

HSBC Hong Kong PMI

Growth of Hong Kong private sector economy at two-year high

Summary

The headline HSBC Hong Kong Purchasing Managers' Index (PMI™) posted 55.9 in November, increasing from 54.6 in October. At a two-year high, this signalled a marked improvement of business conditions in Hong Kong during the month.

New order growth increased markedly in November, boosted by demand from both within and outside of mainland China. Overall new orders expanded at the fastest pace in thirty-five months, while the rate of expansion of incoming new business received from mainland China accelerated to the fastest in two years.

Reflective of strong growth in incoming new business, output expanded further in November, and at a marked rate. November's rise in activity was the fastest in two years.

Data suggested that private sector companies operating within Hong Kong maintained efforts to increase operating capacity, in light of further growth in new order volumes. Employment rose for a second successive month, with the pace of expansion at a twenty-two month high.

Similarly, purchasing activity increased for a fourth successive month, with growth accelerating since October to the steepest in twenty-three months. The latest rise in buying activity was underpinned by higher output requirements. Pre-production inventories increased modestly during November, with the expansion marginally faster than that recorded in October.

Data indicated that the rise in output seen during November was insufficient to fully meet order obligations, as backlogs increased for a fifth successive month. Moreover, the rise in outstanding business at companies in Hong Kong was the steepest in twenty-three months.

Input costs continued to rise in Hong Kong during November, driven by a marked increase in purchase costs. Staff costs increased modestly and at a rate only slightly higher than reported in October. Indicative of improving demand, output prices increased marginally during the month, although strong competition prevented a steeper rise in charges.

Comment

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

"Hong Kong's PMI has expanded for the fourth month in a row in November. Output prices have broken through the 50-point threshold to 50.9, the first time in more than a year. Although overall input prices continued to increase, the rise in output prices suggests companies are less stretched on their profit margin. This is likely to benefit local employment, which has seen growth for two successive months."

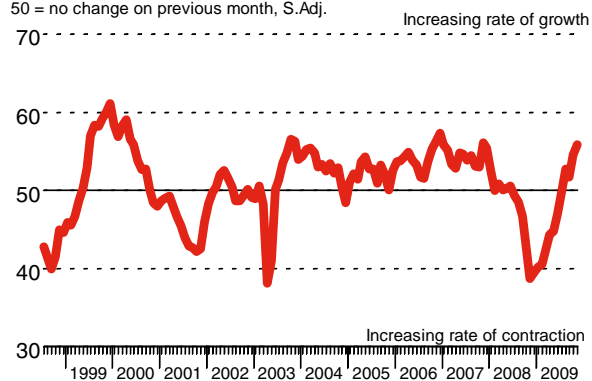
Key points

- Marked rise in new orders from mainland China drove overall growth in incoming new business.
- Backlogs increased robustly, indicating pressure on operating capacity.
- Input costs rose further, led by higher purchase prices.

Historical Overview

HSBC Hong Kong PMI

50 = no change on previous month, S.Adj.



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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'.

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.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

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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.

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