

# IHS Markit Hong Kong SAR PMI™

## Private sector growth slows in December

### Key findings

Demand and output growth slow...

...as price pressures rise

Business confidence improves among private sector firms

Data were collected 6-20 December 2021.

Growth of Hong Kong SAR's private sector decelerated in December, according to the latest IHS Markit PMI™ data. The rates of expansion of both new orders and output eased, which led to slower buying activity growth while job shedding accelerated in December. Supply constraints persisted with worsening vendor performance and rising price pressures contributing to an increase in backlogged work. Overall business sentiment nevertheless improved in December with hopes of continued economic recovery.

The headline seasonally adjusted IHS Markit Hong Kong SAR Purchasing Manager's Index™ (PMI™) posted 50.8 in December, down from 52.6 in November. This represented an eleventh successive month in which the Hong Kong SAR private sector expanded, though the rate of improvement eased to a two-month low.

Both demand and output extended growth in the final month of 2021 but saw their pace of expansion fall to a two-month low. While improving economic conditions broadly led to increased business activity, some firms reported to have been affected by lingering COVID-19 impacts.

Foreign demand however saw an improvement for the first time since May amid better external conditions, though the same may not be said for demand from Mainland China with new orders from there continuing to decline.

Amid the sustained increase in demand and output, Hong Kong SAR private sector firms lifted their level of purchasing activity, which led to higher stocks of purchases. Anecdotal evidence suggested that some firms also increased their buying levels for safety stock building amid shortages and delays.

Indeed, suppliers' delivery times continued to lengthen for the eighth straight month in December, though the rate of increase

continued...

Hong Kong SAR PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

Commenting on the latest survey results, Jingyi Pan, Economics Associate Director at IHS Markit, said:

*“Growth momentum slowed for Hong Kong SAR’s private sector in December with expansions in both demand and output easing even as the COVID-19 situation remained well under control. External demand however improved, which had been a positive sign.*

*“Meanwhile issues of supply constraints persisted. While suppliers’ delivery times lengthened only at a marginal rate, overall input cost and output price inflation accelerated, reflecting the price pressures building in Hong Kong SAR. These trends will be worth watching into 2022.*

*“That said, overall business confidence improved into the end of year with business confidence amongst Hong Kong SAR private sector firms jumping to a four-month high. IHS Markit forecasts for Hong Kong SAR’s GDP to expand by 3.2% in 2022 following a 6.6% rise this year.”*

was marginal. Shipping delays and shortages of raw materials were cited as reasons contributing to the increase in lead times.

Meanwhile, employment levels continued to fall despite higher output recorded in December, with resignations accounting for the drop according to panellists. Alongside the aforementioned supply constraints, lower staffing levels led to backlogged work rising at the fastest rate in four months in December.

Price pressures continued to rise in the Hong Kong SAR private sector. Overall input price inflation accelerated to the fastest in three months with both purchase costs and wages climbing in December. Higher raw material and transportation costs were listed as some of the items contributing to the hike in purchase costs. As a result, private sector firms continued to share these cost burdens with their clients and at the fastest rate in four months.

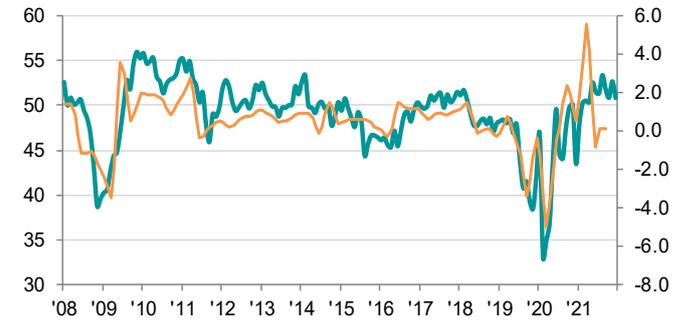
Overall business confidence improved in December despite a softer expansion of the Hong Kong SAR private sector and increased price pressures. Survey respondents were generally hopeful that economic conditions will continue to improve with the COVID-19 situation under control.

PMI headline index

sa, >50 = improvement since previous month

GDP growth

% q/q



Sources: IHS Markit, HKSAR Census and Statistics Department.

Contact

Jingyi Pan  
Economics Associate Director  
IHS Markit  
T: +65 6439 6022  
[jingyi.pan@ihsmarkit.com](mailto:jingyi.pan@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
IHS Markit  
T: +44 207 260 2234  
[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

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.

December 2021 data were collected 6-20 December 2021.

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.

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