

News Release

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S&P Global Hong Kong SAR PMI™

Private sector expands for fourth month running in July

Key findings

Output and demand growth continues into July

Renewed decline in workforce levels...

...amid reports of voluntary leavers and staff shortages

Hong Kong SAR's private sector expanded for a fourth consecutive month in July but at a slower rate than June, according to the latest S&P Global PMI data. Continued stabilisation of the post-pandemic economy supported growth in both demand and business activity and drove overall sector improvement. To cater to current and anticipated demand levels, firms increased levels of purchasing activity and expanded inventories.

However, workforce numbers recorded a renewed decline amid reports of staff shortages and voluntary leavers. Firms mentioned adjusting wages in a bid to maintain and attract staff. As such, staff expenditure increased in July. Concurrently, the cost of purchases rose, reportedly stemming from higher transport and raw material prices. Panellists reported increasing output prices to reflect the higher input costs. Despite some inflationary pressures, a renewed sense of optimism was recorded among Hong Kong SAR's private sector firms.

The headline seasonally adjusted S&P Global Hong Kong SAR Purchasing Managers' Index™ (PMI™) posted 52.3 in July, down from 52.4 in June. The latest headline reading signalled a fourth consecutive month where the PMI printed above the 50.0 neutral threshold, to indicate a further improvement in the health of the sector. Moreover, private sector growth remained historically elevated at the start of the third quarter.

July data signalled an expansion in output for a fourth consecutive month. Growth in activity reportedly stemmed from strengthening demand conditions. In line with the aforementioned, order book volumes also increased for a fourth month running amid reports of a sustained COVID-19 recovery and pandemic policy easing.

To accommodate current and anticipated demand levels, Hong Kong SAR private sector firms increased their purchasing activity and inventories. July data also indicated

S&P Global Hong Kong PMI
sa, >50 = improvement since previous month



Source: S&P Global.
Data were collected 12-26 July 2022.

Comment

Laura Denman, Economist at S&P Global Market Intelligence, said:

"Hong Kong SAR's private sector continued to improve in July, according to latest PMI data from S&P Global. An acceleration in growth of both demand and activity was recorded in latest data which underpinned overall sector growth."

"A renewed downturn in employment levels was one less positive aspect from the latest survey. Interestingly, the cause of job shedding was not a result of firms but was instead often a voluntary action of workers. Firms are reportedly making salary adjustments in a bid to maintain and attract staff, but there were reports of difficulties finding candidates. Should labour shortages across Hong Kong SAR's private sector persist, this could limit the pace of the economic recovery."

PMI™

by S&P Global

an accumulation of backlogged work amid reports of higher orders.

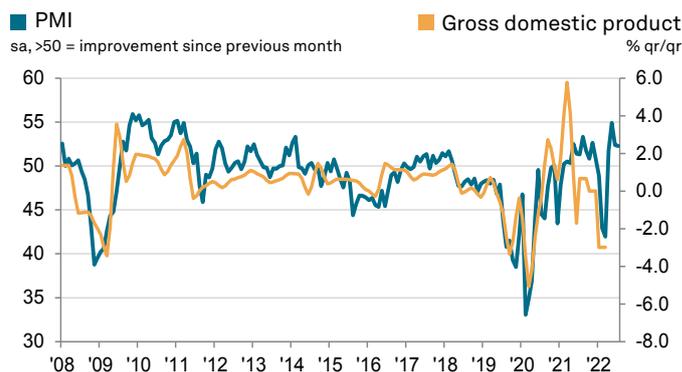
Foreign demand and new business from Mainland China recorded a second and fourteenth successive month of contraction, respectively. Anecdotal evidence suggested that the COVID-19 pandemic continued to dampen demand in Mainland China.

Despite rising output and demand, employment levels across Hong Kong SAR's private sector recorded a renewed downturn. Survey respondents reported voluntary resignations and general staff shortages.

Vendor performance deteriorated for the fifteenth month running amid reports of COVID-19 disruptions and shipping delays.

Turning to prices, overall input costs rose for a twenty-second consecutive month in July. Strong purchase price inflation as well as an acceleration in the rate of increase in staff expenditure led to the overall rise in input costs. Panellists frequently cited higher prices of raw materials and transport as well as adjusting salaries to maintain current staffing levels. Firms reportedly increased selling prices to reflect higher input costs, leading to a fifth consecutive month of output price inflation. That said, the rate of increase dipped to the slowest in the current sequence.

Finally, business sentiment among Hong Kong SAR's private sector firms turned positive in July. Hopes of sustained improvement following the pandemic and easing of COVID-19 restrictions in Mainland China drove optimism.



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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