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# IHS Markit Hong Kong SAR PMI™

## Business conditions near stabilisation in June

### Key findings

Output and new orders fall at slowest rates for over two years

Employment levels broadly stable

Input cost inflation returns

Data were collected 12-25 June 2020

Latest PMI data showed that Hong Kong's business conditions moved closer to stabilisation during June amid an ongoing relaxation of containment measures. There was a marked easing in the rates of decline in business activity and new orders, with both dropping at the weakest pace for just over two years. The survey indicated that firms were more willing to invest in new capacity than in previous months, showing mild gains in staff numbers and purchasing activity.

That said, business sentiment remained negative, reflecting concerns of the long-term economic impact of the coronavirus disease 2019 (COVID-19) pandemic.

The seasonally adjusted headline IHS Markit Hong Kong SAR Purchasing Manager's Index™ (PMI™) rose from 43.9 in May to 49.6 in June, and registered a marginal deterioration in the health of the private sector. The latest reading was the highest since the downturn began in April 2018 and near the no-change 50.0 level, indicating that private sector conditions are approaching stabilisation.

The easing of COVID-19 restrictions provided a boost to Hong Kong's private sector firms, though the extension of some social distancing rules constrained the extent of the recovery. Output fell further in June, albeit at the slowest rate since April 2018. There was anecdotal evidence that the easing of containment measures, such as the size of public gatherings, contributed to increased business activity at some firms, especially in the accommodation and food service sector.

The decline in new orders was also not as severe as in previous months. In fact, survey data showed the weakest drop in sales for over two years and one that was marginal overall as domestic demand improved. By contrast, new export business fell at a marked pace, led by a substantial decline in orders from

Hong Kong SAR 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 Hong Kong SAR private sector showed signs of stabilisation in June as restrictions taken to limit the spread of the COVID-19 pandemic ease further.*

*"Business activity and new orders both declined at the slowest rates since the first half of 2018 before the escalation of the US-China trade tensions. Private sector employment levels also stabilised while firms raised their purchasing activity for the first time in over two years.*

*"However, survey data indicated that external demand, particularly from mainland China, is still weak. Firms also remained concerned about the long-term impact of the COVID-19 pandemic on economic activity. As such, the potential of a robust recovery in the Hong Kong economy relies on the strength of the upturn in the global economy in the coming months."*

continued...

mainland China. Meanwhile, the level of backlogs was depleted at the slowest rate in 16 months.

Amid tentative signs of recovery, labour market conditions were largely stable, with the vast majority of respondents indicating no change to employment levels. Firms raised their purchasing activity in June, showing the first gain since March 2018 before the US-China trade tensions escalated. The mild rise in input purchases contributed to the weakest decline in stocks of purchases for over a year.

Firms were less pessimistic about the year-ahead outlook during June than in May, with confidence rising to a five-month high. That said, overall sentiment remained weak, as the uncertainty over the long-term impact of COVID-19 on economic activity continued to dominate concerns.

Finally, overall cost burdens rose in June as a rise in prices for paid purchases more than offset a fall in staff costs. At the same time, firms reduced their selling prices amid reports of discounting to stimulate sales.



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.

June 2020 data were collected 12-25 June 2020.

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