

HSBC Hong Kong PMI®

Solid rise in new business during November, with rate of growth at nine-month high

Summary

Private sector business conditions in Hong Kong improved further in November, with solid growth of both output and new orders reported by firms. Notably, this was the first increase in new business in four months, and encouragingly new orders from Mainland China also rose, with the overall expansion the strongest since February. Concurrently, job creation was sustained for the second month running, while the rate of input price inflation strengthened to an eight-month high.

The seasonally adjusted headline HSBC Hong Kong Purchasing Managers' Index™ (PMI®) remained above the 50.0 no-change mark for the second consecutive month in November, signalling a further improvement in private sector operating conditions. Moreover, having risen from 50.5 to 52.2, the PMI was above its long-run series average of 51.1 and indicated the greatest improvement in nine months. The PMI is a composite index designed to provide timely indications of changes in prevailing business conditions in Hong Kong's private sector economy.

The volume of new business received by private sector firms increased in November, with companies largely linking this to greater demand and recent new product launches. This was the first monthly rise in new work since July, with new orders from Mainland China also increasing in the latest survey period. Overall, total new order growth was solid and the fastest in nine months.

Reflective of the rise in new business, both output and backlogs of work increased for the second month running in November. One-in-five surveyed firms reported higher activity levels since October, with the overall rate of growth strengthening to a nine-month high. Meanwhile, the rate of backlog accumulation was the fastest since March.

Despite the rise in output, the quantity of inputs bought by panellists fell in the latest survey period, albeit only marginally. Stocks of purchases meanwhile rose slightly from one month previously. Suppliers' delivery times nonetheless lengthened further as panellists suggested that vendors were working with less labour in November.

Employment in Hong Kong's private sector increased for the second month running during November. Although the rate of job creation was only modest, it was the fastest since January. Firms that hired additional staff over the month (approximately 4%) attributed this to larger new order requirements.

Total input costs faced by panellists rose further in November, with both purchase prices and salary bills

having increased since October. Overall, the rate of inflation was strong and the fastest in eight months. Firms passed on greater cost burdens to clients by raising their selling prices in the latest survey period. Output charges have risen for two months running, with the latest increase the greatest since October 2011.

Comment

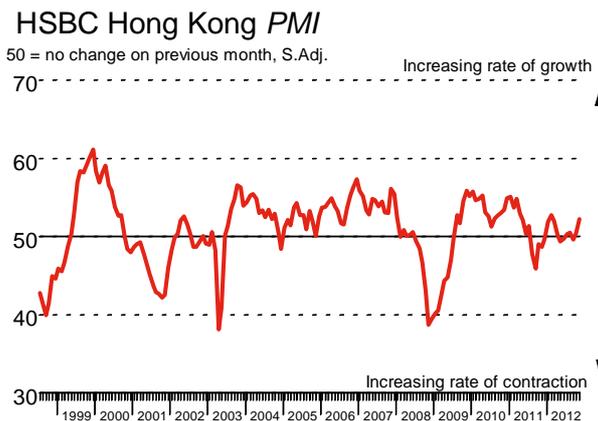
Commenting on the Hong Kong PMI® survey, Donna Kwok, Economist, Greater China Economic Research, HSBC, said:

"A sharp rebound in Mainland demand contributed to faster job creation and wage growth last month. New product launches and solid demand continue to underpin positive business conditions in Hong Kong, setting the economy on course for further expansion in Q4. Inflationary pressures, however, are clearly ticking back up as a result."

Key points

- First rise in incoming new work in four months
- Output increases at fastest pace since February
- PMI signals strongest improvement in business conditions for nine months

Historical Overview



Sources: Markit, HSBC.

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Notes to Editors:

The HSBC Hong Kong PMI 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 *Purchasing Managers' Index™ (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.

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