

# Nikkei Hong Kong PMI®

## Business conditions deteriorate slightly in February

### Key points:

- Declines in output and new orders at slower rates
- Renewed fall in employment weighs on headline PMI
- Firms cut prices on the back of slower growth in costs

Data collected February 10-23

After broadly stagnating at the start of 2017, Hong Kong's private sector economy deteriorated in February. Output and new orders declined again, and alongside weakening Chinese demand, prompted firms to cut staff headcounts. Moreover there was a slower accumulation in pre-production stocks. Meanwhile, inflationary pressures receded for a third straight month, which led to lower prices charged by businesses.

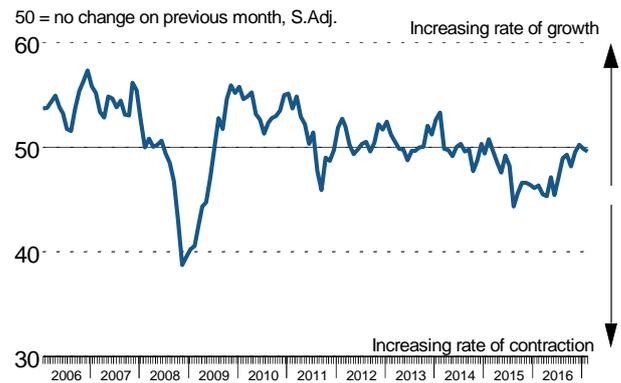
The seasonally adjusted headline Nikkei Hong Kong Purchasing Manager's Index™ (PMI®) registered 49.6 in February, down from 49.9 in January. Though the rate of decline is marginal, it signalled that the health of Hong Kong's private sector remained fragile. Moreover, business sentiment remained downbeat.

Dampening the headline PMI was another report of lower demand for Hong Kong's goods and services in February. Both output and new orders declined but at slower rates from January. Poor economic conditions and a stronger US dollar were cited as key drags on demand.

International sales worsened in February as stronger exchange rates raised prices for Hong Kong's exports. The contraction in new export orders was reported as the fastest since April 2016. New orders from mainland China fell for the thirty-first consecutive month.

Shrinking demand took its toll on Hong Kong private sector firms, which reported a lower level of employment after increasing staff numbers marginally in the previous month. However, anecdotal evidence suggested that some of the job losses were due to staff resignations and organisational change.

Nikkei Hong Kong PMI®



Sources: Nikkei, IHS Markit.

Weak client demand exerted less pressure on operating capacity, which allowed Hong Kong private sector firms to work through their outstanding business. February data marked two straight years of backlog depletion.

Despite soft demand, firms continued to build inventories in February in anticipation of greater orders. However, rate of expansion slowed in purchasing activity and input stocks. Higher input buying resulted in busier suppliers. Longer delivery times were reported for the third month in a row, although the rate at which average lead times lengthened was marginal. Companies pointed out that some shortages of supplies, such as paperboards, had resulted in worsening vendor performance.

While total cost inflation extended into an eighth month, the rate of increase was the lowest since last October. A sharp pullback in input price inflation as well as slower wage growth were main reasons for the deceleration.

Lower cost burdens allowed firms to offer price discounts to clear current stocks and maintain competitiveness amid weak demand. Meanwhile, companies remained pessimistic about the 12-month outlook for output.

## Comment:

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

*“After stagnating at the start of 2017, business conditions across Hong Kong’s private sector worsened in February. Output and new orders continued to decline, resulting in further building of excess capacity. That prompted companies to shed jobs.*

*“With a weak domestic market, foreign demand has not been filling in the gap. Export orders remained in negative territory, with Chinese demand for Hong Kong products and services declining further. Facing soft client demand, firms’ plans to build up stocks appeared to have lost some momentum, as the rate of inventory accumulation slows.*

*“Meanwhile, inflation appeared to have subsided further in February, helped by a substantially slower rise in input prices. This allowed Hong Kong companies to provide price discounts to clear existing stocks and maintain competitiveness amid flagging demand.*

*“Weak economic conditions and a strong exchange rate had dampened client demand. Unsurprisingly, business sentiments about future output remained downbeat.”*

-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 three million subscribers. Nikkei's multi-platform media distribution also includes online, broadcast and magazines.

The Nikkei marks its 140th anniversary this year. 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 three 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 400,000. Our fee-based online services have one of the largest readerships in the world among newspaper publishers. Five 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, 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*<sup>®</sup> 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<sup>™</sup> (PMI<sup>®</sup>) 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@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 expertise to forge 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 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2017 IHS Markit Ltd. All rights reserved.

**About PMI**

*Purchasing Managers' Index*<sup>™</sup> (PMI<sup>®</sup>) surveys are now available for over 30 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 [www.markit.com/product/pmi](http://www.markit.com/product/pmi).

The intellectual property rights to the Nikkei Hong Kong *PMI*<sup>®</sup> 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<sup>™</sup> and PMI<sup>®</sup> 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.

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](#).