News Release

Embargoed until 0830 HKT (0030 UTC) 3 August 2023

S&P Global Hong Kong SAR PMI™

Private sector contracts marginally in July

Key findings

New orders fall for the first time since 2022...

...leading to lower output at the start of third quarter

Price pressures worsen for Hong Kong SAR firms

S&P Global Hong Kong PMI

sa, >50 = improvement since previous month

Source: S&P Global PMI.
Data were collected 12-26 July 2023.

The Hong Kong SAR private sector slipped into contraction in July according to the latest PMI™ data from S&P Global. A renewed decline in overall new orders resulted in lower output over July. That said, the pace of business activity contraction was mild with new business from abroad and Mainland China remaining in growth. Firms were nevertheless cautious with input buying and the hiring of workers, particularly as the latest data signalled heightened price pressures. Overall optimism slipped to the weakest since last November.

The headline seasonally adjusted S&P Global Hong Kong SAR Purchasing Manager's Index™ (PMI™) - a composite single-figured indicator of performance – fell below the 50.0 no-change mark in July, signalling the first contraction in private sector activity in 2023 so far. The index declined from 50.3 in June to 49.4 in July to signal a moderate downturn at the start of the third quarter.

Weaker economic conditions resulted in a slowdown in new business over the latest survey period. In turn, business activity across Hong Kong SAR private sector shrank for the first time in seven months, with output falling the fastest within the manufacturing sector, according to sub-sector data. Overall, however, the pace of decline was marginal for both new orders and output, indicating only a slight easing of business activity.

In contrast, new business from abroad and Mainland China continued to grow over July, still supported by the resumption of normal travel conditions. Alongside tighter supply chains, as seen via a lengthening of lead times in July, this contributed to moderately higher levels of work outstanding for Hong Kong SAR companies.

A renewed deterioration in demand conditions nevertheless weighed on firms' confidence. Businesses optimism eased to the lowest level in eight months as hopes for sustained economic improvements were offset by some concerns over the outlook.

Comment

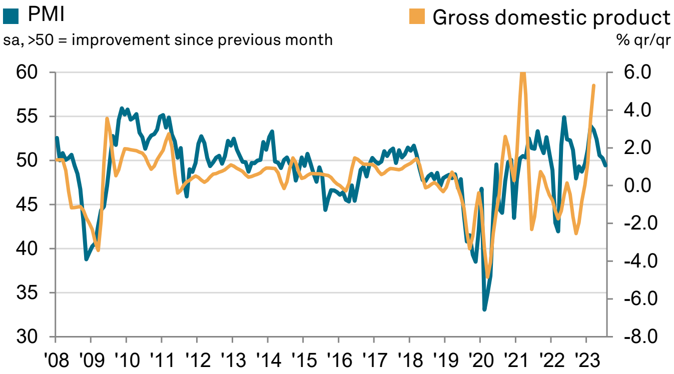
Jingyi Pan, Economics Associate Director at S&P Global Market Intelligence, said:

"The reopening boost for the Hong Kong SAR private sector appeared to have been exhausted into the second half of 2023. A renewed decline in new orders dragged business activity into contraction according to PMI data. That said, the rate of deterioration in business condition was mild, while demand from abroad and Mainland China remained in expansion, providing some support for Hong Kong SAR private sector activity.

"While overall new business levels decreased, it is worrying to also see a renewed aggravation of price pressures within the Hong Kong SAR private sector. This may further dampen business confidence and affect demand for Hong Kong SAR goods and services in the coming months."

Firms also lowered their purchasing activity at the fastest pace in just over a year to match the fall in new orders and activity. Although, inventory levels in Hong Kong SAR remained largely unchanged in July as a reduction in input buying occurred alongside the lower utilisation of inputs for order fulfilment.

Meanwhile Hong Kong SAR private sector firms faced greater cost pressures at the start of the second half of 2023. Overall input cost inflation rose to a marked level, underpinned by higher purchase costs and wages. These were attributed to higher raw material prices, transport costs and salary adjustments. Firms tended to share these additional cost burdens with their clients through a faster increase in output prices, with the rate of inflation ticking above the average seen over the past year.



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@ihsmarkit.com.

About S&P Global

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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. ihsmarkit.com/products/pmi.html.

PMI™

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