

IHS Markit Hong Kong SAR PMI™

PMI points to further slump in private sector business activity in April

Key findings

COVID-19 measures continue to weigh heavily on sales

Business sentiment remains deeply negative

Deflationary pressures persist

Data were collected 7-27 April 2020

Hong Kong's private sector economy remained under heavy pressure in April as restrictions imposed to contain the spread of the coronavirus disease 2019 (COVID-19) outbreak led to firms either closing temporarily or operating at a lower capacity. Business activity and new orders continued to fall sharply, accompanied by further cuts to employment and purchasing activity. Vendor deliveries were still severely affected by supply chain distortions, while prices declined further. Business sentiment remained deeply negative.

The seasonally adjusted headline IHS Markit Hong Kong SAR Purchasing Manager's Index™ (PMI™) rose from 34.9 in March to 36.9 in April. However, the latest reading still pointed to a severe deterioration of private sector conditions and one that was still among the steepest since the survey started in July 1998.

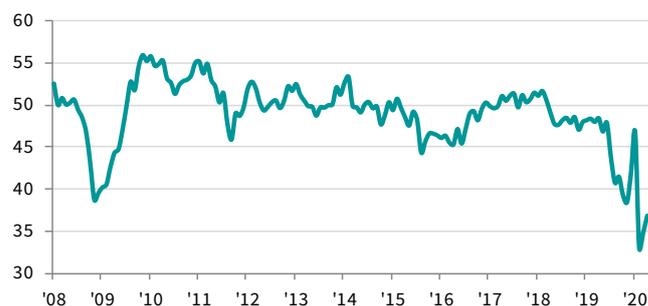
Global restrictions implemented to contain COVID-19 continued to impact Hong Kong's economic activity, according to anecdotal evidence. Business activity continued to decline at one of the fastest rates in the survey history. Some companies indicated that they shut down their business temporarily.

Demand conditions continued to weaken as a result of the COVID-19 pandemic. New orders placed with Hong Kong private sector firms shrank further in April, falling at a steep rate. This was also partially driven by a severe fall in new business from abroad, with a further sharp contraction of orders from mainland China.

With a further development of spare capacity, as reflected by another steep drop in the amount of unfinished work, firms held back further on hiring. Job shedding continued for a third straight month, with employment falling at a sharp rate amid reports of forced layoffs.

continued...

Hong Kong PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Bernard Aw, Principal Economist at IHS Markit, said:

"The start of the second quarter saw Hong Kong's private sector economy stuck in a deep downturn caused primarily by worldwide measures taken to stem the COVID-19 outbreak, according to the latest PMI results.

"Business closures and slumping demand led to output and sales falling severely during April. Employment continued to shrink at a marked rate, while firms cut back furiously on their purchasing activity.

"Deflationary pressures persisted in the latest survey month, with falling business costs linked to cheaper input prices and reduced wage bills. Discounted prices were offered by firms to boost sales.

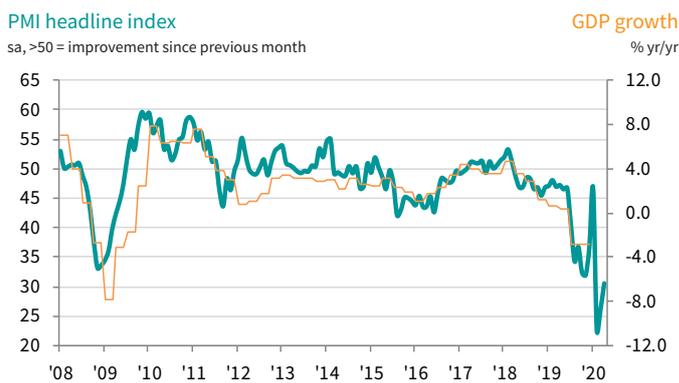
"Business sentiment remained deeply negative as majority of firms were pessimistic of a recovery over the next 12 months amid the pandemic."

Supply chains remained under pressure, with firms reporting another marked lengthening in delivery times. Anecdotal evidence pointed to the impact of the COVID-19 measures as the key reason. There were also reports of manpower shortages at some vendors.

The combined effects of delivery delays and falling sales led firms to cut back purchasing activity. Input purchases were reduced severely in April, falling at one of the fastest rates since data collection started nearly 22 years ago. Input inventories also fell sharply.

Business expectations for the year ahead continued to be deeply negative, with the majority of companies expecting further reduction of activity over the course of the coming year. The most common reason cited was concerns about the economic impact of COVID-19, particularly on the retail, tourism and event sectors.

Finally, survey data indicated further deflationary pressures in April. Overall business costs fell further from March on a combination of lower paid prices for inputs and wage savings (linked to redundancies and furloughed workers). At the same time, firms provided discounts to boost sales, with selling prices falling at a marked pace.



Sources: IHS Markit, HKSAR Census and Statistics Department.

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Methodology

The IHS Markit Hong Kong SAR PMI™ is compiled by IHS Markit 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. Hong Kong is a Special Administrative Region of China.

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.

April 2020 data were collected 7-27 April 2020.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 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.

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