

Embargoed until: 00:01 (Hong Kong), 1 September 2009

HSBC Hong Kong PMI

PMI data signalled that the recession in Hong Kong may be nearing end

Summary

The headline HSBC Hong Kong Purchasing Managers' Index (PMI™) posted 52.8 in August. This signalled solid growth within the Hong Kong economy, ending a thirteen-month period where data had indicated a deterioration of operating conditions. Output and new order levels expanded for a second successive month, as improving economic conditions led to increased demand. Higher levels of output impacted positively on purchasing volumes, although employment levels failed to rise for the tenth consecutive month.

The headline PMI is a composite index designed to provide timely indications of changes in prevailing business conditions in the Hong Kong economy. PMI readings above 50.0 signal an improvement in business conditions while readings below 50.0 signal deterioration.

New order levels posted a second successive month of growth in August, with incoming new business rising at the fastest pace since December 2007. Orders from mainland China continued to rise, although this was at a slower pace than registered in the previous month. This suggests that the overall rise in order levels was a result of increased demand from within Hong Kong and export markets outside of China.

Improved overall order levels stimulated a further rise in production at companies operating in Hong Kong. Despite the solid acceleration in the rate of increase in output since July to a twenty-month high, backlogs posted a further rise in August. Although only modest, growth was the strongest since January 2008.

Reflecting expanded production levels, companies in Hong Kong increased their purchasing activity in August. This was the first month of higher buying volumes since June 2008, with the rate of growth solid. However, stocks of purchases remained largely unchanged during August, suggesting that new purchases had been largely absorbed by increased order requirements. In line with higher purchasing activity signalled, suppliers lengthened their delivery times.

The positive gains in output and order levels did not result in higher staff numbers being recorded in August. Employment levels posted a further decline, although this was markedly slower than July, and was the weakest in ten months of job cuts.

Input costs rose for a second successive month in August, with the rate of increase accelerating marginally over July data. A solid rise in staff costs posted during the month resulted in the increased pace in overall input price inflation (the rise in purchasing costs was largely unchanged since July). Panellists were unable to lift output prices, despite increased costs, marking the eleventh month of reduced charges.

Comment

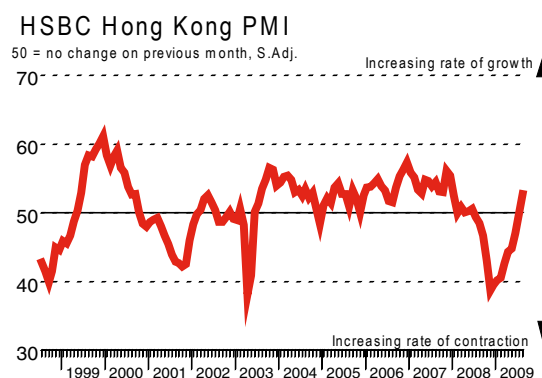
Commenting on the Hong Kong PMI survey, Janus Chan, Economics Analyst at HSBC said:

"We have seen economic activities have been picking up, driven mainly by domestic demand. While the unemployment rate has stabilised in recent months, we expect it to continue edging up for the rest of this year. External demand has been improving on the back of China's growing demand, but the pace remains slow."

Key points

- New order levels rose solidly, leading to further rise in output.
- Purchasing activity increased, reflective of higher production.
- Pace of job cuts eased notably.

Historical overview



For further information, please contact:

HSBC

Hongbin Qu, Chief Economist, China
Telephone +852 2822 2025
Email hongbinqu@hsbc.com.hk

Janus Chan, Economics Analyst
Telephone +852 2996 6975
Email januschan@hsbc.com.hk

Markit

Sarah Ledger, Economist
Telephone +44-1491-461-050
Email sarah.ledger@markit.com

Claire Gorman, Corporate Communications
Telephone +44-20-7064-6032
Email claire.gorman@markit.com

Notes to Editors:

The HSBC Hong Kong PMI Report 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'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50.0 indicates an overall increase in that variable, below 50.0 an overall decrease. All data are seasonally adjusted.

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. The PMI is designed to show a convenient single-figure summary of the health of the manufacturing sector.

HSBC:

Headquartered in London, HSBC is one of the largest banking and financial services organisations in the world. HSBC's international network comprises around 9,500 offices in 85 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

With listings on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by around 200,000 shareholders in some 100 countries and territories. The shares are traded on the New York Stock Exchange in the form of American Depositary Receipts.

Through an international network linked by advanced technology, including a rapidly growing e-commerce capability, HSBC provides a comprehensive range of financial services: personal financial services; commercial banking; corporate, investment banking and markets; private banking; and other activities.

About Markit:

Markit is a financial information services company with over 1,200 employees in Europe, North America and Asia-Pacific. Over 1,500 financial institutions use our independent services to manage risk, improve operational efficiency and meet regulatory requirements.

About Markit Economics:

Markit Economics is a specialist compiler of business surveys and economic indices, including the Purchasing Managers' Index (PMI) series, which is now available for 26 countries and key regions including the Eurozone and BRIC. The PMIs have become 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.

The intellectual property rights to the HSBC Hong Kong PMI provided herein is owned by Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit, PMI and Purchasing Managers' Index are all trademarks owned by The Markit Group.