

News Release

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S&P Global Hong Kong SAR PMI™

Private sector expands at fastest pace since 2011

Key findings

Output and new order growth accelerate in May...

...driving hiring and purchasing activity expansions

Supply constraints ease with lower price inflation

Hong Kong SAR's private sector expanded for a second straight month in May, according to the latest S&P Global PMI™ data. New orders and business activity improved at faster rates amid reduced COVID-19 disruptions which led to renewed hiring and purchasing activity growth. Concurrently, lead times lengthened at softer rates while price pressures also eased. Backlogged work meanwhile continued to accumulate. Overall business sentiment stayed positive in May.

The headline seasonally adjusted S&P Global Hong Kong SAR Purchasing Manager's Index™ (PMI™) posted above the 50.0 neutral threshold at 54.9 in May, up from 51.7 in April, to signal an expansion of the private sector. This marked a second consecutive month in which the private sector expanded, with the rate of growth being the sharpest since March 2011.

Growth of private sector demand and output accelerated midway into the second quarter, supported by the stabilisation of COVID-19 conditions and easing of restrictions. According to panellists, the distribution of consumption vouchers previously also contributed to boosting business activity in Hong Kong SAR.

Foreign demand likewise rose and for the first time in five months as the virus disruptions receded. However, new business from Mainland China continued to be affected by COVID-19 mobility restrictions.

The improvement in overall new orders nevertheless drove an expansion of workforce numbers in May. Quantity of purchases in the Hong Kong SAR private sector also saw renewed growth after four months of contraction, which led to higher inventory levels.

Meanwhile suppliers' delivery times lengthened in May, aggravated by the COVID-19 disruptions in Mainland China, shipping and manpower constraints. That said, the rate at which vendor performance deteriorated slowed from April.

S&P Global Hong Kong PMI

sa, >50 = improvement since previous month



Source: S&P Global.
Data were collected 12-26 May 2022.

Comment

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

"The Hong Kong SAR private sector growth accelerated in May, benefitting from the easing of COVID-19 disruptions. Demand and output both expanded at strong rates, triggering the renewal of hiring and purchasing activity growth. Foreign demand likewise rose, though demand from Mainland China remained under pressure."

"Despite the unleashing of pent-up demand with the easing of virus restrictions, price and supply pressures showed no signs of worsening, which had been a positive sign. This continues to suggest that the Hong Kong SAR economy is recovering strongly into the second quarter."

"Overall sentiment in Hong Kong SAR remained positive with the latest developments boding well for further improvements in business conditions."

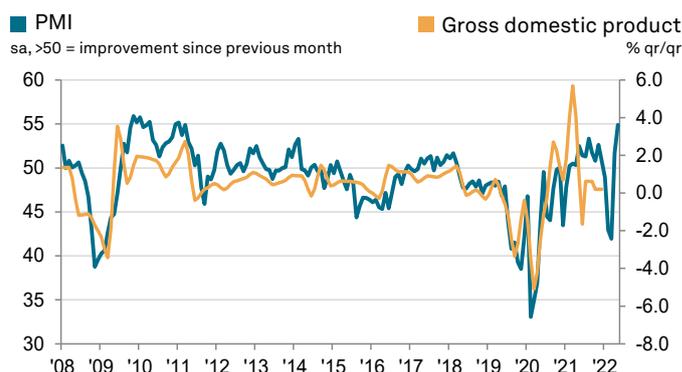
PMI™

by S&P Global

Backlogged work continued to accumulate in May and at the fastest rate since December 2021. According to survey respondents, both supply constraints and demand growth led to the increase in work outstanding.

On prices, overall input prices continued to climb in May, attributed to both higher purchase prices and wages. Anecdotal evidence suggested that higher raw material and transport costs led to the swelling of purchase costs. Wages meanwhile increased as private sector firms adjusted salaries for reasons such as to account for inflation. As a result, private sector firms continued to share these cost burdens with their clients. The rate of both input cost and output price inflation declined, however.

Overall sentiment in the Hong Kong SAR private sector remained positive in May, though the level of business confidence eased. Survey respondents were generally hopeful that demand will improve as COVID-19 disruptions ease.



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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