

HSBC Hong Kong PMI

Expansion of Hong Kong private sector economy weakest in eight months

Summary

The headline HSBC Hong Kong Purchasing Managers' Index (PMITM) – a composite index designed to provide timely indications of changes in prevailing business conditions in the Hong Kong economy – posted 53.2 in May. The latest reading was down from the 55.3 reported in April, but still signalled a solid improvement in business conditions.

Supporting the PMI was a further increase in incoming new business. However, the rate of new order growth slowed since April, suggesting a weaker improvement in demand. New business received from mainland China also increased at a slower rate during May, contributing to the overall easing in new order growth.

Nonetheless, the latest increase in new business supported a further expansion in activity, albeit weaker than in the previous survey period. Backlogs of work at companies in Hong Kong increased, indicating a degree of pressure on operating capacity. However, the accumulation of outstanding business was the slowest in ten months, reflective of the weaker growth in new orders.

In line with increased workloads and output requirements, employment within the Hong Kong private sector increased during May. The rate at which staffing levels rose was modest and slightly weaker than that reported in April.

Companies in Hong Kong indicated a further increase in purchasing activity during May. The pace at which input buying rose eased from the previous survey period, in line with the slower expansion in activity. Subsequently, suppliers' delivery times lengthened moderately, as the sustained rise in purchasing put pressure on capacity at vendors. Stocks of purchases increased during the month, suggesting that companies were aiming to rebuild stocks, as well as fulfilling higher current output requirements.

Overall input costs faced by companies in Hong Kong increased markedly during May. Rises in both purchase prices and staff costs drove the increase, although the former was the predominant factor. The rate at which overall input costs rose slowed since April, driven by weaker wage inflation. Output prices also increased in May, albeit at a slower rate, as competition for new business prevented a larger rise in charges.

Comment

Commenting on the Hong Kong PMI survey, Mark McCombe, Chief Executive of HSBC Hong Kong, said:

"Hong Kong's business activities are still expanding sequentially, albeit at a slower pace than in past months. This is not a surprise given the very strong output recorded since the end of last year, combined with recent concerns about ongoing growth momentum in Europe. One point of interest is that, despite the continuous rise in purchase costs, the impact on output prices remains relatively limited. We would not expect this to still be the case if demand continues to increase."

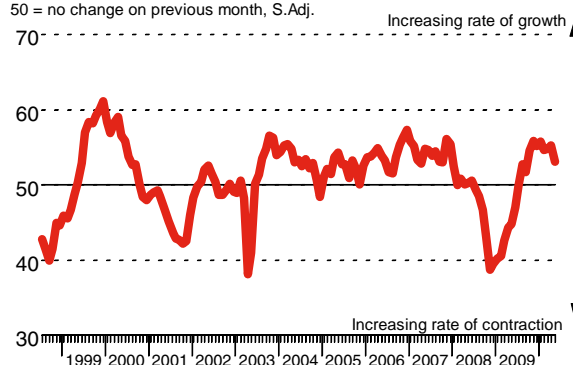
Key points

- Growth in new business received from mainland China slowest in four months.
- Employment increased, reflecting a further rise in workloads.
- Higher purchase prices continued to drive overall input cost inflation.

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.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

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About PMIs:

Now available for 26 countries and key regions including the Eurozone and BRIC, Purchasing Managers' Indexes (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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