

# HSBC Hong Kong PMI™

Hong Kong private sector economy grew at strongest pace in five months

## 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 53.0 in October, up from 52.8 in September. This signalled a solid strengthening of business conditions, with growth of the Hong Kong private sector economy now sustained for fifteen successive months. Moreover, the latest expansion was the fastest since May.

Companies in Hong Kong reported a solid rise in incoming new business received during October. The rate of new order growth accelerated since September to the strongest since April, and was above the long-run series average. New work intakes from mainland China also increased during the month, following a slight reduction in the previous survey period.

Output expanded markedly during October, reflective of the rise in incoming new business. However, backlogs of work continued to accumulate, and at a faster rate than in September, indicating that pressure on operating capacity persisted.

Subsequently, employment in the Hong Kong private sector economy rose for a thirteenth consecutive month, albeit the latest growth in headcounts was the weakest since January.

Purchasing activity continued to increase in October, as companies responded to higher output requirements. This led to a lengthening in suppliers' delivery times, with vendor performance deteriorating for the thirteenth month running.

Input cost inflation gathered pace in October, and was notably sharp in the context of historical data. The rise in input prices faced by companies in Hong Kong was driven by both higher purchase prices and increased wage costs. Output prices were also reported to have risen during the month, and at a marked rate. This indicated that companies were better able to pass on higher input costs to customers in October. However, some panellists noted that the appreciation of the RMB had also acted to increase charges.

## Comment

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

*"Hong Kong's economy is set for a strong finish this year. Inflationary pressures can be felt in the domestic economy, but this is unlikely to have a material impact in the run up to the year end. As Hong Kong continues to benefit from its trade and business integration with the Mainland, employment will remain robust, in turn fueling local confidence and domestic demand."*

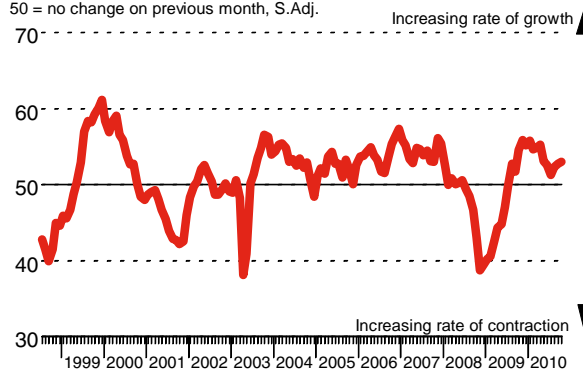
## Key points

- New orders received from mainland China rose solidly, following a fall in September.
- Employment continued to increase, as output requirements expanded.
- Output price inflation fastest in six months, and well above long-run series average.

## 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 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](mailto:economics@markit.com).

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