News Release

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S&P Global Hong Kong SAR PMI™

Private sector growth eases in June

Key findings

Output and new order growth slows in June

Purchase price inflation climbs to a five-month high

Pessimism returns amongst private sector firms

S&P Global Hong Kong PMI

sa, >50 = improvement since previous month

Source: S&P Global.

Data were collected 13-27 June 2022.

Hong Kong SAR's private sector expanded for a third consecutive month in June but at a slower rate, according to the latest S&P Global PMI data. Amid lingering COVID-19 disruptions, demand and output continued to expand but at softer rates, which in turn led to lower purchasing activity. In line with the aforementioned signs of slowdown and a further deterioration in vendor performance, the 12-month outlook for output declined. Despite this, employment levels rose for another month. Turning to prices, inflationary pressures persisted, largely driven by a faster rise in purchase prices, with firms continuing to partly share higher cost burdens with their clients.

The headline seasonally adjusted S&P Global Hong Kong SAR Purchasing Manager's Index™ (PMI™) - a composite single-figured indicator of performance - posted 52.4 in June, down from 54.9 in May. The latest headline reading signalled a third consecutive month in which the PMI has printed above the 50.0 neutral threshold, to indicate a further improvement in the health of the sector. That said, overall private sector growth eased from May.

June data indicated a third consecutive month of expansion in output amid looser pandemic restrictions. However, the rate of growth eased markedly from May amid reports of lingering COVID-19 impacts.

Contributing to the slower upturn in activity, order book volumes increased for a third successive month but at a slower rate than in May. Softer growth reportedly stemmed from the longer-term effects of COVID-19. The recent Omicron wave weighed negatively on both new business from Mainland China and abroad. June data recorded a renewed decline in foreign demand while firms recorded a thirteenth successive month of contraction in new orders from Mainland China.

Business sentiment among Hong Kong SAR private sector firms was negative in June following two months of optimism.

Comment

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

"Hong Kong SAR's private sector growth eased in June, as order book volumes and business activity only recorded moderate increases. Concurrently, overseas demand and business from Mainland China contracted indicating that overall demand is currently being upheld by domestic orders. Business confidence was negative and purchasing activity decreased amid heightened uncertainty in the outlook.

"Anecdotal evidence primarily listed the recent Omicron wave and the lingering impacts of COVID-19 as the driving forces behind slower private sector growth. Should the pandemic continue to stabilise and restrictions ease, we could hope to see growth momentum across Hong Kong SAR's private sector rebound. That said, downside risks to growth, including inflationary pressure driven by purchased items, remain."

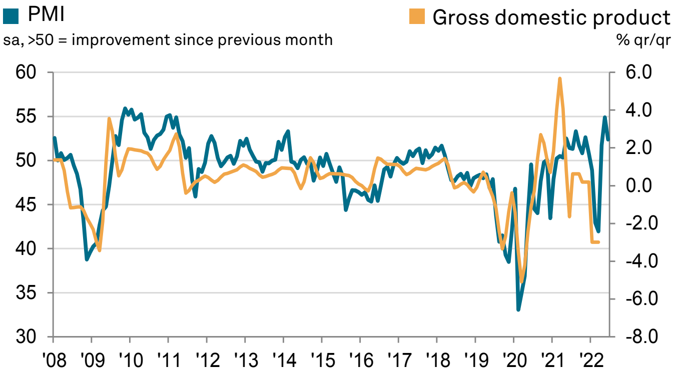
PMI™ by S&P Global

The recent Omicron wave reportedly dampened confidence and drove uncertainty at customers and across Hong Kong SAR's private sector. Nonetheless, firms continued to raise their workforce numbers at the end of the second quarter as the level of outstanding business expanded for a third month running.

The effects of COVID-19 also continued to impact vendor performance, according to surveyed firms. June data signalled a fourteenth consecutive month in which delivery times lengthened. That said, the extent to which supplier performance deteriorated was the least marked in five months.

Despite less severe supplier delays, softer new order growth led firms to cut back on input buying midway through 2022. Many firms noted efforts to run-down current holdings of inputs and semi-finished items, with stocks of purchases rising only fractionally.

On the price front, overall input costs rose again in June, extending the current sequence of inflation to 21 months. That said, the rate of increase eased to a 15-month low. A faster and sharp rise in purchase prices, attributed to greater raw material and transport costs, and upticks in staff expenses were noted as key factors behind increased cost burdens. As a result, private sector firms continued to partly pass on costs to clients, leading to a quicker rise in output charges.



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.

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.