

## IHS Markit Hong Kong PMI™

### November PMI signals steepest private sector downturn since SARS crisis

#### Key findings

Sharpest decline in business activity in survey history

Fall in new business the sharpest since November 2008

Business confidence remains close to record low

November PMI data showed Hong Kong's private sector economy stuck in the most severe downturn since the SARS epidemic in early-2003. Business activity plunged at a survey-record rate, accompanied by the steepest decline in new sales for 11 years. Employment fell amid a further sharp decline in backlogs of work while firms continued to make deep cuts to input purchases and inventories during the month. As a result, business confidence remained at one of the lowest levels since sentiment data were first collected in 2012.

The seasonally adjusted headline IHS Markit Hong Kong Purchasing Manager's Index™ (PMI™) fell from 39.3 in October to 38.5 in November, signalling the worst deterioration in the health of the private sector since April 2003. The average PMI reading (38.9) for October and November combined indicates the economy is on course for its weakest quarter since the survey's inception over 21 years ago.

The headline PMI is a composite single-figure indicator of economic performance derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the economy.

Political unrest continued to disrupt the functioning of businesses, according to survey respondents. Business activity fell at the steepest pace in the survey's history during November.

Overall demand for Hong Kong goods and services deteriorated further in the middle of the fourth quarter. Inflows of new business fell at the fastest rate since November 2008, with panel members attributing worsening demand conditions to ongoing protests and trade tensions. New orders from mainland China shrank for a nineteenth straight month in November and at one of the quickest rates since data on this variable were first

*continued...*

Hong Kong PMI  
sa, >50 = improvement since previous month



Source: IHS Markit.

#### Comment

Commenting on the latest survey results, Bernard Aw, Principal Economist at IHS Markit, said:

*"November PMI data indicated that Hong Kong's private sector suffered its worst downturn since the 2003 SARS crisis, with the latest survey indicators painting a picture of gloom for the Special Administrative Region."*

*"The average PMI reading for October and November combined showed the economy on track to see GDP fall by over 5% in the fourth quarter, unless December brings a dramatic recovery."*

*"The survey showed that the escalating political unrest saw business activity shrinking at the steepest rate since the survey started in July 1998. This occurred concurrently with the sharpest decline in new sales since the depths of the global financial crisis."*

*"The business outlook unsurprisingly remained gloomy, with confidence still stuck among the lowest levels seen in the survey history. In a further sign of pessimism, firms continued to make deep cuts to purchasing activity and inventories, reducing both at a survey-record pace."*

available in March 2005. As a result of weak sales, backlogs of work continued to fall and at a marked pace which, in turn, dampened hiring. Employment declined in November, albeit marginally.

Amid a political crisis and weak global trade conditions, companies remained pessimistic about the business outlook in the year ahead. The Future Output Index, a measure of business sentiment, remained among the lowest recorded in the series history, with a large proportion of survey participants expecting lower business activity in one year's time, citing political protests as a main reason.

In a further sign of pessimism, companies continued to scale back their purchasing activity and input inventories in November, reducing both at a survey-record rate. Despite subdued appetite for inputs, delivery times lengthened for the first time in three months during November. Anecdotal evidence suggested that deliveries were hampered by protest-related roadblocks.

Finally, overall input costs fell in November, dragged down by the first decline in staff costs for over three years. Purchasing costs meanwhile dropped sharply, falling at the steepest rate since the start of 2009. Consistent with lower cost burdens, firms discounted selling prices for a fifth month in a row during November.



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### Methodology

The IHS Markit Hong Kong SAR PMI™ is compiled by IHS Markit 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. Hong Kong is a Special Administrative Region of China.

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.

November 2019 data were collected 12-26 November 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.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. To learn more go to [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).