News Release

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S&P Global Hong Kong SAR PMI®

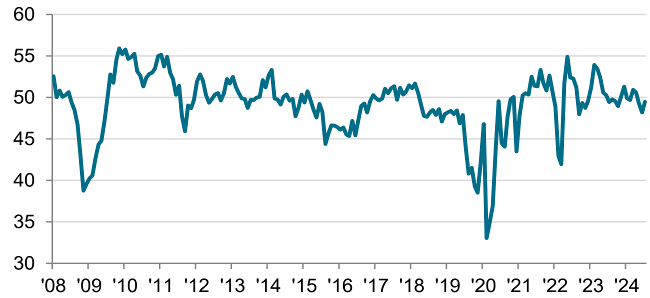
Downturn of business conditions ease

Key findings

Incoming new orders and output fall at slower rates

Average input prices rise at slowest pace since January 2021

Business sentiment deteriorates in July



Source: S&P Global PMI.
Data were collected 11-26 July 2024.

The Hong Kong SAR private sector remained in contraction at the start of the second half of 2024, albeit with the pace of decline easing from June. Incoming new orders and output continued to fall, but at softer rates. New export orders also decreased, while new business from Mainland China returned to growth. Meanwhile employment levels declined again just as pessimism among private sector firms intensified.

Turning to prices, output charges increased at a faster pace in July. This was despite average input costs rising at the slowest pace in three-and-a-half years.

The headline seasonally adjusted S&P Global Hong Kong SAR Purchasing Manager's Index™ (PMI®) – a composite single-figured indicator of performance – rose to 49.5 in July, up from 48.2 in June. Posting below the 50.0 neutral mark for a third successive month, however, the latest reading signalled a sustained deterioration in business conditions. The contraction was slower than in June and only marginal.

Private sector output declined for a third consecutive month in July, as subdued market conditions and rising competition affected Hong Kong SAR private sector firms. Sub-sector data further showed that output fell the quickest in the manufacturing sector. That said, the pace at which overall business activity contracted eased from June, which was the fastest for over two years, to a marginal rate. This was in tandem with a softer reduction in new orders.

New business from abroad also shrank at a slower and only marginal rate in July, while new business from Mainland China rose for the first time in a year. Improvements for the latter were attributed to business development efforts bearing fruit according to panellists.

On the back of a slowdown in new order inflows, the volume of backlogged work decreased in July. Employment levels also fell with lower capacity pressures, though this was underpinned mainly by the non-replacement of job leavers rather than redundancies according to anecdotal evidence.

Comment

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

"The Hong Kong SAR PMI indicated that business conditions remained subdued, but the downturn has started to lighten at the start of the second half of 2024. Specifically, this is with incoming new orders and output falling at slower and only marginal rates in the latest survey period.

"Concurrently, margin pressures have eased for Hong Kong SAR firms as average input costs rose at the slowest pace since early 2021, while firms also signalled increasing willingness to raise selling prices in July. The difference in selling price and input cost inflation rates was at the smallest in four months.

"Overall sentiment remained downbeat in July, though the level of pessimism remained less pronounced than the series average, and firms have kept purchasing activity in expansion with the anticipation of future needs. It will be important to see a turnaround in demand conditions to rejuvenate growth across measures of activity and employment."

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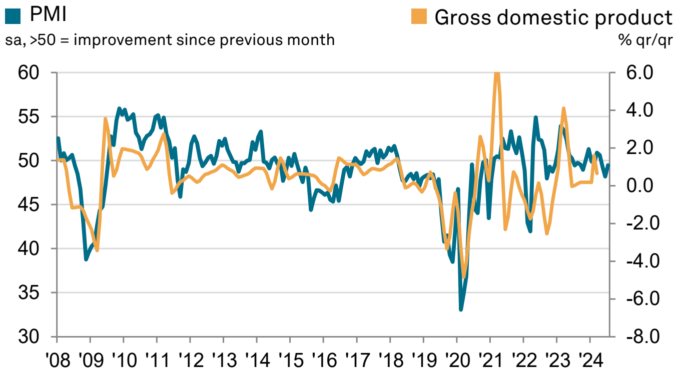
Overall sentiment in the Hong Kong private sector remained pessimistic in July, lengthening the period of downbeat assessments to a year. Firms cited rising competition and uncertainty in the economic outlook as reasons for forecasts of lower output in the year ahead. That said, some companies continued to view their demand prospects favourably, and raised their purchasing activity and inventory holdings in July.

Average input prices meanwhile continued to rise in July, but the rate of inflation eased to the slowest in three-and-a-half years. On the one hand, purchase costs fell for the third time in four months with raw material costs falling amid a lack of supply pressure – lead times were unchanged in July. On the other hand, staff costs increased at a rate that was modest and the slowest in six months.

Hong Kong SAR private sector firms nevertheless opted to raise selling prices at a faster rate in July, sharing their increased cost burdens with clients. The rate of selling price inflation, while lower than that of input costs, was above the series average in the latest survey period.



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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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. spglobal.com/marketintelligence/en/mi/products/pmi

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