

News Release

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S&P Global Hong Kong SAR PMI[®]

Output growth momentum further fades

Key findings

New business expansion decelerates amid lower exports

Job shedding renews in December

Selling prices decline at fastest pace in close to four years

Business conditions in the Hong Kong SAR private sector improved in December, albeit at a reduced pace compared to November. New business growth softened as demand from Mainland China and abroad both eased, resulting in slower output growth. Firms also remained pessimistic and opted to lower staffing levels, but continued to acquire and store more input products. Meanwhile, caution with regards to pricing led to the quickest fall in average selling prices since February 2021, despite a further increase in costs.

The headline seasonally adjusted S&P Global Hong Kong SAR Purchasing Manager's Index™ (PMI[®]) – a composite single-figured indicator of performance – posted 51.1 in December, down from 51.2 in November. The latest reading signalled that business conditions improved for a third successive month, though at the softest pace in the current sequence.

The latest fall in the headline PMI was attributed to lower readings across measures of output, new orders, employment and stocks of purchases.

Incoming new orders rose at the slowest pace in the ongoing three-month sequence as new business from abroad and Mainland China both declined modestly. Anecdotal evidence suggested that subdued external conditions and concerns over the impact of potential US tariffs dampened export demand.

Improving domestic client interests and customer bases nonetheless supported greater inflows in new work, which spurred a third monthly (albeit marginal) increase in business activity. Firms in the wholesale & retail segment reported the most pronounced rise in activity.

Pessimism among Hong Kong SAR private sector firms was sustained in December, despite easing since November. Concerns mainly centred on the prospect for sales amid rising competition and potential trade barriers. Consequent of the negative outlook for sales, employment levels declined for the seventh time in 2024. The slight reduction in

S&P Global Hong Kong PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 05-18 December 2024.

Comment

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

“The latest S&P Global Hong Kong SAR PMI indicated that growth was sustained at the end of 2024. The fourth quarter average for the Output Index was the highest seen since Q2 2023, suggesting that economic growth improved compared to the past few quarters. That said, the pace of growth waned in December, with forward-looking indicators signalling that this deceleration may continue at the start of 2025.”

“Subdued external demand was a key dampener for growth in the closing month of 2024, with firms highlighting concerns over the prospects for trade with the potential for US tariffs. This may remain a key driver of sentiment and economic conditions in the new year.”

“Meanwhile, margin pressures rose with firms absorbing cost increases and even lowering selling prices in a bid to support sales. This was most pertinent for the wholesale & retail segment in December.”

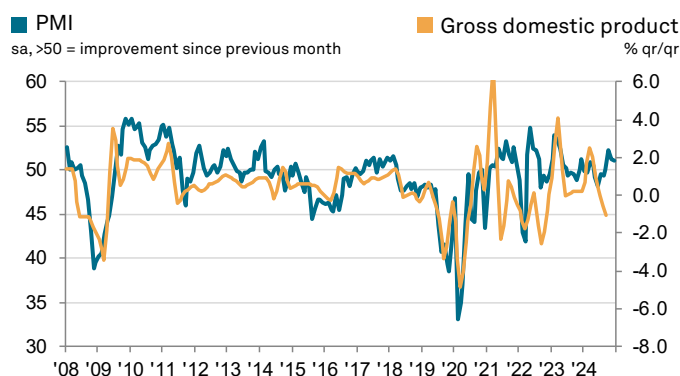
PMI[®]

by S&P Global

jobs followed a brief rise in November and was the fastest in three months. This was despite a slight increase in capacity pressures as the level of backlogged work rose for the second month running.

Purchasing activity expanded again in December, maintaining the solid pace of growth from November, as firms acquired additional inputs to support higher business activity. An increase in product replenishment contributed to another expansion in stocks of purchases. The rate of accumulation eased from November, however, and was partially affected by supply delays. Indeed, lead times lengthened at the quickest pace in two-and-a-half years. Anecdotal evidence suggested this was due to rising input demand and weather disruptions.

Finally, average input prices increased further in December, though at the softest pace in nearly four years. Higher purchase price inflation, attributed to rising raw material costs, was the main contributor to increased input prices, while staff costs stabilised after rising for the past 32 months. The rate of purchase price inflation rose to its highest in 15 months and was above-average. Rather than sharing the additional cost burdens with clients, Hong Kong SAR firms lowered selling prices for the first time in seven months with the intent to support sales.



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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