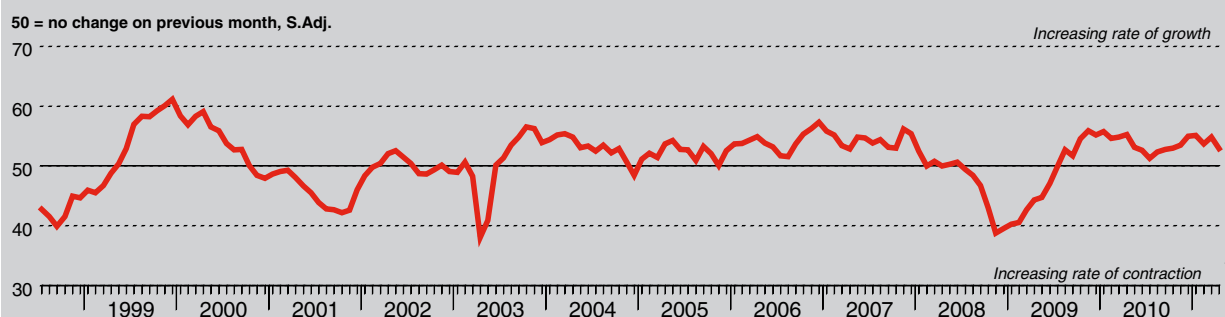
As well as higher employment levels, the labour market in Hong Kong was buoyed by the fastest increase in average wages since January 2008. Anecdotal evidence indicated that a large part of the increase was the result of companies conforming to the soon-to-be-introduced minimum wage legislation. Average pay has been on the rise for the past twenty-one months.

Output prices increased at a marked rate during April, and for the eighteenth month running. Panellists reported raising prices charged in response to sharp inflation of input costs.

Growth of purchasing activity slowed considerably in April, and was only marginal. Nevertheless, vendors continued to struggle with demand, and their performance deteriorated for the nineteenth month in a row. Delivery times increased at a strong rate, partly due to the disruption caused by recent events in Japan.

As a consequence of a slowdown purchasing activity growth, stocks of inputs held by companies in Hong Kong fell. The rate at which pre-production inventories declined, however, was only marginal.

### HSBC Hong Kong PMI



#### Index Summary

(seasonally adjusted, 50 = no change on previous month)

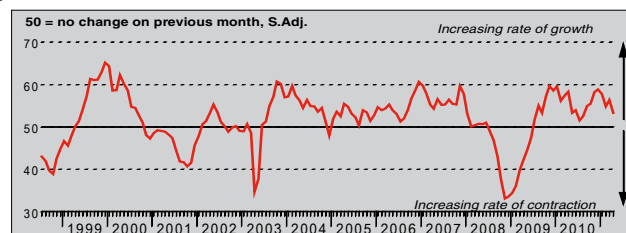
	PMI	Output	New Orders	Mainland China	Backlogs of Work	Employment	Output Prices	Overall Input Costs	Purchase Costs	Staff Costs	Delivery Times	Quantity of Purchases	Stocks of Purchases
Feb '11	53.7	54.9	54.1	51.3	56.2	52.6	57.2	66.6	67.0	55.3	47.1	52.5	53.1
Mar	54.9	56.4	56.0	54.8	55.3	52.2	59.4	71.0	71.9	55.0	45.2	57.0	53.6
Apr	52.9	53.4	53.4	54.3	53.3	52.4	59.3	71.1	71.8	56.4	45.8	50.2	49.6

The HSBC Hong Kong 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.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
<b>2010</b>	Nov	23.4	67.3	9.3	14.1	<b>57.1</b>	<b>58.3</b>
	Dec	31.5	56.0	12.4	19.1	<b>59.6</b>	<b>58.9</b>
<b>2011</b>	Jan	24.5	57.1	18.4	6.1	<b>53.0</b>	<b>57.8</b>
	Feb	10.1	65.3	24.6	-14.5	<b>42.7</b>	<b>54.9</b>
	Mar	31.3	59.0	9.7	21.7	<b>60.8</b>	<b>56.4</b>
	Apr	22.0	62.6	15.4	6.7	<b>53.3</b>	<b>53.4</b>

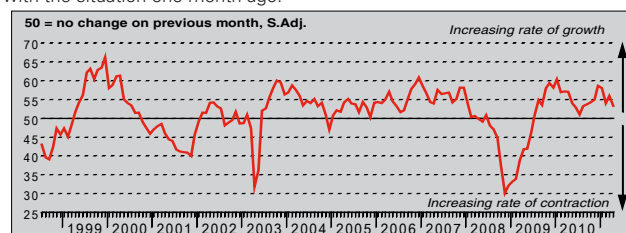


Output at companies in Hong Kong's private sector economy expanded for the twenty-third consecutive month in April. However, the rate of growth was moderate and the slowest since August 2010. The latest anecdotal evidence indicated that the latest rise in activity was the result of an increase in new business wins by panellists during the latest survey period.

**New Orders Index**

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

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
<b>2010</b>	Nov	19.0	70.1	10.9	8.1	<b>54.1</b>	<b>55.0</b>
	Dec	30.4	58.8	10.8	19.6	<b>59.8</b>	<b>58.7</b>
<b>2011</b>	Jan	23.5	58.1	18.5	5.0	<b>52.5</b>	<b>58.1</b>
	Feb	11.2	65.3	23.5	-12.2	<b>43.9</b>	<b>54.1</b>
	Mar	31.6	58.9	9.5	22.0	<b>61.0</b>	<b>56.0</b>
	Apr	22.7	64.2	13.1	9.7	<b>54.8</b>	<b>53.4</b>

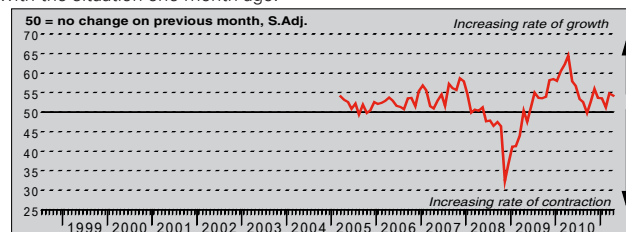


New orders received by firms in Hong Kong increased at the lowest rate for eight months in April. Growth in incoming new work was modest, but nevertheless extended the period of expansion that began in July 2009. Panellists attributed the latest increase in new orders to improving demand both domestically and internationally, with new business won in both China and the US.

**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.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
<b>2010</b>	Nov	24.0	67.6	8.5	15.5	<b>57.8</b>	<b>56.0</b>
	Dec	23.9	64.6	11.4	12.5	<b>56.3</b>	<b>53.7</b>
<b>2011</b>	Jan	19.6	63.7	16.7	2.8	<b>51.4</b>	<b>53.6</b>
	Feb	10.2	63.0	26.8	-16.6	<b>41.7</b>	<b>51.3</b>
	Mar	27.5	64.9	7.7	19.8	<b>59.9</b>	<b>54.8</b>
	Apr	24.1	64.0	11.9	12.2	<b>56.1</b>	<b>54.3</b>

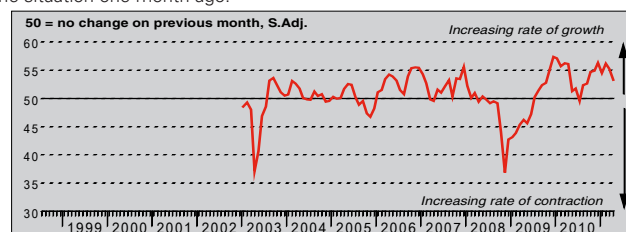


New business from mainland China increased at a robust pace in April, although the rate of increase was down slightly on March's four-month high. Nonetheless, growth was in excess of that recorded for new orders as a whole, and extended the period of rising incoming new work from the mainland to seven months.

**Backlogs of Work Index**

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

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
<b>2010</b>	Nov	13.9	81.2	4.9	8.9	<b>54.5</b>	<b>54.9</b>
	Dec	26.8	66.1	7.0	19.8	<b>59.9</b>	<b>56.4</b>
<b>2011</b>	Jan	17.6	67.2	15.2	2.4	<b>51.2</b>	<b>54.5</b>
	Feb	10.8	78.6	10.6	0.1	<b>50.1</b>	<b>56.2</b>
	Mar	21.5	70.8	7.7	13.8	<b>56.9</b>	<b>55.3</b>
	Apr	18.6	71.4	10.0	8.7	<b>54.3</b>	<b>53.3</b>

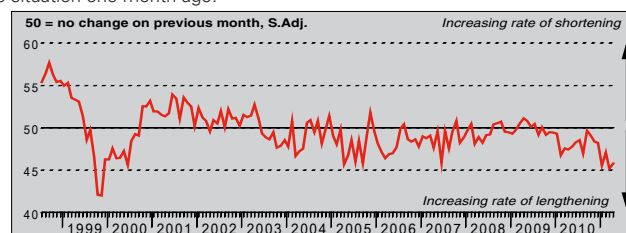


Levels of outstanding work at companies in Hong Kong increased moderately in April. However, after falling for the second successive survey period, the seasonally adjusted Backlogs of Work Index was at its lowest point since last September. Panel members indicated that they were unable to adequately increase output to cope with higher levels of new work received during April.

**Suppliers' Delivery Times Index**

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

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
<b>2010</b>	Nov	4.3	87.8	8.0	-3.7	<b>48.1</b>	<b>48.4</b>
	Dec	9.6	75.8	14.6	-5.0	<b>47.5</b>	<b>48.2</b>
<b>2011</b>	Jan	5.2	79.9	14.9	-9.7	<b>45.1</b>	<b>45.6</b>
	Feb	2.2	88.1	9.6	-7.4	<b>46.3</b>	<b>47.1</b>
	Mar	7.1	77.2	15.6	-8.5	<b>45.7</b>	<b>45.2</b>
	Apr	2.4	84.8	12.8	-10.4	<b>44.8</b>	<b>45.8</b>

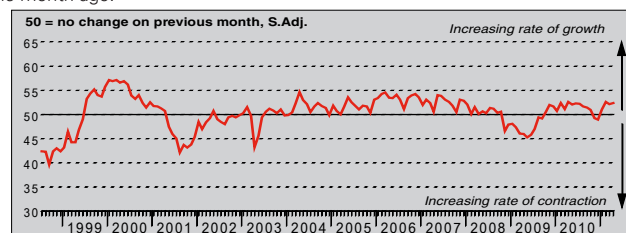


Supplier performance deteriorated for the nineteenth consecutive month in April. Moreover, average vendor delivery times continued to lengthen at an historically fast pace. According to the latest anecdotal evidence, supply chain disruptions were commonly a consequence of recent events in Japan.

### Employment Index

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

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2010	Nov	1.1	93.6	5.3	-4.2	47.9	49.2
	Dec	2.3	94.4	3.4	-1.1	49.5	49.0
2011	Jan	5.2	92.4	2.4	2.8	51.4	51.1
	Feb	5.3	93.7	1.0	4.3	52.2	52.6
	Mar	5.4	91.8	2.8	2.6	51.3	52.2
	Apr	7.6	88.5	3.8	3.8	51.9	52.4

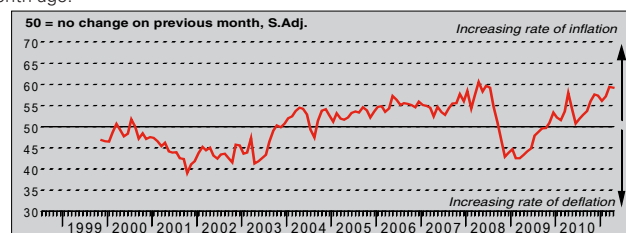


In April, job creation at companies in Hong Kong continued for the fourth consecutive month. Employment levels increased modestly, and at a broadly similar rate to those registered in February and March. Almost 8% of surveyed respondents declared adding to payroll numbers, suggesting previous staffing levels were inadequate to cope with an expansion in new orders and production.

### Prices Charged Index

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

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2010	Nov	17.2	81.1	1.8	15.4	57.7	57.7
	Dec	19.2	77.8	3.1	16.1	58.1	57.4
2011	Jan	19.4	73.8	6.8	12.5	56.3	56.1
	Feb	16.0	81.4	2.6	13.5	56.7	57.2
	Mar	21.5	77.5	1.0	20.6	60.3	59.4
	Apr	27.1	71.0	1.9	25.3	62.6	59.3

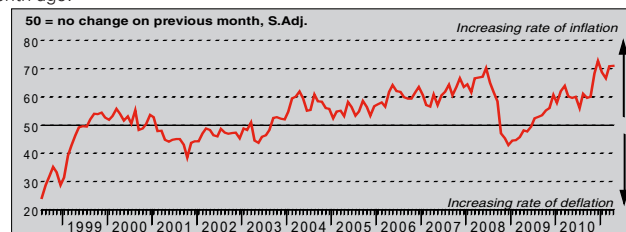


Output prices in Hong Kong's private sector increased sharply on average in April. Indeed, the rate of prices charged inflation fell only slightly on the thirty-three month high recorded in the previous survey period. Over 27% of panel members reported increasing output prices, doing so in response to the pressure put on profit margins by rapidly growing input costs.

### Overall Input Costs Index

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

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2010	Nov	39.9	59.7	0.3	39.6	69.8	68.5
	Dec	47.6	50.3	2.1	45.5	72.7	72.8
2011	Jan	35.6	60.7	3.7	31.9	65.9	68.9
	Feb	32.2	66.4	1.4	30.9	65.4	66.6
	Mar	44.5	55.4	0.0	44.5	72.2	71.0
	Apr	46.7	53.3	0.0	46.7	73.4	71.1

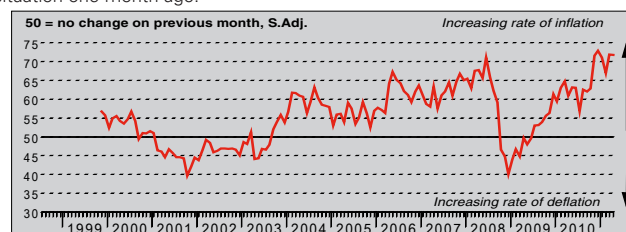


After accelerating for the second consecutive month, input price inflation was sharp in April. Moreover, the rise in overall input costs to companies in Hong Kong was the fastest since last December, and the twenty-second in successive months. A combination of higher raw material prices – driven by rising demand on global markets – and increased pay for workers generated the latest increase, according to panellists.

### Input Costs: Purchase Prices Index

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

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2010	Nov	41.5	58.5	0.0	41.5	70.7	71.6
	Dec	47.6	50.3	2.1	45.5	72.7	73.0
2011	Jan	39.4	57.1	3.5	36.0	68.0	71.1
	Feb	30.8	69.2	0.0	30.8	65.4	67.0
	Mar	46.0	53.9	0.0	46.0	73.0	71.9
	Apr	47.5	52.5	0.0	47.5	73.8	71.8

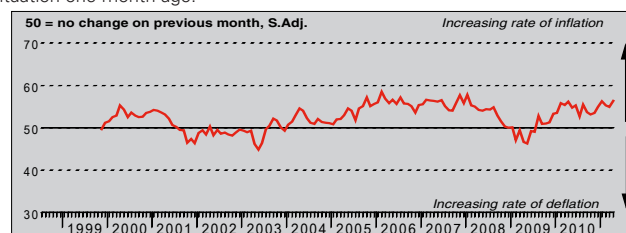


Companies in Hong Kong reported purchase prices increasing at a marked rate in April – broadly unchanged from the three-month high rate of inflation recorded in March. Over 47% of surveyed firms declared paying more for inputs, citing higher prices for raw materials such as metals as the primary cause. Purchase prices have been increasing since July 2009.

### Input Costs: Staff Costs Index

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

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2010	Nov	6.4	91.1	2.5	4.0	52.0	53.5
	Dec	8.8	90.0	1.2	7.7	53.8	55.0
2011	Jan	15.2	84.8	0.0	15.2	57.6	56.3
	Feb	13.5	86.5	0.0	13.5	56.8	55.3
	Mar	12.2	86.5	1.3	10.9	55.4	55.0
	Apr	18.6	80.8	0.6	18.0	59.0	56.4

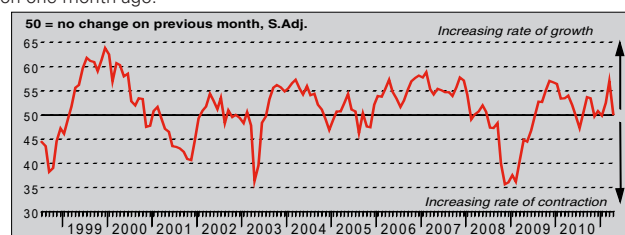


Average wages across Hong Kong's private sector grew at an historically fast pace during April. The increase in staff remuneration was the highest recorded since January 2008, and extended the period of wage inflation to twenty-one months. Anecdotal evidence suggested the marked increase in average pay was the result of a number of surveyed firms conforming to the soon-to-be-introduced minimum wage law.

## Quantity of Purchases Index

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

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2010	Nov	13.6	68.2	18.2	-4.6	47.7	49.7
	Dec	23.1	58.4	18.6	4.5	52.3	50.8
2011	Jan	15.7	65.2	19.1	-3.4	48.3	49.9
	Feb	14.7	64.4	20.9	-6.2	46.9	52.5
	Mar	36.6	51.6	11.8	24.8	62.4	57.0
	Apr	14.8	65.1	20.1	-5.3	47.4	50.2

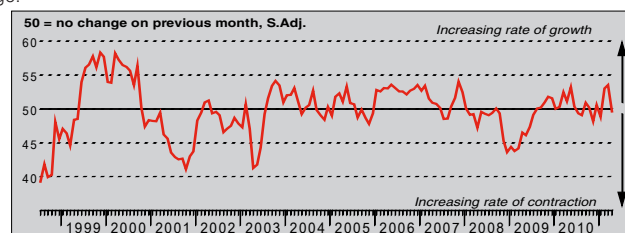


The volume of inputs purchased remained broadly unchanged from the previous survey period. Input buying increased only slightly, with the rate the slowest recorded for the current three-month period of growth. Panel members that reported buying greater quantities of inputs suggested that their actions were a response to receiving greater levels of new work during April.

## Stocks of Purchases Index

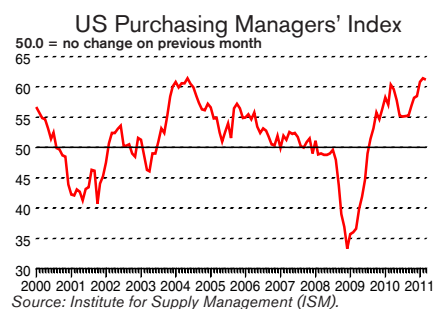
Q. Please compare your stocks of purchases this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2010	Nov	10.1	72.7	17.2	-7.1	46.4	48.2
	Dec	14.7	75.5	9.8	4.9	52.5	50.6
2011	Jan	7.9	76.7	15.3	-7.4	46.3	48.9
	Feb	10.4	83.8	5.8	4.7	52.3	53.1
	Mar	18.6	72.0	9.4	9.2	54.6	53.6
	Apr	10.4	72.8	16.7	-6.3	46.8	49.6



Pre-production inventories held by Hong Kong private sector firms fell marginally during April. It was the first contraction in stocks of purchases recorded for three months, following robust accumulation in February and March. Anecdotal evidence indicated that the fall in stocks of inputs was the result of output growth exceeding a marginal increase in input buying.

## International PMI



At 61.2 in March, down from 61.4 in February, the US Purchasing Managers' Index indicated a strong improvement in overall operating conditions within the US manufacturing sector. As a result, the index registered above the 50 no-change mark for the twentieth consecutive month.



Although falling for the first time in six months in March, the Markit Eurozone Manufacturing PMI™ remained at an historically high level of 57.5. This signalled a marked improvement in business conditions across Eurozone manufacturers, and extended the current period of progression to a year-and-a-half.



In March, the HSBC China Manufacturing PMI™ indicated a sixth successive monthly improvement in the health of the Chinese manufacturing sector. However at 51.8, up slightly from 51.7 in February, the index indicated that business conditions improved only moderately during March.

## Notes on the Data and Method of Presentation

The Hong Kong PMI™ 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 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. Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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