HSBC PMI™ 2010

compiled by markit

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HSBC Hong Kong PMI™

Growth of Hong Kong private sector economy sustained for sixteenth month in November.

Key findings:

- Stronger rise in new business received from mainland China helped support overall new work intakes.
- Headcounts fell, despite a further increase in backlogs of work.
- Overall input costs rose at second-fastest pace in series history.

November data signalled a solid strengthening of business conditions in the Hong Kong private sector economy. New order growth accelerated in the month, contributing to a marked rise in output. Nonetheless, backlogs of work increased again, suggesting that operating capacity remained constrained. Despite this, headcounts fell slightly. Meanwhile, inflationary pressures built further. Higher purchase prices drove a rise in overall input costs, which supported an increase in charges.

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 53.5 in November, up from 53.0 in October. The latest reading pointed to a general expansion of the Hong Kong private sector economy, which was the sixteenth in successive months. Moreover, the rate of growth accelerated for the fourth month running to the fastest since April.

November data signalled a marked rise in incoming new business received by companies operating in Hong Kong. The latest increase in new work intakes was the strongest in seven months, and was supported by a further expansion in new business received from mainland China. Growth in new orders received from the mainland accelerated solidly since October (continuing the improving trend seen since the slight contraction recorded in September), and was above the long-run average for the series.

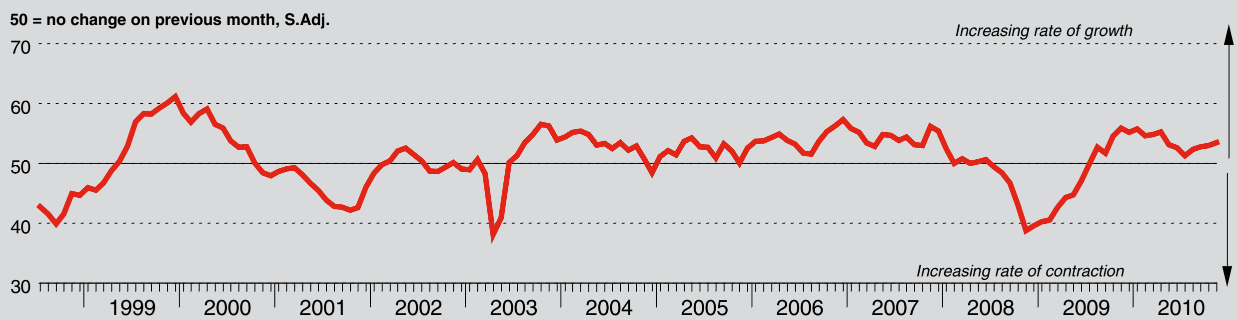
The rise in overall new business led to a marked expansion in output during the month. The latest increase in output, which was the seventeenth in successive months, was the fastest since April. Nonetheless, backlogs of work at companies in Hong Kong rose again for a fourth consecutive month. This indicated that pressure on operating capacity persisted.

Despite growth of both output and new orders in November, employment in the Hong Kong private sector fell. This ended a thirteen-month sequence of rising headcounts. However, the vast majority of panellists indicated that staffing levels were unchanged since October.

Purchasing activity at companies in Hong Kong also decreased during November, albeit only slightly. However, suppliers' delivery times lengthened for a fourteen successive month. A reduction in stocks of purchases was reported during November, in contrast to the previous two survey periods.

November data signalled a marked rise in input prices faced by companies in Hong Kong. The latest increase in overall input costs was driven by higher purchase prices and wage costs. The rise in purchase prices was particularly strong during the month. Overall input cost inflation has now been recorded since July 2009, with the latest increase the strongest in this period (and the second-fastest in the series history). The sharp rise in input prices drove a further increase in charges, which was also notably steep in the context of historical data.

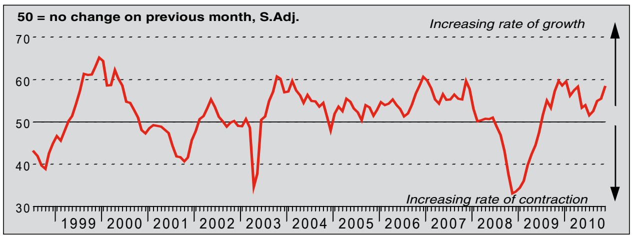
HSBC Hong Kong PMI

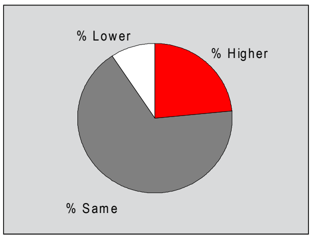


The HSBC Hong Kong PMI™ is a composite indicator designed to provide an overall view of activity in the Hong Kong economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates that the manufacturing economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index.

Output Index

Q. Please compare your production/output this month with the situation one month ago.

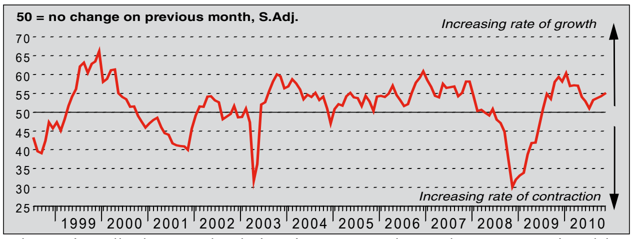


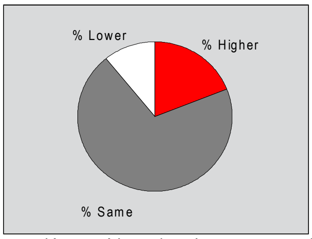


Output in the Hong Kong private sector increased markedly during November, extending the sequence of sustained growth to seventeen months. Moreover, the latest expansion in activity was the strongest since April and sharp in the context of historical data. Panellists attributed the latest rise in output to a marked increase in incoming new business received in the month.

New Orders Index

Q. Please compare the level of new orders/incoming new business received this month with the situation one month ago.

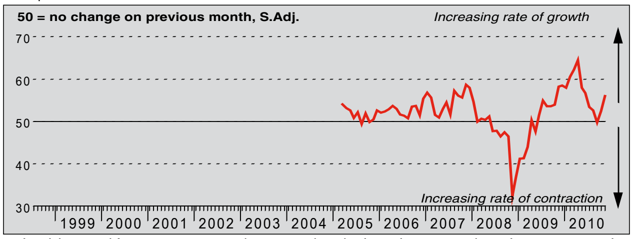


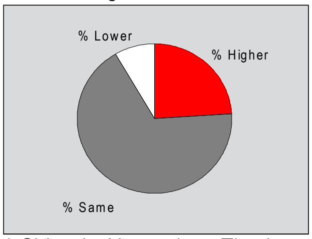


November data signalled a marked rise in new order volumes received by companies in Hong Kong. New business growth accelerated for a fourth successive month to the strongest since April. Anecdotal evidence cited improved economic conditions and increased promotional activity as the main drivers of the expansion in new work intakes. New orders have now risen continuously since July 2009.

New Orders Index: Mainland China

Q. Please compare the level of new business received from mainland China this month with the situation one month ago.

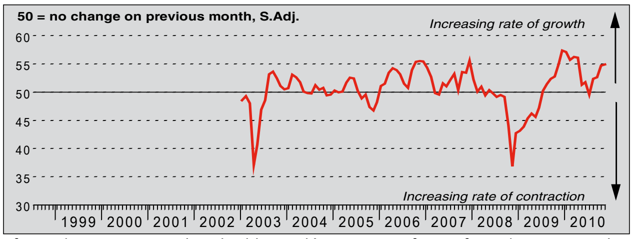


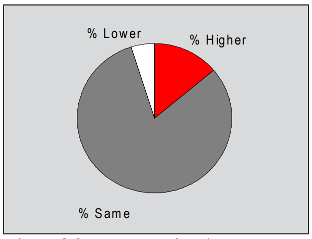


Companies in Hong Kong reported a marked rise in new business received from mainland China in November. The increase in new orders received from the mainland accelerated since October, continuing the stronger trend seen since the slight contraction recorded in September. Moreover, the latest growth in new business received from mainland China was sharp in the context of historical data.

Backlogs of Work Index

Q. Please compare the level of outstanding business in your company this month with the situation one month ago.

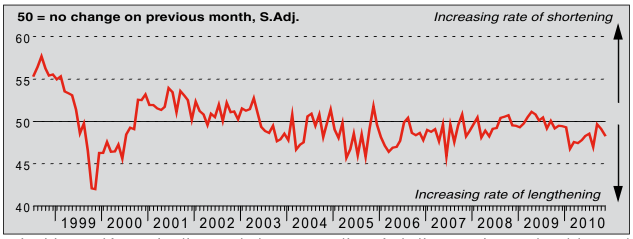


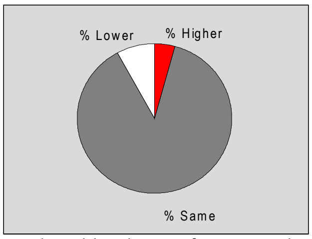


Backlogs of work at companies in Hong Kong rose for a fourth successive month in November. Moreover, the latest rate of accumulation of outstanding business was the fastest since April and faster than the long-run series average. The rise in backlogs suggested that pressures on operating capacity persisted, despite the marked expansion in output during the month.

Suppliers' Delivery Times Index

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.

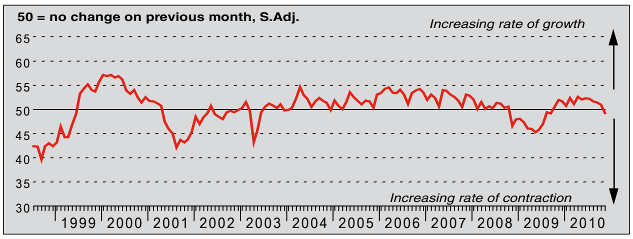


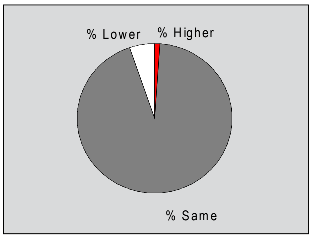


Companies in Hong Kong indicated that suppliers' delivery times had lengthened during November. Vendor performance has now deteriorated in each of the last fourteen months. However, the latest increase in lead times was only modest, with the majority of panellists (approximately 88%) indicating that they remained unchanged since October.

Employment Index

Q. Please compare the level of employment at your unit this month with the situation one month ago.

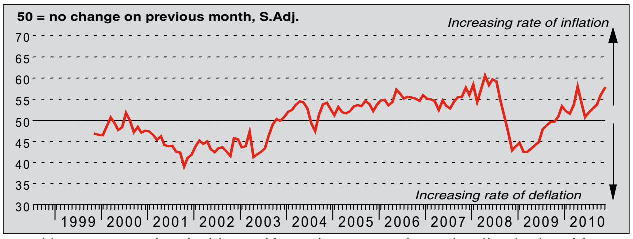


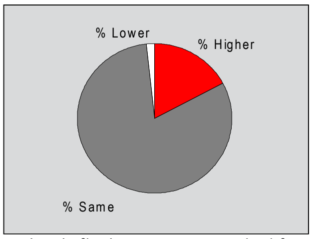


November data signalled a marginal reduction in employment in the Hong Kong private sector. This ended a thirteen-month period of growth. Where a decrease in staffing levels was indicated, this was generally attributed to staff resignations. However, the vast majority of panellists (approximately 94%) indicated that headcounts remained unchanged since October.

Prices Charged Index

Q. Please compare the average prices you charged this month with the situation one month ago.

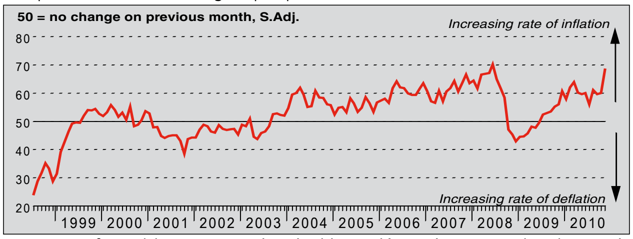


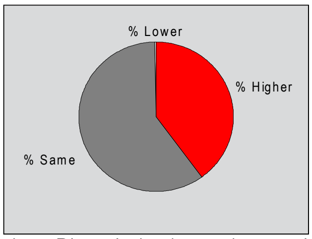


Prices charged by companies in Hong Kong increased markedly during November, with output price inflation now recorded for thirteen successive months. Moreover, the latest rise in charges was the strongest since April and was notably sharp in the context of historical data. Panellists attributed the latest increase in output prices to a further rise in costs.

Overall Input Costs Index

Q. Please compare the overall average input prices this month with the situation one month ago.

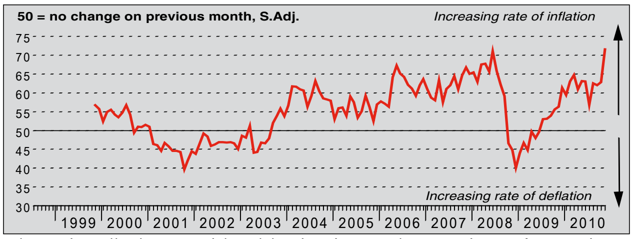


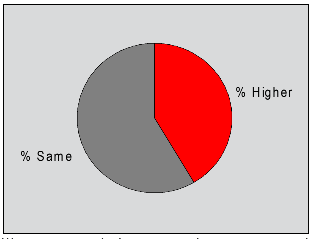


Overall input costs faced by companies in Hong Kong increased substantially during November. Rises in both purchase prices and staff costs contributed to the increase in overall costs during the month, although the rise in the former was particularly strong. The latest rate of input cost inflation was the fastest since June 2008, and the second-highest in the series history.

Input Costs: Purchase Prices Index

Q. Please compare the price of your purchases (volume weighted) this month with the situation one month ago.

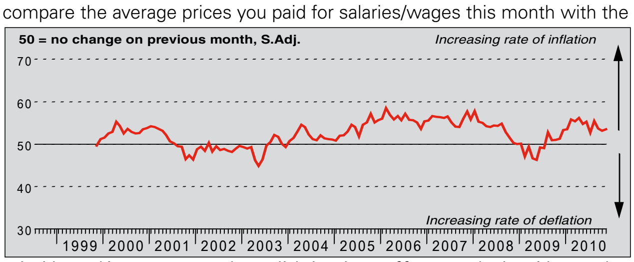


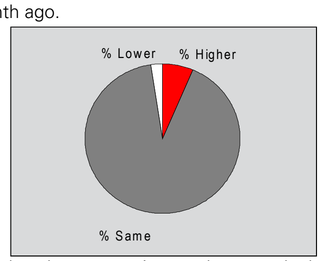


November data signalled a considerable rise in purchase prices. Approximately 42% of panellists noted that purchase costs had increased since October, commenting that this reflected higher raw material prices and unfavourable exchange rate fluctuations. Purchase price inflation has now been sustained for seventeen successive months, with the latest rise in purchase costs the highest in the series history.

Input Costs: Staff Costs Index

Q. Please compare the average prices you paid for salaries/wages this month with the situation one month ago.

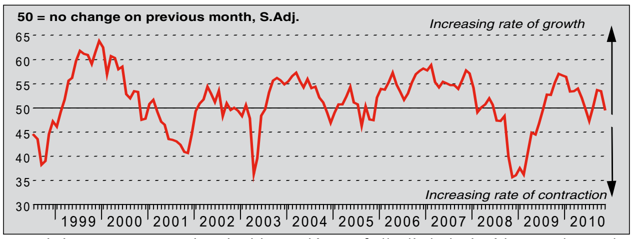


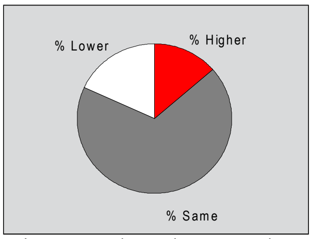


Companies in Hong Kong reported a solid rise in staff costs during November. Wage inflation has been continuously recorded since August 2009, although the rate of increase has been broadly flat over the last three months (and above the long-run series average). However, the majority of panellists (approximately 91%) indicated that wage costs were unchanged since October.

Quantity of Purchases Index

Q. Please compare the quantity of goods/services purchased this month with the situation one month ago.

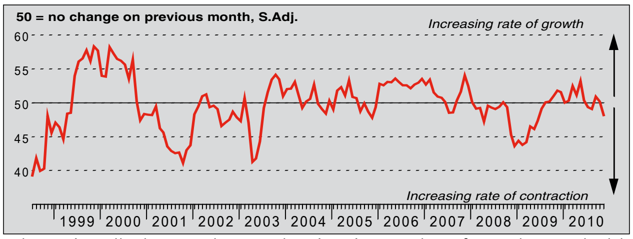


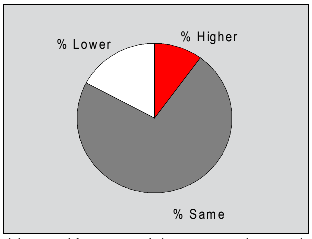


Purchasing activity at companies in Hong Kong fell slightly in November, despite marked rises in new order volumes and output. Approximately 18% of panellists indicated that input buying had decreased in the month (compared to around 14% noting a rise). The reduction in purchasing activity ended a three-month period of increased input buying.

Stocks of Purchases Index

Q. Please compare your stocks of purchases this month with the situation one month ago.

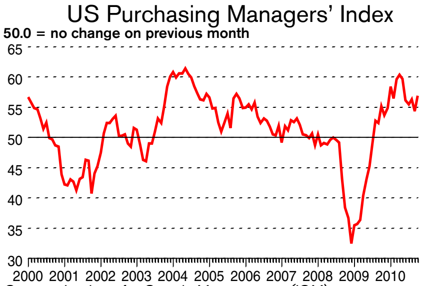




November data signalled a modest reduction in stocks of purchases held at companies in Hong Kong, with approximately 17% of panellists noting lower inventories compared to the previous month. This was in contrast to the previous two survey periods, where marginal rises in pre-production inventories were indicated. The latest decrease in stocks of purchases was faster than the long-run average for the series.

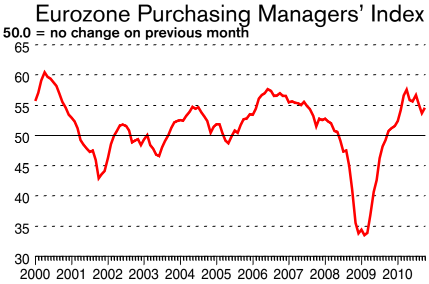
International PMI

US Purchasing Managers' Index



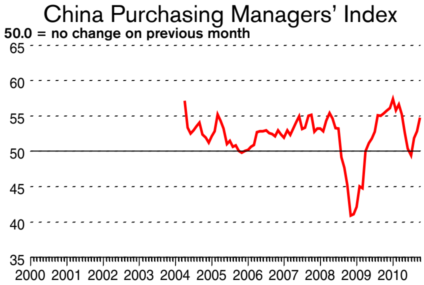
Source: Institute for Supply Management (ISM).

Eurozone Purchasing Managers' Index



Source: Markit.

China Purchasing Managers' Index



Source: HSBC; Markit.

October's ISM survey signalled a marked strengthening of business conditions in the US manufacturing sector. Posting 56.9 in October, the headline PMI rose from September's reading of 54.4 to a five-month high. Moreover, the latest growth was above the long-run average for the series.

The Markit Eurozone Manufacturing PMI™ recorded 54.6 in October, up from September's eight-month low of 53.7. The latest reading signalled overall growth of the Eurozone manufacturing sector, which was the thirteenth in successive months. The latest expansion was strong in the context of historical data.

The HSBC China Manufacturing Purchasing Managers' Index™ (PMI™) climbed from 52.9 to 54.8 in October, representing one of the largest month-on-month rises in the PMI since the start of the series in April 2004. This pointed to a marked improvement in operating conditions in the Chinese manufacturing sector.

Notes on the Data and Method of Presentation

The Hong Kong PMI™ is a monthly publication, researched and published by Markit Economics, featuring original research data from a survey of purchasing managers in companies operating in Hong Kong. The survey panel comprises around 300 companies that have been carefully selected to accurately represent the true structure of the Hong Kong economy, including manufacturing, services, retail and construction. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to 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 tables show 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 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, Stocks of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction. 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.

Warning