

HSBC Hong Kong PMI

Improvement in business conditions in Hong Kong private sector economy slowed for second consecutive month

Summary

The headline HSBC Hong Kong PMI™ – a composite index designed to provide timely indications of changes in prevailing business conditions in the Hong Kong economy – posted 52.6 in June, down from the 53.2 reported in May. Nonetheless, the latest positive reading (above the 50.0 no-change mark) was the eleventh in successive months, and signalled a solid improvement in business conditions.

Incoming new business received by companies in Hong Kong increased for a twelfth consecutive month during June. Panellists attributed the latest rise in new work to the ongoing improvement in global economic conditions. However, growth of new business slowed during the month, with the latest increase the weakest since July 2009.

New business received from mainland China also grew at a slower pace during the month, although this remained sharp in the context of historical data.

The rise in overall new business supported a further increase in output in June. Moreover, the pace of expansion accelerated slightly since May. Despite this, backlogs of work at companies in Hong Kong continued to rise. Outstanding business has now increased continuously over the past year.

Reflective of sustained expansions in new orders and output, employment within the Hong Kong private sector rose during June. The latest increase was only marginally lower than the twenty-eight month high recorded in April.

Despite the further rise in output, purchasing activity was broadly unchanged during June. This ended a ten-month period of increased input buying. However, stocks of purchases rose again, albeit at a marginal pace, suggesting that the latest level of purchasing was largely sufficient to meet output requirements.

Overall input costs faced by companies in Hong Kong increased substantially during June, driven by higher purchase prices and staff costs. Purchase price inflation was broadly unchanged since May, although the rise in wages accelerated. Output prices rose for an eighth successive month during June, although the latest increase was the weakest in that period, with the rise in charges limited by competition for new business.

Comment

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

“Growth in new business inflows to Hong Kong eased from the previous month, resulting in a slowdown in the headline PMI for the second consecutive month. However, a continuously improving labour market should support solid expansion in Hong Kong’s domestic demand. Inflation is likely to rise in the coming months despite a slower rise in output prices.”

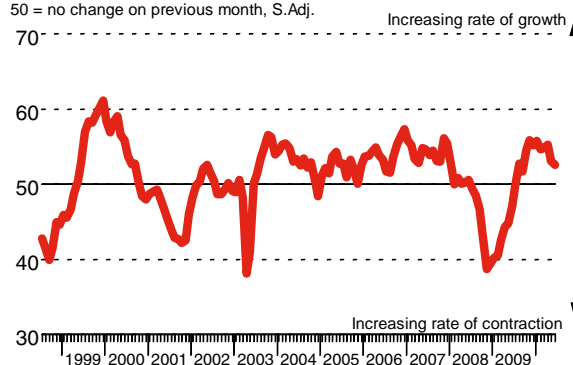
Key points

- Overall new order growth weakest in eleven months.
- Employment increased for ninth successive month.
- Input price pressures continued to build.

Historical Overview

HSBC Hong Kong PMI

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



For further information, please contact:

HSBC

Hongbin Qu
HSBC Global Research Managing Director and Chief Economist Greater China
Telephone +852 2822 2025
Email hongbinqu@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.hk

Markit

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

Caroline Lumley, Corporate Communications
Telephone +44-20-7260-2047
Email caroline.lumley@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 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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