

News Release

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S&P Global Hong Kong SAR PMI™

Private sector returns to growth at the start of 2023

Key findings

Easing restrictions lead to a renewal of demand growth

Selling price inflation steepens despite slower cost increases

Business confidence at survey record high

Hong Kong SAR's private sector saw a renewed expansion at the start of 2023 as easing COVID-19 restrictions led to higher demand and powered a stronger expansion in business activity. In turn, firms lifted their hiring and purchasing activity to match the growth in existing orders and in anticipation of higher future output – business confidence hit a record high. The improvement in demand conditions also enabled firms to pass on higher costs to clients at a faster rate in January.

The headline seasonally adjusted S&P Global Hong Kong SAR Purchasing Manager's Index™ (PMI™) – a composite single-figured indicator of performance – posted 51.2 in January, up from 49.6 in December 2022. With the PMI edging above the 50.0 no-change mark at the start of 2023, this marked the first expansion of the Hong Kong SAR private sector since August 2022.

The relaxation of COVID-19 measures across Mainland China and Hong Kong SAR underpinned renewed growth of demand in January. New orders rose at the quickest pace since last July. Likewise for new export orders, including new business from Mainland China, a return to expansion was recorded in January.

As a result of the rise in demand, business activity expanded in January and at a solid pace overall. The growth in new work further led to a restart of backlogged work accumulation at the dawn of the year, reversing the picture from the previous five months.

To meet the growth in demand and in anticipation for further sales growth, as business confidence soared to a survey record level on hopes of better economic conditions ahead, Hong Kong SAR private sector firms raised their purchasing activity in January. This also led to higher stocks of purchases.

Employment levels also rose in tandem with higher demand and output in January. Although modest, the rate at which employment levels rose was the fastest since last June.

S&P Global Hong Kong PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-26 January 2023.

Comment

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

“The latest S&P Global Hong Kong SAR PMI heralded a positive change to economic conditions with the easing of COVID-19 curbs in both Mainland China and Hong Kong SAR invigorating growth at the start of 2023.

“Demand for Hong Kong SAR goods and services notably saw a renewed increase, boosting stronger business activity expansion, input acquisition and hiring within the private sector. The surge in business confidence to a survey record high further outlined the expectation for better near-term performance. This is while supply constraints eased as indicated by the shortening of lead times, which also bodes well for Hong Kong SAR private sector firms.

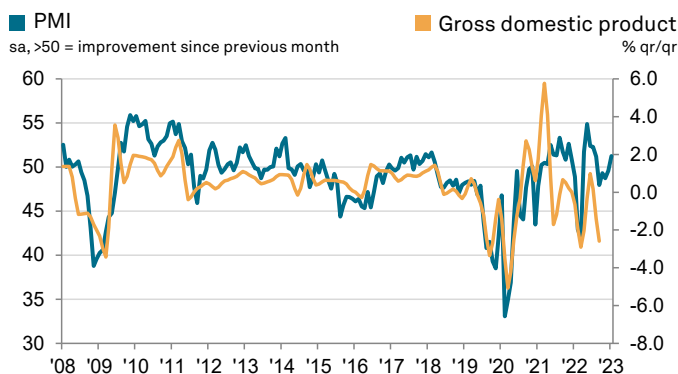
“That said, the shifting of pricing power to private sector firms, as indicated by a quicker rise in selling price inflation compared to input cost inflation, meant that price pressures have further heightened for clients which will be worth monitoring in the coming months for the impact on demand.”

PMI™

by S&P Global

Meanwhile, the easing of COVID-19 measures, including border restrictions, supported better vendor performance in the Hong Kong SAR private sector. Suppliers' delivery times shortened for a third consecutive month and at the quickest rate since April 2021.

Price pressures persisted, however, with overall input prices remaining on the rise, albeit at the slowest pace in three months. A divergence in wage inflation and purchase price inflation was observed whereby wages increased at the fastest rate in over nine years while purchase prices saw the slowest hike since November 2020. With better pricing power amid the growth in demand, however, firms were able to pass on cost increases from higher raw material, transportation and labour costs at a visibly faster rate in January. In fact, the rise in charges was the sharpest since July 2011.



Sources: S&P Global, HKSAR Census and Statistics Department.

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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@ihsmarkit.com.

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