

HSBC Hong Kong PMI™

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

Summary

With growth of output and new orders easing, April's PMI data indicated only a modest improvement in operating conditions within the Hong Kong private sector. The headline HSBC Hong Kong PMI™ – a composite index designed to track changes in private sector business conditions – posted 52.9 in April, down from 54.9 in March. The latest figure signalled the smallest improvement in the health of Hong Kong's economy 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.

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.

Comment

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

"Moderating signs in Hong Kong's private sector have emerged and stand consistent with the more sustainable level of expansion developing in Mainland China. While ongoing input and output inflationary pressures exist in the market, it's still too early to gauge the final impact of the newly implemented minimum wage legislation. We will continue to monitor this situation closely as its influence on Hong Kong's economy becomes clearer."

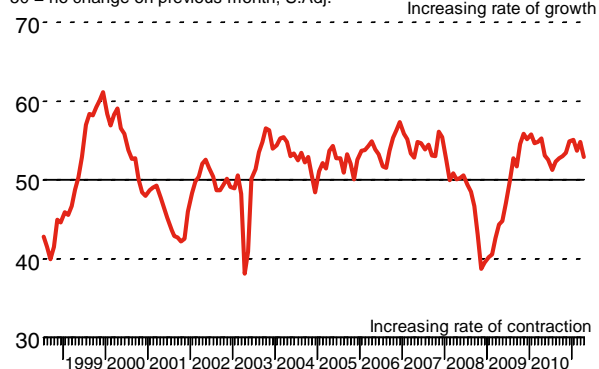
Key points

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

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 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.

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. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

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