

# HSBC Hong Kong PMI®

## Private sector output increases in February, but at weakest rate in five months

### Summary

The overall expansion of Hong Kong's private sector slowed to a four-month low in February, with both output and new orders increasing only modestly since January. Firms nonetheless linked growth to improving market conditions and new client wins, and were encouraged to hire additional staff. Although the rate of job creation was only marginal, it was in contrast to job losses reported one month previously. On the price front, the rate of input cost inflation was moderate and the slowest since last October.

The seasonally adjusted headline HSBC Hong Kong Purchasing Managers' Index™ (PMI®) registered above the 50.0 no-change mark in February, indicating further expansion of Hong Kong's private sector. However, at 51.2, down from 52.5 in January, the PMI indicated that the rate of growth was the weakest since October 2012. The PMI is a composite index designed to provide timely indications of changes in prevailing business conditions in Hong Kong's private sector economy.

Firms working in Hong Kong's private sector received a larger volume of new business in February, continuing the trend that has been registered for four consecutive months. However, the rate of increase was the slowest in this sequence of growth, partly reflecting a reduction of new orders from Mainland China. Where total new work intakes increased, panellists generally attributed this to new client wins and improving market conditions.

Reflective of the increase in new business, output rose further in February. That said, activity growth slowed to its weakest in the current five-month sequence. Meanwhile, the level of outstanding business increased for the second month running, albeit at a marginal rate.

The quantity of inputs bought by companies increased in February, reflective of higher output requirements. Purchases were also used to build stocks, with input inventories rising over the month. Nonetheless, the latest rate of stock accumulation was much slower than the five-year peak recorded in January.

Suppliers' delivery times lengthened further, with the latest deterioration in vendor performance to the greatest extent since April 2011.

Input costs faced by private sector firms rose further during February. Both purchases prices and salary bills were reported to have increased, with the larger rise recorded for the latter. Overall, the rate of input cost inflation was moderate, but the slowest in four months.

Private sector firms in Hong Kong passed on greater cost burdens to clients by raising their selling prices.

Output charges have now risen for five consecutive months, although the latest price increase was only marginal and the weakest in this sequence.

### Comment

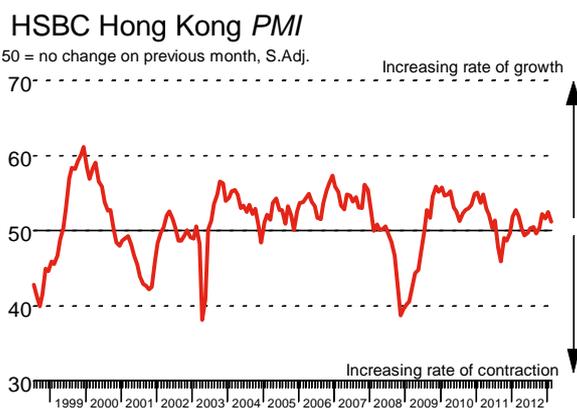
Commenting on the Hong Kong PMI® survey, Donna Kwok, Economist, Greater China Economic Research, HSBC, said:

*"Hong Kong's private sector is buzzing as it enters the year of the snake, high on new business inflows, rising headcount, and one of the fastest pace of wage growth seen since mid-2011. Despite softer Mainland demand (likely related to the week-long Chinese New Year break in China) firms are operating in a healthy business environment and passing on higher cost burdens to their clients. Inflationary pressures meanwhile continue to creep up."*

### Key points

- Modest growth of both output and new orders
- Employment increases slightly, following job losses in January
- Slowest rate of input price inflation in four months

### Historical Overview



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](mailto:economics@markit.com).

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