

# News Release

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

### Business conditions deteriorate in May

#### Key findings

Output falls amid fastest decline in new business in 20 months

Employment levels drop marginally

Average selling prices decrease at quickest pace in over three years

Business conditions across the Hong Kong SAR private sector deteriorated in May after improving over March and April, according to the latest PMI<sup>®</sup> data. Business activity returned to contraction as new orders fell at a faster rate. Export conditions also deteriorated. In turn, firms reduced their staffing levels, while overall sentiment deteriorated. That said, purchasing activity rose amid sustained delays.

Turning to prices, average input costs continued to increase, but firms opted to lower selling prices to support sales in May.

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 49.2 in May, down from 50.6 in April. Falling past the 50.0 neutral mark, the latest PMI signalled a renewed deterioration in business conditions. Although marginal, the pace of decline was the fastest since October 2023.

Business activity contracted for the third time in four months, underpinned by a reduction in new business. The rates at which output and orders declined were both the fastest since September 2022. According to survey respondents, rising competition and subdued economic conditions affected sales in May. The construction sector recorded the sharpest downturn in new business, whilst manufacturers led the fall in output according to detailed sub-sector data.

Export conditions deteriorated with both new business from mainland China and abroad falling solidly according to the latest survey. Weak underlying demand conditions were behind the downturn according to panellists.

The reduction in new order inflows led to firms working through their backlogged orders in May, resulting in an eighth successive month of backlog depletion. The pace at which outstanding work cleared eased and was modest, however, amid lower headcounts. Employment levels across the Hong Kong SAR private sector moderated slightly in May against a

S&P Global Hong Kong PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 10-28 May 2024.

#### Comment

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

*“The Hong Kong SAR PMI indicated that overall business conditions deteriorated midway into the second quarter of 2024, a trend precluded by the renewed downturn in new orders over April. Output returned to contraction, while employment levels fell for the first time since last October.”*

*“Margin pressures have also mounted for Hong Kong SAR firms as average selling prices fell for the first time since February 2022 while input costs remained on the climb in May. Business pessimism led firms to absorb costs and offer additional discounts to sustain sales.”*

*“Forward-looking indicators including the new orders and backlogs of work index further suggest that conditions may remain subdued in the near term, with new orders having fallen at the fastest pace in 20 months in May.”*

PMI<sup>®</sup>

by S&P Global

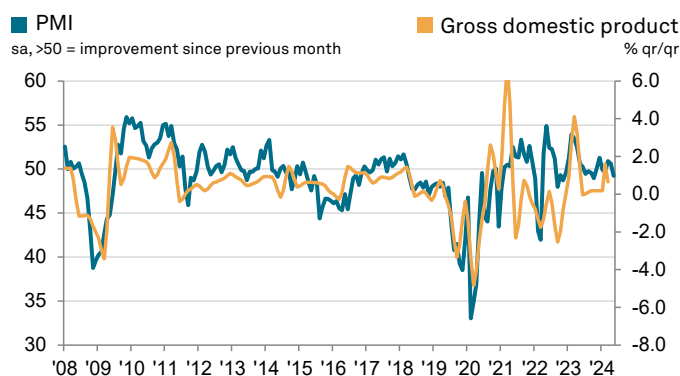
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backdrop of falling demand.

Meanwhile, purchasing levels rose for the first time since last August despite falling new work. With lead times lengthening for a third successive month, some panellists indicated that they have acquired additional inputs to safeguard against delays. This also contributed to higher stocks of purchases.

On the price front, average input costs increased in May, attributed to higher wages caused by salary adjustments. In contrast, purchases prices declined for a second successive month with the strengthening of the domestic currency. The rate of overall input cost inflation was modest and the lowest since February 2021. Hong Kong SAR firms opted to absorb the cost increases and lowered average selling prices for the first time since February 2022. Firms often mentioned reducing charges to support sales.

Finally, overall sentiment in the Hong Kong SAR private sector remained pessimistic in May, with firms in the wholesale & retail sector being the most downbeat. Heightened competition, rising prices and softening economic conditions clouded the outlook for future activity according to panellists.



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](mailto:economics@spglobal.com).

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