News Release

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S&P Global Hong Kong SAR PMI®

Private sector output returns to growth

Key findings

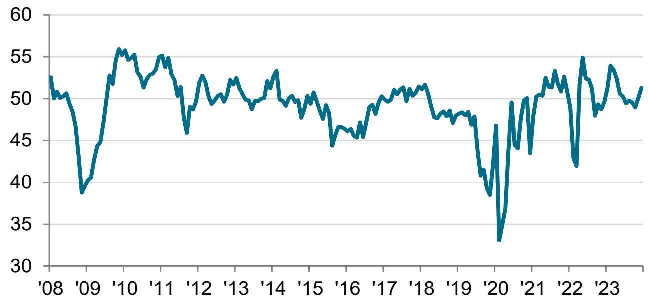
New business expands for the first time since June...

...driving higher output in December

Employment growth accelerates

S&P Global Hong Kong PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 06-19 December 2023.

Business conditions within the Hong Kong SAR private sector improved in the final month of 2023, according to the latest PMI® data from S&P Global. New business and output returned to growth, though foreign demand conditions remained subdued. The improvement in overall sales nevertheless supported faster employment growth, while firms also raised their inventory holdings amid softening cost pressures. Despite higher new orders in December, pessimism among Hong Kong SAR firms was sustained.

The headline seasonally adjusted S&P Global Hong Kong SAR Purchasing Manager's Index™ (PMI) - a composite single-figured indicator of performance – rose to 51.3 in December, up from 50.1 in November. The latest PMI signalled a second successive month in which business conditions improved and at the fastest pace since April.

Incoming new business rose for the first time in six months, supported by better underlying demand and increased client interests. This was most pronounced within the consumer services and transport, information & communications sub-sectors according to detailed sector data.

The volume of new business from abroad was little changed in December, however, while subdued economic conditions in mainland China led to a fifth monthly fall in new business from the mainland.

Higher overall new orders nevertheless supported the uplift in output in December. Although modest, the latest expansion in business activity was the first since June and faster than the rate at which new business increased. Firms also worked through their existing orders, leading to a third monthly depletion in backlogged work.

To support ongoing workloads, Hong Kong SAR private sector firms raised their employment levels for a second successive month in December. Furthermore, the rate of growth accelerated to the fastest since April.

Comment

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

"December's Hong Kong SAR PMI data revealed that conditions improved more substantially in the final month of the year. Higher demand helped to boost private sector output and contribute to faster employment growth.

"Forward-looking PMI indicators provided a more measured outlook for business activity, however, with the backlogs of work index falling at a faster rate, while business sentiment turned more pessimistic at the end of 2023.

"The good news is that cost pressures have eased to a level corresponding with the historical average. This may help with the lowering of selling price pressures in the coming months, altogether boding well for further new business growth."

PMI® by S&P Global

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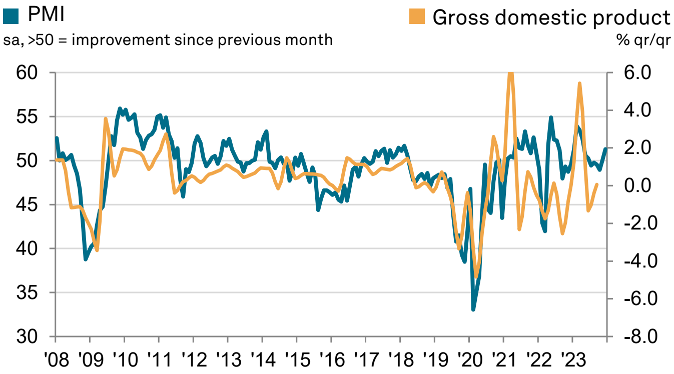
In contrast, purchasing activity fell among Hong Kong SAR private sector businesses. This was primarily due to firms having adequate stock holdings at the end of 2023. Indeed, stocks of purchases rose for a second straight month and at a solid pace that was also the fastest in just over two-and-a-half years.

Supply constraints were observed in December, leading to a lengthening of lead times for the first time since September. Shipment delays were often mentioned by panellists facing longer delivery times.

Meanwhile, overall input prices continued to rise in December on the back of higher purchase costs and wages. Slower wage inflation helped to offset greater purchase price pressures stemming from higher raw material and transport costs, thereby leading to lower overall input cost inflation. Firms opted to raise their selling prices at a solid rate in December, however, sharing past and present rises in cost burdens with clients.

Despite improvements in demand and business activity in December, sentiment in Hong Kong SAR's private sector remained subdued. The level of pessimism heightened from November, though remained moderate, with greater concerns over the economic outlook in the coming 12 months.



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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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are 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. www.spglobal.com/marketintelligence/en/mi/products/pmi

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