

HSBC Hong Kong PMI™

Growth of Hong Kong private sector accelerated for second 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 52.8 in September, up from 52.3 in August. This signalled a solid strengthening of business conditions, which was the fastest in four months. Growth of the Hong Kong private sector economy has now been recorded for fourteen successive months.

Overall incoming new business increased during September, maintaining the sequence of expansion seen since July 2009. Moreover, the pace of growth accelerated marginally since August and was above the long-run average for the series. In contrast, new orders received from mainland China decreased – the first contraction recorded since May 2009.

Nonetheless, the rise in overall new work intakes supported a further increase in activity. The latest expansion in output was the strongest in five months. Despite this, backlogs of work at companies in Hong Kong rose for a second successive month, indicating that pressure on operating capacity continued.

September data signalled a modest increase in employment in the Hong Kong private sector, suggesting that companies were still aiming to boost capacity to accommodate increased workloads.

Purchasing activity rose during the month, reflective of growth in new orders and output. Despite the solid increase in input buying, suppliers' delivery times lengthened only slightly.

Overall input costs were reported to have increased markedly during September, driven by higher purchase prices and staff costs. The rate of overall input price inflation eased during the month, although remained steep in the context of historical data. Output prices also rose during September, with panellists attributing higher charges to the increase in costs. Moreover, the latest increase in output prices was the strongest in four months.

Comment

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

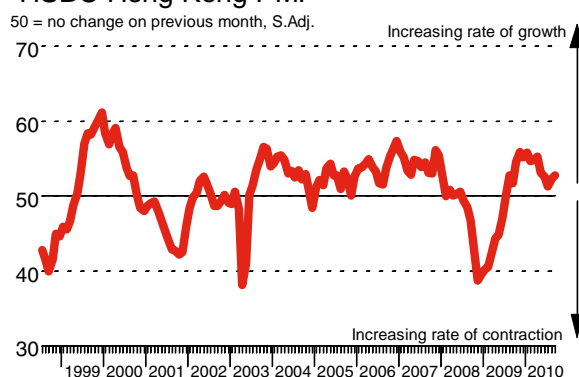
"All key sub-indices improved in September. It appears that business activity is once again strengthening in Hong Kong versus the prior short period where we witnessed a cooling off. This allays some concerns about wavering external demand and any knock-on effect for the local economy. New business orders are up, which drive the job market, and ultimately support domestic demand in the territory. This is in addition to continued Mainland support for Hong Kong's retail and real estate sectors."

Key points

- New order expansion remained solid, despite decrease in work received from mainland China.
- Backlogs rose amid pressures on operating capacity.
- Output price inflation accelerated, whilst the increase in input costs slowed.

Historical Overview

HSBC Hong Kong PMI



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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