

HSBC Hong Kong PMI™

December PMI data signalled fastest expansion of Hong Kong private sector economy in eight 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 55.0 in December, up from 53.5 in November. This was the fifth consecutive rise in the PMI from the twelve-month low recorded in July, with the latest reading signalling a marked expansion of the Hong Kong private sector economy. Moreover, the rate of growth was above the long-run average for the series, pointing to a strong finish to the year.

Incoming new business received by companies in Hong Kong increased sharply during December. This was the eighteenth successive month where a rise in new work intakes was recorded, with the latest expansion the fastest since January. New orders received from mainland China also increased during the month. The latest rise weakened from the five-month high posted in November, but remained marginally stronger than the long-run series average.

December data indicated marked growth of output, reflective of the sustained expansion in overall new work intakes. Despite this, backlogs of work increased again, and at the fastest pace in eleven months. This suggested that operating capacity continued to be strained by rising new order volumes.

Employment in the Hong Kong private sector economy fell marginally for a second consecutive month in December.

Companies in Hong Kong reported an increase in purchasing activity in December. The rise in purchasing volumes reflected sustained growth of both new business and output.

Overall input costs faced by companies in Hong Kong increased considerably during December. The rise was driven by both purchase prices and staff costs, but particularly the former. The latest increases in overall input costs and purchase prices were the fastest in their respective series histories. Salaries also rose markedly during the month, with December's wage inflation above the historical average.

Charges rose sharply in the month, reflective of the considerable increase in overall input costs.

Comment

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

"The momentum in Hong Kong's economy is showing no signs of easing as 2010 draws to a close. Both internal and external demand are holding up strongly, leading to further tightening capacity constraints. However, inflationary pressures are emerging in Hong Kong, and as we enter 2011, this issue should be monitored closely."

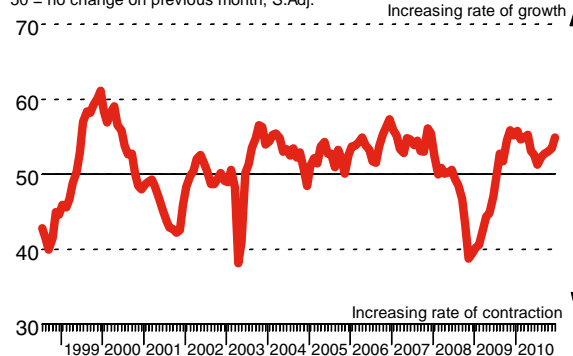
Key points

- Growth of new business at eleven-month high.
- Backlogs of work rose, indicating pressure on operating capacity.
- Purchase costs rose at fastest pace in series history, driving steep increase in overall costs.

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

Email donnahjkwok@hsbc.com.hk

Helen Lam, Media Enquiries

Telephone +852 2822 4992

Email helenwylam@hsbc.com.hk

Annie Cheng, Media Enquiries

Telephone +852 2822 4938

Email anniecheng@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:

Headquartered in London, HSBC is one of the largest banking and financial services organisations in the world. Its international network comprises some 8,000 offices in 87 countries and territories in Europe; Hong Kong; Rest of Asia-Pacific; the Middle East; North America and Latin America. With assets of US\$2,418 billion at 30 June 2010, HSBC is one of the world's largest banking and financial services organisations. HSBC is marketed worldwide as 'the world's local bank'.

About Markit:

Markit is a leading, global financial information services company with over 1,900 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see www.markit.com

About PMIs:

Now available for 26 countries and key regions including the Eurozone and BRIC, Purchasing Managers' Indexes™ (PMIs™) have become the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

The intellectual property rights to the HSBC Hong Kong PMI provided herein is owned by Markit Group. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit, PMI and Purchasing Managers' Index are all trademarks owned by The Markit Group.