

HSBC Hong Kong PMI®

PMI picks up to one-year high in February

Summary

Following a marginal deterioration at the start of 2015, Hong Kong private sector business conditions improved during February, with the headline PMI rising to a one-year high. New business growth quickened to the strongest in 12 months, which led to a renewed expansion of output that was also the strongest for a year. Greater volumes of new work led to an increased amount of outstanding business, while the rate of job shedding eased to its weakest since last September. Inflationary pressures remained relatively muted, however, with overall input costs and output charges both rising modestly.

The HSBC Hong Kong *Purchasing Managers' Index*™ (PMI®) posted at 50.7 in February, up from January's reading of 49.4, and signalled a renewed improvement in overall operating conditions. Though only marginal, the rate of improvement was the strongest in a year. Furthermore, it was only the second time that the health of the sector has improved in the last seven months, as political protests had dampened activity and demand towards the end of 2014.

The improvement in the headline index was partly driven by a renewed expansion of Hong Kong private sector output in February. Though modest, it was the strongest increase in output for 12 months. Reports from panellists suggested that greater volumes of new business led firms to increase their output, with the rate of new order growth also quickening to a one-year high. Stronger client demand and new customer wins were cited as key factors behind the latest expansion of new orders. However, new business from Mainland China remained relatively subdued, declining for the seventh successive month, albeit marginally.

Companies remained cautious with regard to their employment policies, and cut their staffing levels for the eleventh successive month in February. That said, the rate of job shedding eased to the weakest since last September. Lower staff numbers and greater inflows of new work contributed to a renewed increase in outstanding business in February. Though modest, it was the strongest accumulation of backlogs for a year.

Despite increased production and new orders, purchasing activity continued to decline in February. However, the rate of contraction was the slowest in the current eight-month sequence and only slight. Meanwhile, stocks of inputs declined slightly, offsetting a fractional rise at the start of the year.

On the prices front, February data signalled that total input costs and output charges both rose modestly.

Comment

Commenting on the Hong Kong PMI® survey, Annabel Fiddes, Economist at Markit, said:

"Hong Kong's private sector saw a renewed upturn in business conditions in February, with output and new orders both rising at the strongest rates in a year. However, demand from Mainland China remained weak and job shedding across the sector persisted, albeit at a slower rate."

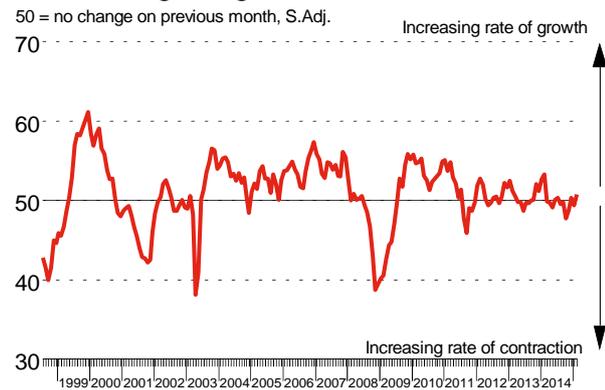
"Looking ahead, rising backlogs may encourage firms to hire additional staff in upcoming months, particularly if the current run of new order growth is sustained and input cost inflation remains modest."

Key points

- Stronger new order growth supports renewed expansion of output
- Pace of job shedding eases to five-month low
- Backlogs of work rise at quickest rate in a year

Historical Overview

HSBC Hong Kong PMI



Sources: HSBC, Markit.

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Notes to Editors:

The HSBC 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 geographically 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.

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 Markit. Please contact economics@markit.com.

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