# **HSBC Purchasing Managers' Index™ Press Release**

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# HSBC Hong Kong PMI®

# Strongest rise in new business volumes since January 2011

# **Summary**

February data signalled a solid expansion of Hong Kong's private sector, with both activity and new business increasing sharply since January. Firms generally commented on improved economic conditions during the latest survey period. New orders from Mainland China also increased for the first time in four months, albeit marginally, while survey respondents reported faster suppliers' delivery times in February.

After adjusting for seasonal variation, the headline HSBC Hong Kong Purchasing Managers' Index™ (PMI®) – a composite index designed to provide timely indications of changes in prevailing business conditions in Hong Kong's private sector economy – registered above the 50.0 no-change mark that separates growth from contraction in February. At 52.8, the PMI signalled a solid improvement in Hong Kong private sector business conditions. Moreover, up from 51.9 in January, the latest improvement was the strongest since last April.

Firms operating in Hong Kong's private sector partly linked the improvement in operating conditions to new business growth. Incoming new work at monitored companies rose for the third consecutive month in February, with the rate of expansion the strongest since January 2011. New orders from Mainland China also increased during the latest survey period, albeit marginally, ending a three-month period of decline.

Panellists raised output to support the overall rise in new business in February. Although activity growth was the sharpest since March 2011, respondents nonetheless reported larger backlogs of work during the latest survey period. Outstanding business has increased for two consecutive months, with the latest rise in work-in-hand strong overall.

In contrast to the declines reported in each month since last June, the amount of inputs purchased by Hong Kong private sector companies increased in February. Input inventories were also accumulated for the first time in six months. Anecdotal evidence provided by panellists largely linked the rise in purchases to the increase in new business volumes. Meanwhile, suppliers' delivery times quickened for the first time in five months during February. Notably, the rate of improvement in vendor performance was the strongest in almost nine years.

Hong Kong private sector firms reported job losses in February, in a reversal of the jobs created in January. Overall, employment fell modestly, but to the greatest extent in five months.

Monitored companies recorded higher input prices in February, extending the current period of input price inflation to 32 months. Both purchase prices and staff wages were reported as having increased in cost during the latest survey period. In general, panellists passed part of their greater cost burdens on to clients by raising their output charges. Average selling prices rose solidly in February, with the rate of output price inflation slightly stronger than that registered in January.

#### Comment

Commenting on the Hong Kong PMI<sup>®</sup> survey, Donna Kwok, Economist, Greater China Economic Research, HSBC, said:

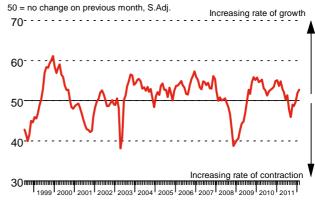
"Support for Hong Kong's economy continues to solidify on the back of reviving demand not only at home but more importantly China too. Private business activity is humming along nicely, with pipeline orders and wages growth still strong. The slight dip in February's employment reading can be traced back to the lapse of temporary Chinese New Year hires, but this distortion should fade from next month onwards."

### **Key points**

- Marked rise in new business, with new orders from Mainland China also increasing
- Output increases at sharpest rate in 11 months
- Strongest improvement in vendor performance in almost nine years

## **Historical Overview**

# HSBC Hong Kong PMI



Sources: Markit, HSBC.





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# **Notes to Editors:**

The HSBC Hong Kong PMI 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.

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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## **About PMIs:**

Purchasing Managers' Index™ (PMI®) surveys are now available for 32 countries and also for key regions including the Eurozone. They are 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. To learn more go to <a href="https://www.markit.com/economics">www.markit.com/economics</a>

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