

HSBC Hong Kong PMI™

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

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 53.5 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 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.

Purchasing activity at companies in Hong Kong also decreased during November, albeit only slightly. However, suppliers' delivery times lengthened for a fourteen successive month.

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.

Comment

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

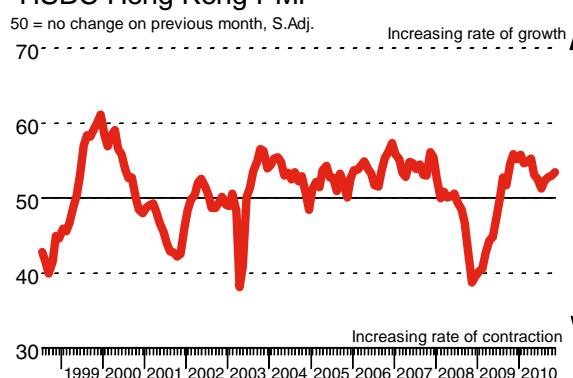
"Hong Kong's economy will end 2010 strongly, supported by robust business conditions and solid macroeconomic fundamentals. Weaker employment numbers were largely driven by voluntary resignations, triggering no significant concerns in Hong Kong. However, inflation will likely become an influencing factor going forward as spiraling costs will be passed by businesses to consumers."

Key points

- 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.

Historical Overview

HSBC Hong Kong PMI



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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.

HSBC:

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