

## Nikkei Hong Kong PMI™

### Private sector growth deteriorates further in May

#### Key points:

- Sharper falls in output and new business weigh on headline PMI
- Purchasing activity down, resulting in sharp decline of inventories
- Business confidence remains negative

Data collected May 11–25

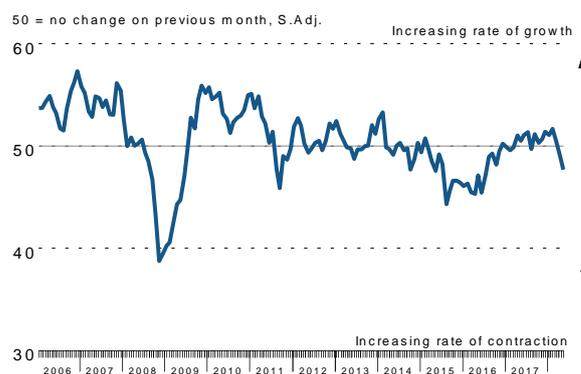
Hong Kong's private sector signalled a sharper deterioration in overall operating conditions in May, with output and new orders both declining at faster rates. Weaker demand conditions prompted firms to cut back on purchasing activity and employment. Input inventories were also depleted to meet current requirements. A further drop in new sales led to another reduction in backlogs. Cost pressures continued to ease, while companies offered further price discounts amid weak sales. Business confidence about future output remained downbeat.

The seasonally adjusted headline **Nikkei Hong Kong Purchasing Manager's Index™ (PMI™)** fell from 49.1 in April to 47.8 in May, registering the steepest deterioration in the health of the sector for almost two years. The latest reading marked the second consecutive month of decline after a positive performance in the first quarter.

The weaker headline reading reflected a faster decline in inflows of new business. New work not only fell for a second month running in May, but at the steepest rate since August 2016. Anecdotal evidence suggested that weak demand conditions, high competition and client losses were reasons for decreased sales. Furthermore, export orders from mainland China fell sharply in May after a six-month period of growth. Consequently, companies reduced their output further, with the rate of reduction the most marked seen for almost two years.

Lower intakes of new orders saw the level of unfinished business fall for a third month in a row. Ongoing spare capacity weighed on hiring. Employment numbers decreased again in May, albeit only modestly.

Nikkei Hong Kong PMI™ will



Sources: Nikkei, IHS Markit.

Reflective of lower output requirements, Hong Kong's private sector businesses continued to cut back on their input purchases. Furthermore, the rate of reduction accelerated sharply since April, resulted in a steeper fall in stocks of pre-production goods.

Meanwhile, lower purchasing activity failed to help ease supply chain pressures. On the contrary, supplier performance continued to worsen. Companies attributed longer lead times to stock shortages at vendors.

Survey data signalled an easing in inflationary pressures. Overall input prices grew at a slower rate for a third consecutive month. Paid prices for purchases predominantly contributed to inflation, with marginal wage growth reported. A range of reasons were cited for inflation, including higher prices of raw materials, suppliers' price hikes, and salary adjustments. Efforts to bolster sales led to a further reduction in selling prices, with the rate of discounting the steepest since April last year.

Businesses remained downbeat about output in the year ahead during May, with pessimism connected to increased competition (in particular from e-commerce), and weaker economic conditions.

## Comment:

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

*“May PMI data added further confirmation of the slowing of Hong Kong’s private sector economy as business conditions deteriorated further.*

*“The average PMI reading for the first two months of the quarter generally provides a reliable guide to the full quarter’s GDP. Compared to historical data, the average PMI so far in the second quarter is running at a level broadly consistent with GDP annual growth rate at around 3.6%, suggesting that the strong 4.7% growth in the opening quarter of 2018 is not sustainable.*

*“Business expectations for the year ahead also worsened, with the Future Output Index slipping to the lowest for over a year. Companies highlighted concerns associating pessimism with intense competition and weaker demand conditions. Furthermore, Hong Kong’s private sector firms continued to struggle with stretched supply chains, a tight labour market and higher input costs.”*

-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](mailto:bernard.aw@ihsmarkit.com)

Jerrine Chia, Marketing and Communications  
Telephone +65 6922-4239  
E-mail [jerrine.chia@ihsmarkit.com](mailto:jerrine.chia@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](mailto: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](mailto:economics@ihsmarkit.com).

### About IHS Markit ([www.ihsmarkit.com](http://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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2018 IHS Markit Ltd. All rights reserved.

### 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>.

The intellectual property rights to the Nikkei Hong Kong *PMI*™ provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Nikkei uses the above marks under license. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

If you prefer not to receive news releases from IHS Markit, please email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com). To read our privacy policy, [click here](#).