

HSBC Hong Kong PMI™

Growth of Hong Kong private sector economy sustained in January. Output and new orders rose at strong rates

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 55.2 in January, up fractionally from 55.0 in December. The latest reading signalled a marked strengthening of operating conditions in the Hong Kong private sector economy, where improvements have been recorded in each month since August 2009.

Companies in Hong Kong reported a marked rise in incoming new business received during January. The latest expansion in new orders eased slightly from the previous survey period, but remained above the long-run trend. New work intakes received from mainland China increased solidly during January, with the rate of growth broadly unchanged from the previous month.

The rise in overall new business supported a further expansion of output in January. Reflective of the slower increase in new work intakes, the growth in output was also weaker. Nonetheless, outstanding business rose again. The extent to which backlogs accumulated remained sharp in the context of historical data, but was slower than in the previous survey period.

January data signalled a rise in employment in the Hong Kong private sector economy. This was the first increase in staffing levels seen in three months. However, the rate of growth was only marginal, with the majority of panellists indicating that employment was unchanged during the month.

Despite the marked rise in new orders in January, there was a fractional reduction in purchasing activity. Nonetheless, suppliers' delivery times lengthened markedly and at one of the steepest rates in the series history. Stocks of purchases fell marginally during January, with anecdotal evidence suggesting that longer lead times and higher input costs led companies to utilise existing inventories.

Overall input costs faced by companies in Hong Kong increased substantially during January. Higher purchase prices and salaries drove the rise in overall costs, but the former had the greater impact. However, the rate of input cost inflation slowed since December. Subsequently, output prices also increased during the month, but at a slower pace.

Comment

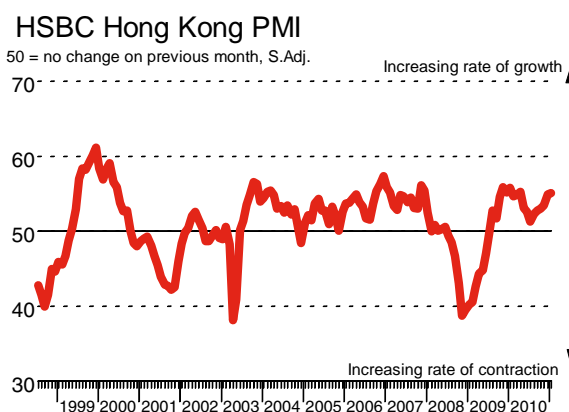
Commenting on the Hong Kong PMI survey, Mark McCombe, Chief Executive of HSBC in Hong Kong, said:

"Solid economic growth has led to inevitable inflationary pressures in Hong Kong. We anticipate that inflation in Hong Kong will grow at a faster pace in 2011 than last year, stoked by rising wages and commodity prices. While this issue will remain a reality for Hong Kong in 2011, the Territory's economy continues to gather momentum in the first few weeks of the year, fuelled by robust domestic and global demand."

Key points

- Expansion of new business slowed slightly, but remained marked.
- Employment rose for the first time in three months.
- Input and output prices continued to increase.

Historical Overview



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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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