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IHS Markit Hong Kong SAR PMI™

Employment rises at fastest pace in almost a decade

Key findings

Sharpest increase in staffing levels since June 2011

Business activity stabilises

Cautious sentiment amid COVID-19 pandemic

Data were collected 12-26 March 2021.

Business activity stabilised in the Hong Kong SAR private sector during March amid relatively muted reductions in new orders. Signs of demand improving encouraged firms to expand employment (to the greatest extent in close to a decade) and purchasing activity, although there were ongoing concerns around the impact of the coronavirus disease 2019 (COVID-19) pandemic.

The headline seasonally adjusted IHS Markit Hong Kong SAR Purchasing Manager's Index™ (PMI™) ticked up to 50.5 in March, from 50.2 in February. The reading signalled a second successive monthly improvement in business conditions, albeit one that was still only marginal.

Latest data pointed to a further modest reduction in new orders amid the ongoing impact of the COVID-19 pandemic. The rate of decline was unchanged from that seen in February. Some firms indicated that a slight easing of pandemic restrictions had provided signs of improving demand. Both new business from Mainland China and overall new export orders decreased at reduced rates in March.

Signs of improving new order trends, reducing COVID-19 case numbers and an easing of some restrictions helped lead to a near stabilisation of business activity at the end of the first quarter. Output was broadly unchanged, following 35 successive months of contraction. The broad stabilisation in March represented a marked improvement on the steep declines around the turn of the year. That said, the pandemic continued to weigh on activity at some firms.

Ongoing concerns around the impact of the pandemic led to a pessimistic outlook for the coming year, reversing the optimism seen in February. That said, sentiment was still one of the highest over the past two years. Predictions of a successful

continued...

Hong Kong SAR PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Andrew Harker, Economics Director at IHS Markit, said:

"The Hong Kong SAR PMI for March provides cautious optimism that the private sector will soon be able to break the cycle of downturns that has afflicted companies over the past three years."

"Although firms were less confident in the outlook than in February, the strongest job creation in a decade and a ramping up of inventories suggest that they are poised to expand activity should demand conditions show further signs of improvement in the months to come."

vaccine roll-out supported confidence at some companies.

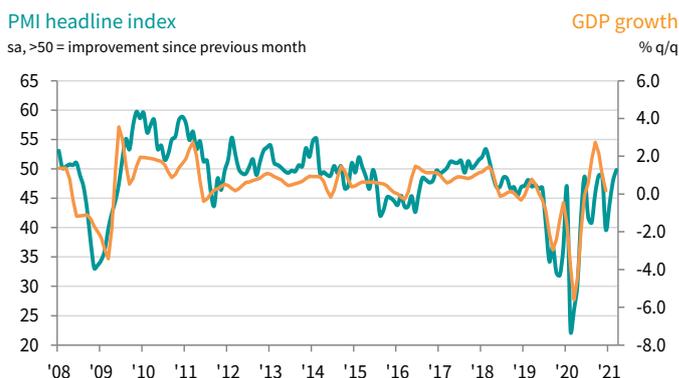
Hong Kong SAR firms took on extra staff for the second month running. Moreover, the rate of job creation quickened to the sharpest in almost a decade. Rising staffing levels meant that companies were able to keep on top of workloads.

Purchasing activity also expanded, thereby ending an eight-month sequence of decline. The rate of growth hit a three-year high, and helped to support the most marked accumulation of inventories since November 2017.

Efforts to expand stocks of purchases were aided by a marked easing in the rate of lengthening in suppliers' delivery times. Although the COVID-19 pandemic and international shipping issues caused some delays, the extent of the disruption eased sharply for the second month running and was only modest.

Inflationary pressures generally remained muted at the end of the first quarter. Purchase costs rose solidly, but to a lesser extent than was seen in February. Meanwhile, staff costs increased for the first time in four months. In both cases, rates of inflation were below the respective series averages.

Competitive pressures and the offering of discounts meant that output prices continued to fall. That said, the rate of decline was only slight and the weakest in 21 months amid upwards pressure on charges from input cost inflation.



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.

March 2021 data were collected 12-26 March 2021.

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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