

News Release

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S&P Global Hong Kong SAR PMI[®]

First improvement in business conditions in 2024

Key findings

New business returns to growth

Employment levels rise at quickest pace in 11 months

Output price inflation rises despite slower cost increases

Business conditions across the Hong Kong SAR private sector improved for the first time since December 2023, according to the latest PMI[®] data from S&P Global. Incoming new business returned to growth, driving a slower and only fractional decline in output. In turn, Hong Kong SAR private sector firms raised their employment and inventory levels at accelerated rates. Sentiment deteriorated in the latest survey period, however.

Turning to prices, overall input prices rose at the slowest pace since March 2021 amid softer purchase cost and wage increases. In contrast, output price inflation climbed for the first time in eight months.

The headline seasonally adjusted S&P Global Hong Kong SAR Purchasing Manager's Index[™] (PMI) – a composite single-figured indicator of performance – rose to 50.9 in March, up from 49.7 in February. Rising above the 50.0 neutral mark, the latest PMI signalled that business conditions improved for the first time in three months, albeit only marginally.

New orders expanded for the first time in the year-to-date. Although marginal, this was only the second expansion in nine months and was reflective of improvements in financial conditions according to panellists. Firms in the construction sector saw the most pronounced rise in new work.

Incoming new business from abroad and Mainland China remained in contraction, however, falling at faster rates at the end of the first quarter. Anecdotal evidence suggested a reduction in tourist demand and soft external conditions affected new business inflows from outside of Hong Kong SAR.

The rise in new work nevertheless enabled business activity to fall at a less pronounced pace in March, with overall output declining only fractionally. Sub-sector data further revealed that the fall was concentrated among manufacturers and services firms, whereas output in construction and wholesale & retail expanded.

S&P Global Hong Kong PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-25 March 2024.

Comment

Jingyi Pan, Economics Associate Director at S&P Global Market Intelligence, said:

"March's PMI data brought about positive signs of Hong Kong SAR's business conditions improving again. All five components of the PMI showed signs of improvement, supporting the latest rise in the headline PMI. The renewed rise in new orders was especially noteworthy, marking only the second time that new business has increased in the past nine months."

"Furthermore, cost pressures eased for Hong Kong SAR private sector firms with average input prices rising at the slowest rate in three years. Output price inflation was also modest despite rising from February."

"That said, sentiment remained weak with the level of pessimism heightening from February. This showed that firms are not yet convinced of a sustained rebound in output."

PMI[®]

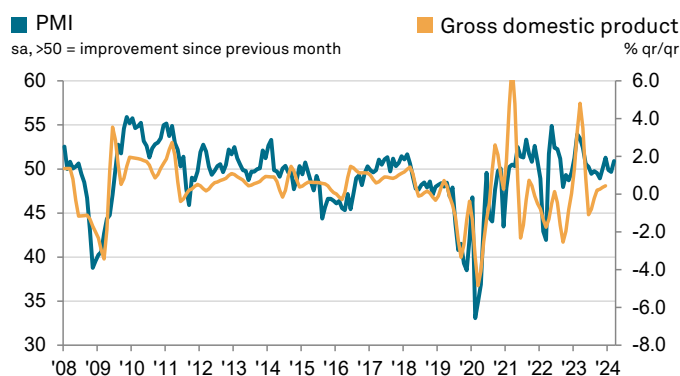
by S&P Global

On the back of rising new work inflows, employment levels rose at the fastest pace in almost a year in March. This enabled Hong Kong SAR private sector firms to clear their backlogs for a sixth successive month.

Meanwhile stocks of purchases at Hong Kong SAR private sector firms accumulated at a solid rate despite a marginal reduction in purchasing activity. Survey respondents often linked the rise in input inventory levels to a reduction in business activity and inventory building as new sales grew. This was also amidst a renewed deterioration in vendor performance.

On prices, rising raw material and wage costs contributed to higher overall input prices in March. That said, the rate of inflation eased to the lowest in three years on the back of softer purchase cost and staff cost inflation. Concurrently, while average selling prices rose at an accelerated rate in March as businesses shared additional cost burdens with clients, the rate of inflation was marginally below that of overall input costs.

Despite a renewed expansion in new sales, sentiment across the Hong Kong SAR private sector remained pessimistic in March. Firms were generally concerned that subdued economic conditions and heightened competition may further dampen sales in the year ahead.



Sources: S&P Global PMI, HKSAR Census and Statistics Department via S&P Global Market Intelligence.

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Survey methodology

The S&P Global Hong Kong SAR PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include manufacturing, construction, wholesale, retail and services. Data were first collected July 1998.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

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