News Release EMBARGOED UNTIL: 08:30 (Hong Kong), 00:30 (UTC), May 6th 2019

Nikkei Hong Kong PMI™

April sees deterioration in private sector conditions

Key points:

- Both output and new orders decline further
- Overall input costs and output charges fall
- Business sentiment remains pessimistic

Data collected April 10–25

The start of the second quarter saw a further deterioration in private sector conditions across Hong Kong, led by declines in both output and new orders. New business from mainland China also continued to shrink.

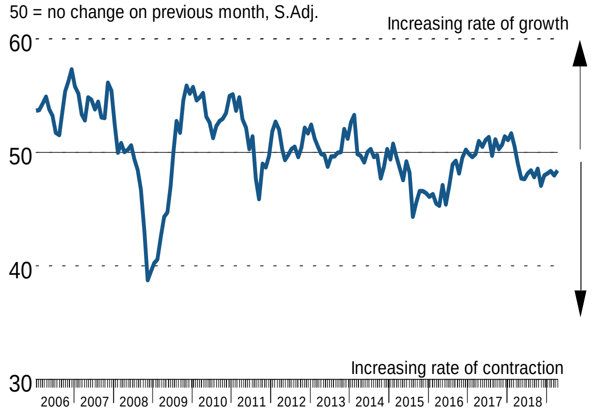
Softer client demand prompted firms to reduce purchasing activity and cut output prices. Business sentiment meanwhile remained downbeat and sunk to a four-month low in April.

The seasonally adjusted headline **Nikkei Hong Kong Purchasing Manager's Index™ (PMI™)** rose to 48.4 in April, up from 48.0 in March, indicating a modest deterioration in the health of the private sector. The latest reading marked the thirteenth successive month of worsening business conditions. The headline PMI is a composite indicator designed to measure the performance of the private sector.

The softening of demand conditions extended into April, with overall new order inflows contracting further, which stretched the current sequence of decline to 13 months. Lower demand from external clients, especially mainland China, weighed on sales performance. New business from mainland China fell markedly in April. As a result, output contracted again in April at a solid pace.

Reduced demand generated spare capacity in the private sector, as evident from a further decline in backlogs of work. This, in turn, discouraged firms from taking on more workers. Employment levels were broadly stagnant in April, and have not shown an increase since the end of 2017.

Nikkei Hong Kong PMI™



Sources: Nikkei, IHS Markit.

In response to lower sales, firms cut back on purchasing activity, preferring to tap into existing input inventories to meet current demand. Reduced appetite for inputs enabled distributors to improve delivery performance. Average lead times for inputs were shortened for a second straight month, albeit at a notably slower rate.

Companies signalled that both overall input prices and output charges fell during April, indicating renewed deflationary pressures. Overall business expenses declined slightly, led by a decrease in purchasing prices. However, staffing costs continued to rise modestly. Following four months of increases, firms lowered their selling prices amid reports of price discounting and efforts to clear stocks.

Finally, business expectations regarding output over the next 12 months remained negative. High competition, US-China trade frictions, rising costs and a worsening economic environment continued to weigh on corporate sentiment in April.

Comment:

Commenting on the Hong Kong PMI survey data, **Bernard Aw,** Principal Economist at IHS Markit, which compiles the survey, said**:**

"Private sector businesses in Hong Kong continued to face challenges at the start of the second quarter amid a deteriorating demand environment, according to the latest Nikkei PMI data. Business conditions worsened for the thirteenth month running, fuelling an increasingly gloomy outlook. Firms continued to express concerns over trade wars, greater competition, rising costs and a slowdown in the global economy. The survey is broadly indicative of the economy expanding at an annual rate of 1.5%-2.0%."

-Ends-

Nikkei Hong Kong PMI™ is sponsored by NIKKEI

Nikkei is a media organization with newspaper publishing at its core. Our flagship daily newspaper, The Nikkei, has approximately two and a half million subscribers. Nikkei's multi-platform media distribution also includes online, broadcast and magazines.

Since our founding in 1876 as the Chugai Bukka Shimpo (Domestic and Foreign Prices News), we have consistently provided high-quality reporting while maintaining fairness and impartiality. The Nikkei brand has become synonymous with trustworthiness at home and abroad.

Nikkei Inc. offers a range of media platforms to satisfy the diverse needs of our readers. At the core of these services is The Nikkei which has a circulation of approximately two and a half million. Adding further depth to our offerings are our premium content and strong digital technology. The number of paying subscribers to the Nikkei Online Edition, which was launched in 2010, has surpassed 500,000. Our fee-based online services have one of the largest readerships in the world among newspaper publishers. Eight years after its creation, the online edition is set to evolve from a medium for providing news to readers into a tool that helps people advance their careers.

In 2013, we kicked off the Nikkei Asian Review, an English-language news service provided both online and as a weekly print magazine. The following year, we established an Editorial Headquarters for Asia in Bangkok to deepen our coverage of Asian economic news. In addition, we doubled the number of reporters stationed in Asia outside Japan. 2014 also saw the launch of Nikkei Group Asia Pte., a new company in Singapore tasked with spreading the Nikkei brand in the region. Our goal is to make Nikkei the leading media voice in Asia.

http://www.nikkei.co.jp/nikkeiinfo/en/

NIKKEI ASIAN REVIEW **http://asia.nikkei.com/**

INTRODUCING THE ONLY BUSINESS PUBLICATION THAT BRINGS YOU INSIGHTS ABOUT ASIA, FROM THE INSIDE OUT

With more reporters and contributors across the region than any other business publication, only Nikkei Asian Review can give you a view of business in Asia from the inside.

Stay abreast of the latest news, analysis and insights with a subscription to Nikkei Asian Review – available in print, online, and on your mobile and tablet device.

Asia300:
Providing extensive coverage of over 300 leading companies in 11 countries and regions in Asia. Nikkei Asian Review aims to build the largest hub for Asian corporate news through enhanced reporting backed by large database of business and financial information on companies in the region.

JAPAN UPDATE:
Keeping you up-to-date with business and news from Japan.

VIEWPOINTS:
Bringing views of leading minds on Asia from around the world, including our column "Tea Leaves" written by some of our best writers.

POLITICS & ECONOMY:
Looking at fiscal and monetary policy, international affairs and more

MARKETS:
Deep analysis if the markets, with detailed industry news to keep you abreast of some of the fastest growing sectors in the region.

Video:

Watch analysts explain our articles, catch interviews with top executives.

Print Edition:

Weekly delivery of the best content from Nikkei Asian Review to your home or office

For further information, please contact:

IHS Markit (About PMI and its comment)
Bernard Aw, Principal Economist
Telephone +65 6922-4226
Email bernard.aw@ihsmarkit.com

Joanna Vickers, Communications
Telephone +44 (0) 207-260-2234
E-mail joanna.vickers@ihsmarkit.com

Nikkei inc.
Ken Chiba, Deputy General Manager, Public Relations Office
Atsushi Kubota, Manager, Public Relations Office
Telephone +81-3-6256-7115
Email koho@nex.nikkei.co.jp

Notes to Editors:

The Nikkei 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 by company size 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.

IHS 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 IHS Markit. Please contact economics@ihsmarkit.com.

About IHS Markit (www.ihsmarkit.com)
IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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. To learn more go to https://ihsmarkit.com/products/pmi.html.