

News Release

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S&P Global Hong Kong SAR PMI™

Mild contraction in conditions at end of third quarter

Key findings

New orders and output shrink at faster rates

Workforce expansion renews in September

Price pressures ease for Hong Kong SAR firms

The Hong Kong SAR private sector contracted for a third straight month in September, according to the latest PMI™ data from S&P Global. A deterioration in demand conditions, including foreign demand, led to reduced output and further pessimism among private sector firms. Purchasing activity also decreased as a result, while price pressures eased. In contrast, employment levels rose in response to labour constraints that also led to renewed backlog accumulation.

The headline seasonally adjusted S&P Global Hong Kong SAR Purchasing Manager's Index™ (PMI™) - a composite single-figured indicator of performance - fell to 49.6 in September from 49.8 in August. Posting below the 50.0 no-change mark for a third straight month, the index signalled a continued deterioration in private sector conditions, albeit only fractionally.

Central to the latest downturn in conditions was a sustained decline in new orders. Incoming new business fell for a third consecutive month, concluding the third quarter of 2023 with the sharpest drop since a year ago. New business from abroad and mainland China similarly deteriorated. Anecdotal evidence suggested that worsening domestic and external conditions, increased competition and severe weather conditions in September negatively affected client demand.

Consequently, private sector business activity shrank again in September. Sub-sector data revealed that output declined the quickest within the manufacturing sector.

Despite incoming new orders falling solidly, the accumulation of backlogged work renewed in the latest survey period, albeit only marginally. This was attributed to supply delays and labour shortages according to survey panellists. Indeed, lead times lengthened at a faster rate in September owing to floods from Typhoon Saola. In response to staffing constraints, firms started to raise their employment levels again.

Purchasing activity lowered in September and at the fastest

S&P Global Hong Kong PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-26 September 2023.

Comment

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

“September’s PMI data revealed that operating conditions within Hong Kong SAR’s private sector continued to weaken at the end of the third quarter, albeit only marginally. To some extent, this was attributed to Typhoon Saola’s disruptions, though a sharper decline in new orders further outlined wider demand issues.

“Input cost inflation fell to signal easing cost pressures for Hong Kong SAR private sector firms, which was a positive sign. That said, there were indications of a reacceleration in the rate of purchase price increases, attributed to raw material and transport costs. This could lead to further worsening of confidence if sustained, as pessimism about output in the year ahead extended into the end of Q3.”

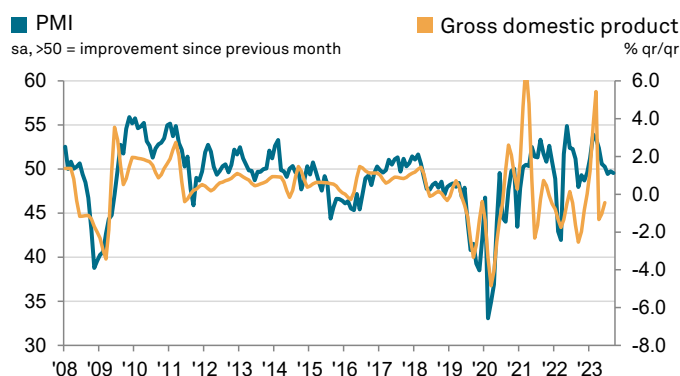
PMI™

by S&P Global

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pace since April 2022 as firms received fewer new orders. As a result, inventory levels increased only marginally. Private sector firms were also broadly cautious with their purchases amid sustained pessimism over the outlook for business activity in the coming 12 months. Concerns over heightened competition, elevated costs and weakening economic conditions affected business confidence.

Finally, average input prices continued to climb in September as higher raw material, transport and labour costs contributed to sustained cost inflation. Firms thereby opted to pass on some of these rising prices to their clients. Although the rates of input cost and output price inflation remained above their respective series averages, they both eased from August to indicate falling price pressures.



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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