**HSBC Purchasing Managers' Index™ Press Release**
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compiled by markit

# HSBC Hong Kong PMI®

## Business conditions deteriorate at stronger pace in April


### Summary

Hong Kong private sector firms signalled a further deterioration in operating conditions in April, with latest data pointing to renewed declines in both output and new orders. Reduced new business led companies to cut their staff numbers again in April. It also enabled them to work through their outstanding business, with backlogs falling at the quickest rate in over three years. On the price front, average input costs declined for the first time in four months and at the strongest rate since March 2009. Companies generally passed on their savings to clients in the form of lower output charges as part of attempts to attract new customers.


The HSBC Hong Kong *Purchasing Managers' Index™ (PMI®)* posted at 48.6 in April, down from 49.6 in March, and signalled a second successive monthly deterioration in the health of Hong Kong's private sector. Though modest, the latest deterioration was the strongest recorded since October 2014.

The weaker headline PMI reading was partly driven by a renewed contraction in new orders received by Hong Kong private sector companies in April. Though modest, it was the first time that new business had fallen since last November, with a number of panellists mentioning weaker client demand amid subdued market conditions. Furthermore, new work from Mainland China declined for the ninth month in a row and at a solid pace.

Reduced new work led companies to lower their output in April, thereby ending a two-month sequence of expansion. In line with the trend for new orders, the rate of contraction was moderate.

Employment in Hong Kong's private sector declined for the thirteenth successive month in April. The rate of job shedding was similar to that recorded in the prior two months and moderate overall. Anecdotal evidence suggested that firms trimmed their staff numbers to reflect reduced workloads. Lower intakes of new work also contributed to the quickest fall in outstanding business since November 2011.

Purchasing activity continued to fall in April, amid reports of reduced production requirements. That said, the pace of decline eased since March. Meanwhile, stocks of inputs declined at the quickest rate since December 2011, as companies adjusted their inventories in line with weaker client demand.

Overall input costs declined for the first time in four months in April. Data suggested that deflationary pressures largely centred on a solid fall in purchasing costs. Output charges also declined over the month, and at a similar rate to total input costs.

### Comment

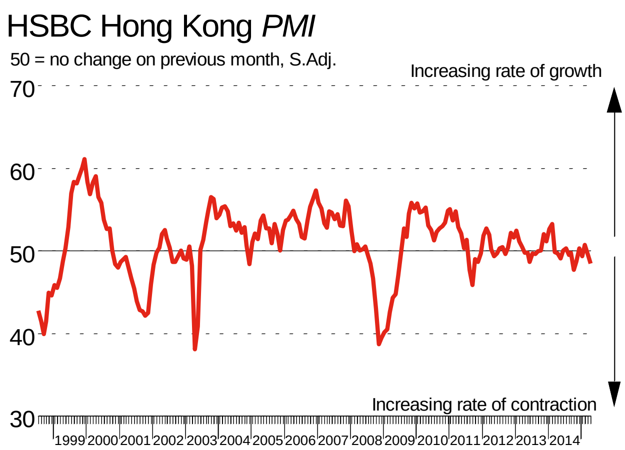
Commenting on the Hong Kong PMI® survey, Annabel Fiddes, Economist at Markit, said:

*"The latest set of PMI data suggest that Hong Kong's private sector saw a stronger deterioration in overall business conditions, with output, new orders and employment all declining in April. A further fall in purchasing activity alongside a solid decline in inventories meanwhile suggests the sector expects demand to remain weak, at least in the near-term. Unless demand conditions improve in upcoming months, it is likely that Hong Kong's private sector will struggle to expand in Q2."*

### Key points

- Renewed contractions in both output and new orders
- Backlogs decline solidly, despite further job shedding
- Total input costs fall at quickest rate since March 2009

### Historical Overview




*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.

## HSBC:

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We serve around 52 million customers through our four Global Businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 74 countries and territories in Europe, the Asia-Pacific region, the Middle East, Africa, North America and Latin America.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by about 216,000 in 129 countries and territories.

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## About PMI:

*Purchasing Managers' Index™ (PMI®)* surveys are now available for 32 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/economics