

News Release

Embargoed until 0830 HKT (0030 UTC) 3 March 2023

S&P Global Hong Kong SAR PMI™

Private sector expansion accelerates in February

Key findings

Demand growth accelerates amid record rise in foreign orders

Lead times shorten most rapidly since 1999

Business confidence at fresh series high

The expansion of Hong Kong SAR's private sector picked up midway through the first quarter, with companies reaping the benefits of easing COVID-19 restrictions. Higher demand boosted private sector output and led to increased hiring and buying activity in February. Meanwhile supply constraints eased as suppliers' delivery times shortened while overall input cost inflation softened. Amidst the improvement in business activity, business confidence rose to a record level.

The headline seasonally adjusted S&P Global Hong Kong SAR *Purchasing Manager's Index™ (PMI™)* - a composite single-figured indicator of performance - posted 53.9 in February, up from 51.2 in January. This marked a second consecutive month of private sector expansion and at the most rapid pace since last May.

The relaxation of COVID-19 measures across Mainland China and Hong Kong SAR around the turn of the year, coupled with the minimisation of virus disruptions, supported another rapid expansion in new orders for goods and services from Hong Kong SAR. The rate at which new orders increased was the fastest since January 2011, buoyed by a record expansion in international demand. The volume of new orders from Mainland China also climbed at one of the quickest rates in the survey history.

In turn, this supported a rapid expansion in private sector output, the quickest in 12 years. According to sub-sector data, Consumer Services activity rose the fastest amongst the sectors tracked. The acceleration in new order growth also led to an accumulation of backlogged work even as supply constraints eased, which was evident via the fastest improvement in suppliers' delivery times in 24 years.

Employment levels were further raised in the Hong Kong SAR private sector and at the fastest pace in eight months. Survey respondents reflected that they expanded their workforce capacity both to cope with the ongoing growth in activity and in anticipation of future expansion in output.

S&P Global Hong Kong PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 10-23 February 2023.

Comment

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

"The latest S&P Global Hong Kong SAR PMI revealed that the expansion of the Hong Kong SAR private sector gained momentum deeper into the year. Stronger demand conditions, including external demand, backed the rapid growth in private sector activity in February, which was a positive sign. This contrasted greatly with the start of 2022 where PMI data showed export orders shrinking at strong rates through the first quarter of the year.

"At the same time, supply issues have improved greatly stemming from the easing of pandemic restrictions. Suppliers' delivery times notably shortened at the fastest pace in over two decades, which bodes well for activity growth in the near-term.

"Furthermore, the Future Output Index, the only sentiment indicator, pointed to a record level of business confidence amongst Hong Kong SAR private sector firms, signalling the likelihood for continued improvements in business conditions in the near term."

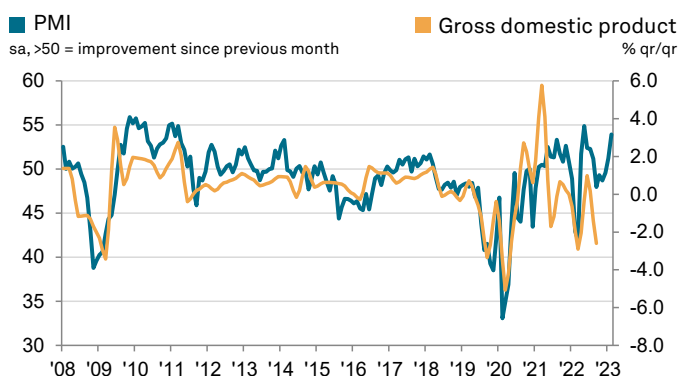
PMI™

by S&P Global

Concurrently, buying activity also increased in line with the rise in the volume of new orders, which led to faster inventory accumulation at Hong Kong SAR private sector firms.

Meanwhile, price pressures eased in the Hong Kong SAR private sector. Overall input prices continued to increase in February but at the slowest pace since last October. While purchase prices increased at a faster rate on the back of higher raw material and transportation costs, wage inflation eased, supporting the latest slowdown in overall cost inflation. As a result, businesses passed on their cost burdens at a more modest pace. That said, both the overall input cost inflation and output price inflation remained at levels above their respective averages.

Finally, sentiment in the Hong Kong SAR private sector stayed positive midway through the first quarter with firms holding hopes for better economic conditions and sales ahead. The level of business confidence notably soared to the strongest since the series began in April 2012, reflecting improved views on business activity in the next 12 months.



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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