

HSBC Hong Kong PMI®

PMI suggests Hong Kong's private sector stagnated in April

Summary

Hong Kong's private sector stagnated in April, after having grown for six consecutive months. Both output and new orders were little-changed from March, and this contributed to a further reduction in employment. Input costs rose at the slowest rate for eight months, while companies reduced their selling prices for the first time since last September, citing stronger competitive pressures.

At 49.9, the seasonally adjusted HSBC Hong Kong Purchasing Managers' Index™ (PMI®) posted broadly at the 50.0 no-change mark, suggesting that Hong Kong's private sector stagnated in April. Down from 50.5 in March, the PMI signalled the end of a six-month sequence of growth. The PMI is a composite index designed to provide timely indications of changes in prevailing business conditions in Hong Kong's private sector economy.

The volume of new orders received by private sector firms in Hong Kong was broadly unchanged in April. The stagnant trend for total new business included a further reduction in new work from Mainland China, which fell at the strongest rate since last October. A number of panellists linked increases in total new orders to new contract wins, while other respondents commented on weak market conditions having led to declines.

Private sector output was also broadly unchanged from March. Meanwhile, backlogs of work were depleted for the second consecutive month in April, although the rate of contraction was only marginal.

The quantity of inputs bought by monitored companies fell during the latest survey period, ending a four-month sequence of growth. Purchasing activity fell solidly, and at the strongest pace in ten months. Concurrently, stocks of purchases rose marginally, with a number of respondents citing a preference for leaner inventories.

Suppliers' delivery times lengthened for the fourth consecutive month in April. However, the latest deterioration in vendor performance was only slight, and to a lesser extent than in March.

Employment in Hong Kong's private sector meanwhile fell for the second month running in April, albeit modestly, with firms linking this to natural employee turnover and recent resignations.

Firms faced higher input prices in April, but the rate of inflation was nonetheless the slowest in eight months. The weaker rise in costs provided some room for companies to reduce their selling prices, especially

alongside reports of stronger competitive pressures. Although output charges fell only marginally, this was the first reduction since last September.

Comment

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

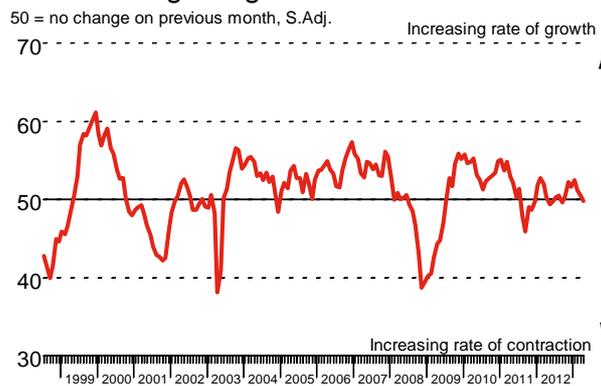
"Though barely below 50, April's PMI underscores the Hong Kong economy's exposure to Mainland demand, which slackened to a six-month low. The contraction in headcount, though marginal, suggests that job market conditions are not immune. Cooler private sector activity did offer some respite however, as output price pressures fell for the first time since September."

Key points

- PMI marginally below 50.0 no-change mark, and at seven-month low
- Both output and new orders largely unchanged since March
- First reduction in selling prices in seven months

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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