

News Release

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S&P Global Hong Kong SAR PMI[®]

Business activity falls at softer pace in August

Key findings

New order contraction eases as growth in export orders renews

Stocks of purchases decline for first time in seven months

Price pressures intensify

The Hong Kong SAR private sector continued to contract marginally midway through the third quarter of 2024. Incoming new business and output both declined, but at softer rates than in July. This was while new business from Mainland China and abroad both rose.

Despite some signs of the downturn easing, sentiment remained subdued. Firms also lowered their staffing levels and inventory holdings amidst falling demand. Meanwhile, price pressures intensified, with both input cost and output price inflation climbing in the latest survey period.

The headline seasonally adjusted S&P Global Hong Kong SAR Purchasing Manager's Index™ (PMI[®]) – a composite single-figured indicator of performance – posted 49.4 in August, down from 49.5 in July. The latest reading signalled a fourth successive monthly deterioration in business conditions. The rate of decline was little changed from the past three months, however, remaining marginal in nature.

Business activity in the Hong Kong SAR private sector fell modestly as new orders contracted again in August. Subdued market conditions and reduced spending at clients dampened demand, with firms in the manufacturing sector experiencing the sharpest downturn. That said, the rates of contraction for both output and new orders eased in August. Moreover, new business inflows from Mainland China and abroad both increased in the latest survey period, with the latter rising for the first time since last October.

While the downturn in new orders eased amid rising export business, sentiment among Hong Kong SAR private sector firms remained pessimistic. Firms indicated concerns over the impact of heightening competition and uncertainty regarding the economic outlook.

The reduction in overall new orders also led to a depletion of backlogged work. The rate of decline was solid and the fastest in nearly two-and-a-half years as firms worked through their existing orders. Employment levels fell in tandem for a fourth

S&P Global Hong Kong PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-27 August 2024.

Comment

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

“August PMI data showed that business conditions remained relatively subdued in the Hong Kong SAR private sector. That said, signs of a turnaround are starting to show with the downturn in new orders easing for a second successive month, while improving tourism activity supported a rise in export business for the first time in ten months.”

“A renewed rise in overall new business inflows will be key to support growth towards the end of the year as business sentiment, purchasing and employment levels all remained depressed in August.”

“Furthermore, price trends will need to be monitored. Input price inflation rose to the series long-run average level in August, driving an uplift in selling price inflation. With client spending already under pressure, according to anecdotal evidence, further price increases may erode near-term demand.”

PMI[®]

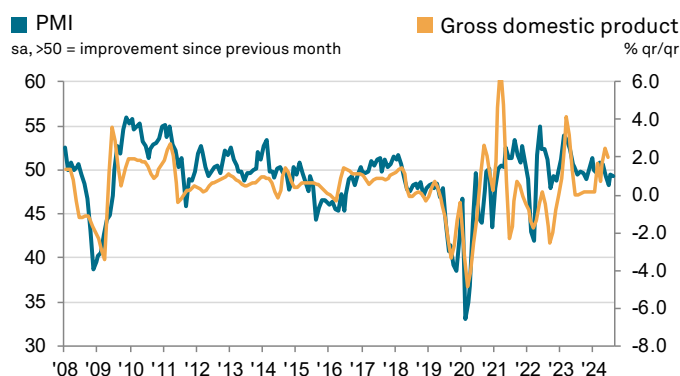
by S&P Global

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straight month, with Hong Kong SAR firms seeing little need to replace job leavers as capacity pressures eased.

Purchasing levels meanwhile slipped for the first time since April, which resulted in the first depletion of stocks of purchases in seven months. Anecdotal evidence suggested that Hong Kong SAR firms were reluctant to hold additional input stocks during a period of falling demand.

Turning to prices, average input costs increased again across Hong Kong SAR. The rate of input cost inflation was the highest in six months, matching the long-run survey average. While supply conditions were broadly unchanged in August, rising raw material prices drove a renewed increase in purchase prices, which combined with rising wages to drive overall business costs higher. Hong Kong SAR firms thereby opted to share their cost burdens with clients. Selling prices increased at the fastest pace in five months, with manufacturers raising charges to the strongest degree.



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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