

# News Release

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## S&P Global Hong Kong SAR PMI™

### Private sector growth renews as COVID-19 conditions improve

#### Key findings

Output and new orders return to growth in April...

...but firms remain cautious with hiring and purchases

Optimism renews amongst private sector firms

Hong Kong SAR's private sector expanded once again in April following three straight months of contraction, according to the latest S&P Global PMI™ data. Demand and output rose with the easing of COVID-19 restrictions. That said, employment levels and purchasing activity declined. Meanwhile supply constraints persisted, leading to longer delivery times and higher prices. Overall sentiment improved amongst private sector firms.

The headline seasonally adjusted S&P Global Hong Kong SAR *Purchasing Manager's Index™ (PMI™)* posted above the 50.0 neutral threshold at 51.7 in April, up from 42.0 in March, to signal an expansion of the private sector. This marked a renewal of private sector growth following three consecutive months of contraction, with the rate of improvement the sharpest since November 2021.

New orders and output in Hong Kong SAR both returned to expansion in April, supported by the receding of COVID-19 cases and easing of restrictions. According to panellists, the distribution of consumption vouchers also helped to boost business activity over April.

Foreign demand continued to fall, however. COVID-19 disruptions, including lockdowns in Mainland China, affected demand from the mainland and more broadly abroad.

Despite the growth in demand and activity, employment levels fell in April. Anecdotal evidence suggested that both resignations and redundancies accounted for the decline in workforce numbers.

Meanwhile purchasing activity likewise declined in April with firms concerned about the lingering COVID-19 impact. A reluctance to hold inventory coupled with supply delays also led to a fall in stocks of purchases.

Indeed, vendor performance deteriorated sharply once again in April. Longer delivery times were made worse the lockdowns in Mainland China, with supplier issues also

S&P Global Hong Kong PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 11-26 April 2022.

#### Comment

Jingyi Pan, Economics Associate Director at S&P Global, said:

*"The Hong Kong SAR private sector rebounded in April, supported by the improvements in COVID-19 conditions. The easing of COVID-19 restrictions coupled with the distribution of consumption vouchers helped to revive growth in April, though foreign demand remained weak on the back of the virus disruptions primarily in Mainland China.*

*"Some sense of cautiousness was visible through the fall in hiring and purchasing activities in April and it will be important to see the demand growth translate to improvements in these. That said, sentiment in the private sector turned positive for the first time since December 2021, marking a turnaround in business confidence.*

*"Supply constraints remained a relevant issue with longer lead times and higher costs weighing on firms. These remain trends to observe given the potential to limit future output."*

PMI™

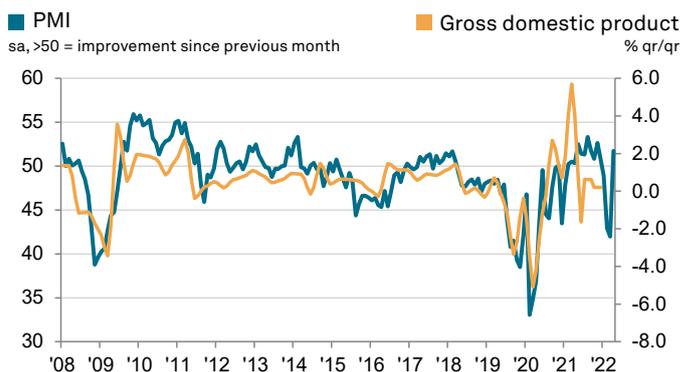
by S&P Global

contributing to the lengthening of lead times in April.

As a result of both higher demand and supply constraints, backlogs of work increased, albeit at a marginal rate.

On prices, overall input prices continued to climb in April, attributed to both higher purchase prices and wages. Increased raw material and transport costs, aggravated by the Ukraine war, led to the swelling of purchase costs. Wages meanwhile rose at the fastest rate in four months as private sector firms sought to retain staff. In turn, output price inflation climbed in April with private sector firms sharing these cost burdens with their clients.

Overall sentiment in the Hong Kong SAR private sector took a turn for the positive in April. Survey respondents were hopeful that demand will improve as COVID-19 disruptions ease.



Sources: S&P Global, HKSAR Census and Statistics Department.

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### Survey methodology

The S&P Global Hong Kong SAR PMI™ is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include manufacturing, construction, wholesale, retail and services. Data were first collected July 1998.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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