

News Release

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S&P Global Hong Kong SAR PMI[®]

Business conditions further deteriorate

Key findings

Output falls at fastest pace since March 2022...

...driven by sharpest fall in new orders in 21 months

Output price inflation renews amid rising costs

Business conditions across the Hong Kong SAR private sector continued to contract midway through 2024 on the back of falling new business and activity. Subdued market conditions and rising competition dampened sentiment among businesses, resulting in another round of job shedding in June. Meanwhile, average input costs rose at a faster pace amid renewed purchase price inflation, which led to higher output charges.

The headline seasonally adjusted S&P Global Hong Kong SAR Purchasing Manager's Index™ (PMI[®]) – a composite single-figured indicator of performance – fell to 48.2 in June, down from 49.2 in May. Posting below the 50.0 neutral mark for a second successive month, the latest PMI signalled a sustained deterioration in business conditions. Although modest, the pace of decline was the most pronounced since September 2022.

Private sector output fell for a second straight month in June, with the pace of contraction being the fastest in over two years. This was attributed to further reductions in new business inflows. Additionally, new business from Mainland China and abroad similarly declined midway through the year. According to survey respondents, softening domestic and external economic conditions as well as heightened competition dampened sales. The manufacturing sector reported the sharpest downturn in both new orders and output.

As a result of the reduction in new order inflows, the volume of backlogged work decreased for the ninth month in a row. This also led to some redundancies, as employment levels fell marginally for a second straight month.

Hong Kong SAR firms were generally pessimistic about the outlook for activity, with concerns spanning rising competition and subdued economic conditions. That said, the level of pessimism eased to a seven-month low, as some firms viewed their demand prospects more favourably and

S&P Global Hong Kong PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-25 June 2024.

Comment

Jingyi Pan, Economics Associate Director at S&P Global Market Intelligence, said:

“The Hong Kong SAR PMI indicated that conditions have worsened in the latest survey period, as new orders and output fell at faster rates in June. Firms appear to be struggling on the back of subdued economic conditions and amid heightened competition from around the region.

“That said, the level of pessimism eased greatly in the latest survey period. Firms have also continued to raise purchasing activity at a solid rate, reflecting hopes that conditions may eventually improve. Meanwhile, employment levels declined only marginally.

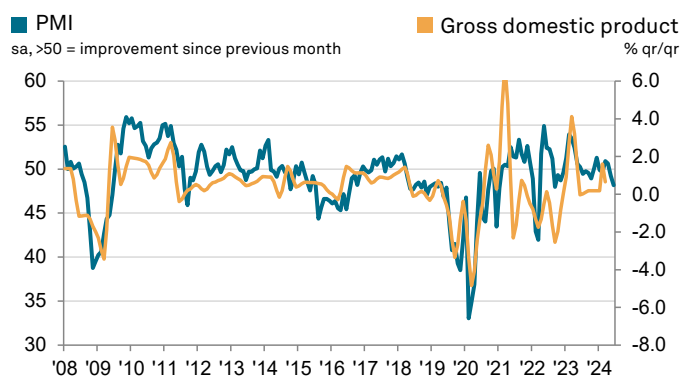
“Some of the concerns raised by Hong Kong SAR firms include the threat of rising costs eroding demand. While input price inflation remained below-average, we have observed signs of rising cost pressure which led to a renewal of output price inflation in June. Any further increase in costs will be worth monitoring for the effect on demand.”

PMI[®]

by S&P Global

thus raised their purchasing activity – input buying quantities consequently rose at a solid pace overall. Inventory levels increased in tandem, supported also by improved delivery efficiency.

On the price front, average input costs rose in June, attributed to both higher purchase prices and wages. Higher raw material prices contributed to average purchase prices rising at the fastest rate since February, while wage inflation also rose to a four-month high. In turn, Hong Kong SAR private sector firms lifted selling prices after a slight dip in May. The rate of output price inflation was marginal, but matched the long-run average.



Sources: S&P Global PMI, HKSAR Census and Statistics Department via S&P Global Market Intelligence.

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Survey methodology

The S&P Global Hong Kong SAR PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include manufacturing, construction, wholesale, retail and services. Data were first collected July 1998.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

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