News Release

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S&P Global Hong Kong SAR PMI™

Private sector expansion tapers in June

Key findings

New orders rise at slowest rate in the year-to-date

Purchase price inflation slowest in 33 months

Business optimism rises to strongest in the quarter

S&P Global Hong Kong PMI

sa, >50 = improvement since previous month

Source: S&P Global PMI.
Data were collected 12-27 June 2023.

The Hong Kong SAR private sector remained in expansion in June, albeit growing at the weakest pace in the current six-month sequence of increase, according to the latest PMI™ data from S&P Global. Further new orders growth nevertheless kept activity on the rise while business confidence also improved. That said, employment levels declined fractionally and inventory levels fell due to softer demand. Price pressures receded, reflecting weaker purchasing activity, with average charges also increasing at a slower pace.

The headline seasonally adjusted S&P Global Hong Kong SAR Purchasing Manager's Index™ (PMI™) - a composite single-figured indicator of performance – remained above the 50.0 no-change mark for the sixth straight month in June, signalling improvements in business conditions in the Hong Kong SAR private sector throughout the first half of 2023. The index fell from 50.6 in May to 50.3 in June, however, to indicate the weakest upturn in the aforementioned sequence of growth.

A slower rise in overall new orders was recorded in June, with a softer uptick in client demand and some reports of higher tourism activity leading to only a marginal rise in new business. Rates of expansion in new orders from abroad and Mainland China also decelerated and were the softest since January. That said, the pace at which incoming new orders from Mainland China increased was solid overall, and continued to be supported by the resumption of normal travel between Hong Kong SAR and Mainland China.

Nonetheless, as a result of the sustained increase in new orders, business activity rose further and was the most pronounced in the construction sector. The services sub-sector also signalled output growth in June, with the upturn led by the consumer services segment.

A renewal of backlog accumulation was recorded in June, underpinned by another rise in new orders and supply

Comment

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

"June's PMI data indicated that Hong Kong SAR private sector growth continued to lose momentum at the end of the second quarter. New orders, including from Mainland China, remained in expansion territory but saw the rates of increases ease in June.

"While softer demand for inputs saw cost pressures ease for firms, some reports of customer hesitancy impacted pricing power, with charges rising at the slowest rate in six months.

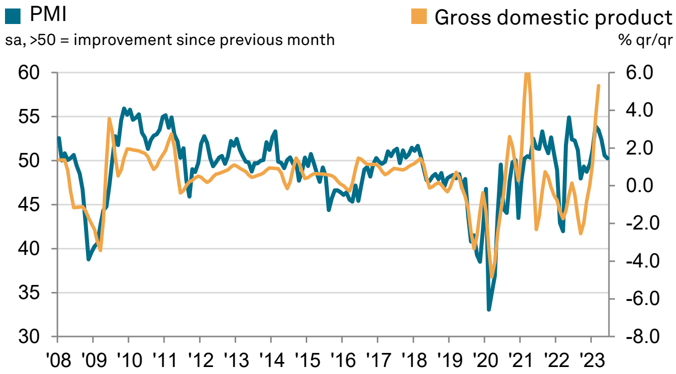
"Overall sentiment within the private sector nevertheless stayed positive, with the level of business confidence climbing to the highest since March. Firms remain hopeful of sustained demand conditions and further boosts to new sales."

delays, as lead times lengthened marginally for Hong Kong SAR firms for a second straight month. That said, companies reduced their workforce numbers again. At the sub-sector level, job shedding was concentrated in the manufacturing and wholesale & retail segments.

Meanwhile, purchasing activity expanded. The rate of growth decelerated, however, amid softer demand conditions. In turn, stocks of purchases declined at one of the fastest paces in over a year, as firms noted a reduced need to replenish inventories.

The rise in new orders nevertheless buoyed business, with firms signalling improved optimism over the latest survey period. Confidence levels climbed to the highest since March, with survey panellists expressing hopes that the upturn in economic conditions will persist and help to drive sales in the next 12 months.

On the price front, cost pressures continued to ease within Hong Kong SAR in June. Overall input cost inflation eased to the joint-slowest rate in a year. Softer hikes in business expenses were attributed primarily to stagnating purchase price inflation, as wage inflation accelerated from May. As a result of easing cost inflation and amid softer demand conditions which reportedly eroded pricing powers, Hong Kong SAR private sector firms raised their charges to clients at the slowest rate in the year-to-date.



Sources: S&P Global PMI, HKSAR Census and Statistics Department via S&P Global Market Intelligence.

Contact

Jingyi Pan
Economics Associate Director
S&P Global Market Intelligence
T: +65-6439-6022
jingyi.pan@spglobal.com

SungHa Park
Corporate Communications
S&P Global Market Intelligence
T: +82-2-6001-3128
sungha.park@spglobal.com

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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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.

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