

# News Release

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## S&P Global Hong Kong SAR PMI<sup>®</sup>

### Private sector expansion decelerates

#### Key findings

Business activity increases fractionally...

...despite a marginal decline in new business

Average purchase prices fall for first time since September 2020

Business conditions across the Hong Kong SAR private sector continued to improve, albeit at a slower pace, according to the latest PMI<sup>®</sup> data from S&P Global. Business activity rose despite a marginal decline in new orders with firms working through existing orders. Employment levels also continued to rise, but firms cut back on their purchases amid pessimism over the future outlook for business activity.

Turning to prices, overall input price inflation eased amid a first decline in purchase costs in over three-and-a-half years. Meanwhile, selling price inflation also eased.

The headline seasonally adjusted S&P Global Hong Kong SAR Purchasing Manager's Index<sup>™</sup> (PMI) – a composite single-figured indicator of performance – fell to 50.6 in April, down from 50.9 in March. The latest PMI signalled that business conditions improved for a second successive month, albeit at a slower and only marginal pace.

Business activity rose fractionally for the first time in three months, expanding mainly in the service sector according to sub-sector data. The growth in output was supported by businesses working through their existing orders, which led to a seventh successive monthly reduction in the level of outstanding work.

Additional workforce capacity also helped to support the latest rise in business activity and clearing of backlogs, with employment levels having risen for the third time in as many months.

In contrast to output, incoming new orders fell after rising in March. The pace of decline was only marginal, however. Firms that recorded lower new work inflows listed heightened competition and subdued economic conditions as reasons for the reduction. New business from abroad and mainland China likewise eased at the fastest rates in 16 and three months respectively.

As a result of lower new work, Hong Kong SAR private sector

S&P Global Hong Kong PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 11-25 April 2024.

#### Comment

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

*"The Hong Kong SAR PMI signalled another improvement in business conditions at the start of the second quarter, supported by renewed business activity growth. That said, the latest growth appears to be on shaky ground with forward-looking indicators, including the New Orders Index that registered a decline in April, hinting at a softening of conditions ahead."*

*"The reduction in new work inflows, both domestically and from abroad, was partially underpinned by a stronger domestic currency that affected the competitiveness of private sector firms. That said, a stronger Hong Kong dollar did help to tame price pressures for Hong Kong SAR private sector firms."*

*"Overall, sentiment remained subdued according to the latest survey indications, though it is positive to see the level of pessimism easing at the start of Q2."*

PMI<sup>®</sup>

by S&P Global

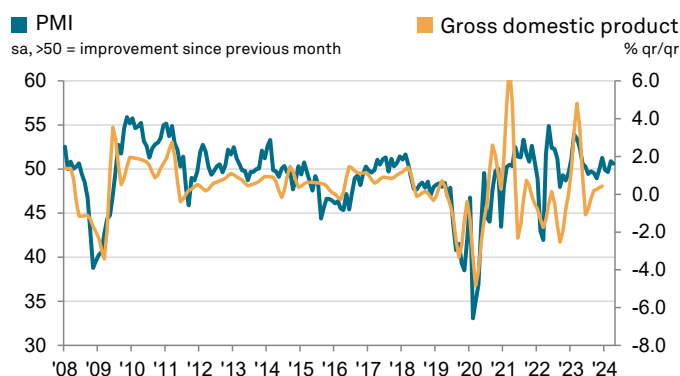
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firms cut their purchasing activity for an eighth successive month in April. Despite this, stocks of purchases continued to rise in April as falling new orders meant that fewer inputs were needed to support output. That said, the rate of growth eased to a three-month low.

Vendor performance in the Hong Kong SAR private sector deteriorated for a second successive month. Moreover, the pace at which lead times lengthened was the most pronounced since July 2022 amid frequent mentions of shipment delays.

Price pressures eased, however, as average input prices rose at the slowest pace in just over three years. While the rate of wage inflation increased slightly from March, average purchase costs fell for the first time since September 2020 as the Hong Kong dollar (HKD) gained strength. Higher overall input costs led to firms raising their output prices, though the rate of inflation likewise softened in April.

Finally, sentiment among Hong Kong SAR private sector firms remained pessimistic at the start of the second quarter, with firms in the wholesale & retail sector being the most downbeat. Firms cited concerns regarding rising competition and subdued economic conditions affecting sales. The level of pessimism was less pronounced than the series average, however.



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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](mailto:economics@spglobal.com).

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