

Hong Kong *Purchasing Managers' Index*

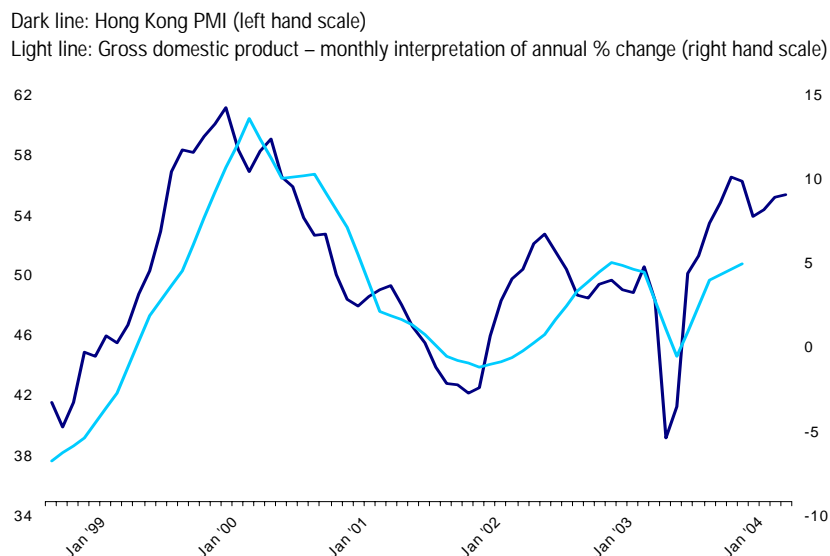
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First indicator of Hong Kong business conditions each month

Substantial growth of the Hong Kong economy continued during March.

- The current upturn of the Hong Kong economy gathered further pace in March, as private sector companies continued to benefit from stronger global market conditions. The seasonally adjusted **Purchasing Managers' Index™ (PMI™)** registered 55.4, to remain above the critical no-change mark of 50.0 for the tenth successive month. Furthermore, the rate of improvement was substantial, and slightly stronger than in the previous month, with all of the constituent components included in the PMI pointing to growth of the economy.
- The PMI has been an excellent indicator of business conditions in the Hong Kong economy throughout the history of the survey (see chart below), and anticipated the pick-up in the rate of growth of official GDP during the final quarter of 2003. Furthermore, PMI data is available for the whole of Q1 2004, and suggests that growth of official GDP remained robust during this period.
- The improvement of operating conditions was led by substantial gains in business activity and new orders during March. **Output** rose for the tenth successive month, with the rate of growth remaining robust. Supporting the rise in output was a marked expansion in the volume of **incoming new business**, which also increased for the tenth month running.
- Private sector **employment** increased for the second month running in March, and at a stronger rate than in February. Companies reported that staffing had been raised in order to cope with the rapid growth of business activity and incoming new orders. Meanwhile, the increased buoyancy of the labour market resulted in further inflation of **staff costs**. Average wages and salaries have risen throughout the first quarter of 2004, with the latest data pointing to a slight pick-up in the rate of increase.
- Inflation of **overall input costs** was reported by Hong Kong panel members for the seventh successive month in March, reflecting a rise in both purchase prices and staff costs. The sharper increase was recorded for **factor input prices**, as a short supply of key metals on international markets resulted in higher costs (especially for steel). Average output prices rose for the fourth successive month in March, and at a stronger rate than one month earlier, as companies passed part of the increase in input costs onto clients in the form of higher charges.
- The survey data are derived from a representative panel of Hong Kong companies that supply monthly information on actual business levels. As such, it is not based on opinion or business confidence but instead reflects hard data and accurately anticipates official economic growth data.

Hong Kong PMI v Gross Domestic Product



Summary of key indexes

	Mar'04	Feb'04	Interpretation
PMI	55.4	55.2	Substantial growth of the HK economy, slightly stronger rate than a month ago
Employment	52.3	50.4	Solid expansion of private sector employment, sharper rate than a month ago
Staff Costs	53.0	51.5	Sharp inflation of average wages and salaries, faster rate than a month ago
Purchase Prices	61.7	61.8	Strong inflation of purchase prices, little changed from one month earlier

To obtain a full copy of the Hong Kong PMI report please contact Richard Willis on +44 1491 418 689 or email richard_willis@ntc.co.uk

What are PMI surveys?

The Hong Kong Purchasing Managers' Index is a monthly publication, researched and published by NTC Research in association with the Chartered Institute of Purchasing and Supply Hong Kong, featuring original research data from a survey of purchasing managers in companies operating in Hong Kong.

The survey panel comprises 300 companies that have been carefully selected to accurately represent the true structure of the Hong Kong economy, including manufacturing, services, retail and construction. Data are collected at mid-month, asking respondents to compare a variety of business conditions with the situation one month ago. Data have been collected since July 1998.

The PMI is derived from indices which measure changes in output, orders, employment, suppliers' delivery times and stocks. As with all indices in this release, a reading below 50.0 indicates that the economy is generally declining; above 50.0 that it is generally expanding.

The PMI and related indices are directly comparable with all other national Purchasing Managers' Indices, including those of the ISM in the United States and the Eurozone PMI produced by NTC for Reuters, and are produced using identical methodologies in each country.

The following quotes reflect the high regard in which NTC's PMI surveys are held:

"One of the most reliable high-frequency indicators of overall activity is the composite PMI, which covers manufacturing and services."

JP Morgan Weekly Global Data Watch, October 2001

"the best coincident indicator of economic activity in the eurozone"

Barclays Capital, data commentary newsletter, April 2003

"Provides the first indication of economic trends each month and a consistent means of comparing activity between countries"

Tony Norfield, global head of foreign exchange research, ABN-Amro

"... highly valued by economists as more timely indicators than official figures of the state of the economy."

Financial Times, June 8 2002

"In terms of coincidental indicators, the euro zone PMI is hard to beat"

Deutsche Bank research newsletter, March 2003

"The Eurozone PMI is one of the most accurate indicators of euroland industrial production. It has been a useful guide to ECB decisions."

Goldman Sachs European Economic Research report, March 2003

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