

HSBC Hong Kong PMI™

Strengthening of business conditions in Hong Kong private sector sustained for thirteenth successive 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 52.3 in August, up from 51.3 in July. This signalled a strengthening of business conditions which was the thirteenth in successive months. Moreover, the latest expansion was faster than that recorded in July.

Incoming new business was reported to have increased solidly during August, regaining momentum lost in the previous month. New orders received from mainland China also rose, although the rate of growth slowed for a fourth successive month. Nonetheless, the latest increase was above the long-run average for the series.

The sustained rise in overall new orders supported a fourteenth consecutive increase in output. The expansion in activity also accelerated since July, albeit remaining modest. In contrast to the previous survey period, backlogs of work at companies in Hong Kong increased during August. This indicated that pressures on operating capacity existed.

Employment in the Hong Kong private sector rose during August, reflecting sustained growth in new orders and output. Whilst the increase in staffing levels slowed marginally, it remained above the long-run trend for the series and was the eleventh rise in successive months.

Purchasing activity increased only slightly during August. Where a rise was indicated this was attributed to higher output. Suppliers' delivery times continued to deteriorate, partly due to labour shortages at vendors, putting pressure on operating capacity.

August data signalled a substantial rise in overall input costs faced by companies in Hong Kong. Moreover, input cost inflation accelerated since July. Higher purchase prices and wages both contributed to the rise in overall costs. Subsequently, output prices increased for a tenth successive month. However, the extent of the rise in charges was limited by strong competition for new business.

Comment

Commenting on the Hong Kong PMI survey, Donna Kwok, Economist at HSBC in Asia said:

"HSBC's Hong Kong PMI delivered good news on multiple fronts in August. Despite the stumble that the US recovery has taken of late, total overseas demand for HK business output remains robust. This is being underpinned by new Mainland orders which continue to rise above trend. At home, tightening labour market conditions are pushing up inflationary pressures, but fierce competition is helping to mute the final impact on consumers. Coupled with further employment and wage rises to come (as suggested by signs of labour shortage), domestic demand in Hong Kong should stay strong in the next month, especially when compared to peers such as Taiwan and Korea."

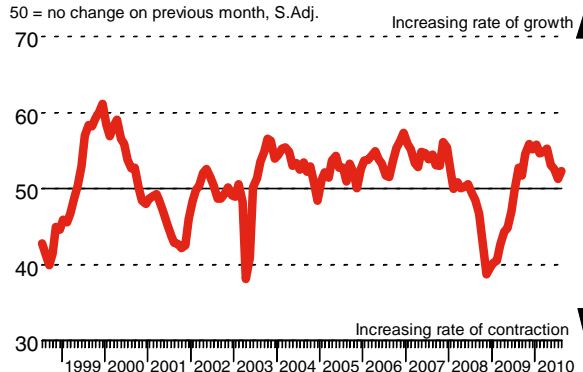
Key points

- Overall new order and output growth was solid.
- Employment rose to boost operating capacity.
- Input cost inflation accelerated markedly from July's eight-month low.

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

Donna Kwok, Greater China Economist

Telephone +852-2996-6621

E-mail: donnahjkwok@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.

HSBC:

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