

HSBC Hong Kong PMI®

HSBC PMI signals only slight improvement in Hong Kong business conditions

Summary

April data signalled only a marginal improvement in Hong Kong private sector business conditions. Although new orders increased for the fifth month running, growth was only slight and the weakest in the current sequence of expansion. Output meanwhile was unchanged from March. Employment in the private sector rose at a slower pace in April, while the overall rate of input price inflation was the weakest since last November.

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 only slightly above the 50.0 no-change mark in April. At 50.3, the PMI signalled only a marginal improvement in Hong Kong private sector business conditions. Moreover, down from 52.0, the latest improvement was below the series trend and the weakest in 2012 so far.

Firms working in Hong Kong's private sector received a larger volume of new orders in April. Almost 16% of panellists recorded an increase in new work, with a number of firms reporting slightly higher client demand. That said, new orders from Mainland China fell solidly over the month, and at the fastest rate since last November. Overall, total new orders rose only marginally in April, with the rate of growth at a five-month low.

Following three months of increases, output at Hong Kong private sector firms was unchanged in April. Concurrently, the amount of inputs purchased by monitored companies was also broadly unchanged from March. Nonetheless, stocks of purchases were accumulated in April, with respondents generally citing the recent increases in new orders.

Hong Kong private sector companies reported a shortening of suppliers' delivery times in April. Lead times have decreased in two out of the past three months, but the latest improvement in vendor performance was only marginal.

Employment in Hong Kong's private sector rose for the second month running in April, with firms attributing job creation to larger new order volumes. However, the rate of employment growth slowed since March and was only marginal overall.

Input costs faced by monitored companies rose solidly in April, despite the rate of input price inflation being the weakest in five months. Firms passed parts of their greater cost burdens on to clients by raising their output

charges. That said, average selling prices increased only marginally in April, and at the weakest rate in the current five-month sequence.

Comment

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

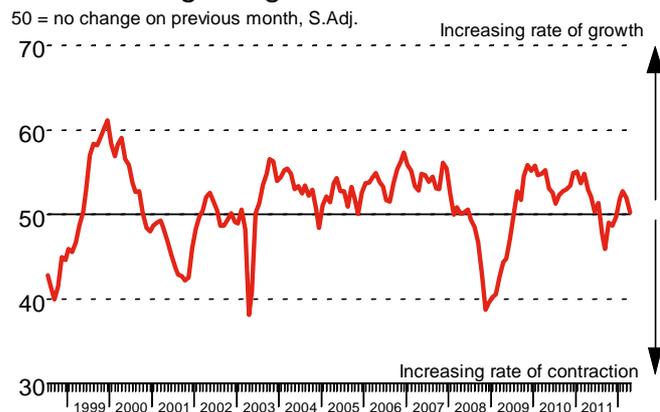
"Sufficient new business continues to support job creation, but the economy's sails have yet to pick up wind. A marked contraction in Mainland orders underscores that down-side risks to growth remain, especially with Western demand so weak. Nonetheless, inflation is clearly on the cool and domestic demand is still holding up, so we remain comfortable with our forecast of 3.3% GDP growth this year."

Key points

- Weakest increase in new orders in current sequence
- Output at Hong Kong private sector firms unchanged from March
- Rate of input price inflation slows to five-month low in April

Historical Overview

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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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