

HSBC Hong Kong PMI

Growth of Hong Kong private sector economy sustained for sixth successive month

Summary

The headline HSBC Hong Kong Purchasing Managers' Index (PMI™) posted 55.2 in December. Despite a marginal easing in the index since November, the latest reading signalled a marked improvement of business conditions in Hong Kong during the month.

New orders increased markedly, extending the sequence of sustained expansion to six months. However, the pace of growth eased marginally from the thirty-five month high recorded in November.

Data suggested that demand from mainland China remained a key driver of new order growth in December. New orders received from mainland China rose markedly and at the fastest pace since November 2007.

Reflective of the sustained rise in incoming new business, private sector companies in Hong Kong increased output for a sixth successive month. However, the pace of growth of output eased from November's two-year high.

Despite the marked expansion in output, backlogs of work increased further in December. Outstanding business at companies in Hong Kong has increased over each of the last six months. Moreover, the latest rise was the steepest in the series history, suggesting that operating capacity was under growing pressure.

Correspondingly, employment rose for a third month in succession, although the pace of increase slowed slightly since November.

Purchasing activity also rose to accommodate higher output requirements, although the rate of growth eased marginally. Pre-production inventories increased as a result, albeit only modestly. Some panellists indicated that they were looking to build stocks to prepare for future new business growth.

Overall input prices continued to rise in December, with cost inflation the highest in sixteen months. A further increase in purchase prices was the main driver behind the substantial rise in overall costs, although wage inflation continued to accelerate in December. Output prices also increased in December, allowing companies to partially pass on higher purchase prices to customers.

Comment

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

"The Hong Kong PMI Index recorded a fifth month of improved business conditions. Whilst the rate of expansion eased since November, it remained strong. Continuous expansion in new business has resulted in an accumulation of incomplete orders. However, this has supported a sustained rise in employment. The increase in incomplete orders may also suggest that there will be more private investment in the next few months as the private sector needs to build up operating capacity."

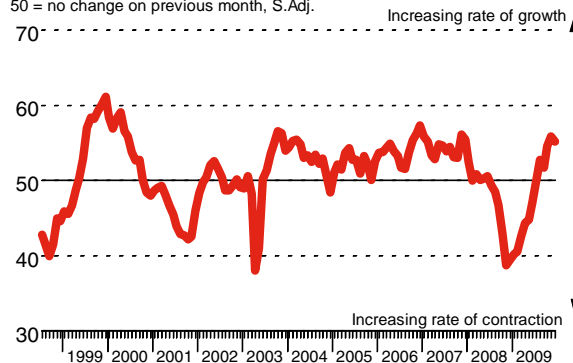
Key points

- New order growth remained marked, despite easing since November.
- Employment rose for third successive month.
- Higher raw material costs led to substantial rise in overall input prices.

Historical Overview

HSBC Hong Kong PMI

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



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

Laine Santana, Media Enquiries
Telephone +852 2822 4918
Email lainesantana@hsbc.com

Gareth Hewett, Media Enquiries
Telephone +852 2822 4929
Email garethhewett@hsbc.com

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'.

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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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.

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