

IHS Markit Hong Kong SAR PMI™

Private sector growth momentum eases in June

Key findings

Production and new orders rise at softer rates

Wage inflation accelerates amid lower staffing levels

Optimism among private sector firms sustained

Data were collected 11-25 June 2021.

The pace of expansion of Hong Kong SAR's private sector eased in June. Both demand and output increased for the third month running, but rates of growth softened from May, when the private sector had benefitted from the further easing of COVID-19 restrictions. Price pressures meanwhile sustained, particularly for wage inflation which accelerated in the month. This was amid lower employment levels. Firms generally remained optimistic on future output in June.

The headline seasonally adjusted IHS Markit Hong Kong SAR Purchasing Manager's Index™ (PMI™) posted 51.4 in June following a reading of 52.5 in May. This represented the fifth successive month in which the Hong Kong SAR private sector registered better business conditions. The rate of expansion softened from the previous month, however.

Contributing to the lower headline PMI reading were dips in both the Output and New Orders indices. Although production and demand remained in growth territory, rates of expansion slowed from the more than three-year highs seen in May. Businesses generally reported continued improvement in economic conditions as the COVID-19 pandemic situation stabilised in Hong Kong SAR.

Foreign demand meanwhile fell in June amid reports of a resurgence in COVID-19 cases in countries where overseas customers were situated, leading to lower demand. This included new business inflows from China, which were once again lower in June after briefly rising in May.

As a result of the softer demand and production growth, Hong Kong SAR private sector firms grew more cautious with their purchasing activity in June. Buying activity dipped after having risen strongly in May. Some firms indicated that the marked increase in the previous month reduced the need for input

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:

“Improving economic conditions amid the stabilisation of the COVID-19 situation enabled Hong Kong SAR’s private sector to continue expanding in June, albeit at a marginally slower rate according to the latest IHS Markit PMI. Overseas demand was softer in June, though this is no surprise given the resurgence of COVID-19 cases in the Asia-Pacific region.

“Price pressures sustained for Hong Kong SAR private sector firms. The trend with accelerating wage inflation amid lower employment levels indicated potential hiring constraints, which is a phenomenon we have likewise observed in other parts of the world through the PMI surveys. This is an area to further observe.

“Broadly, private sector firms remained optimistic with regards to output in the next 12-months in June, which is a positive sign. IHS Markit forecasts GDP to grow 6.8% in 2021.”

continued...

purchases in June. The average level of stock of purchases meanwhile declined, albeit marginally.

Lengthening supplier lead times were recorded for a second straight month after a brief improvement in April. The rate at which delivery times rose was the fastest since February. Over and above the shortage of raw materials and shipping delays, firms reported labour constraints also contributing to the longer lead times.

In turn, accumulation of backlogged work continued for a third month in a row in June. The rate at which backlogged work increased was however slower compared to May.

Price pressures continued to rise for Hong Kong SAR private sector firms, as overall input prices increased for the ninth straight month, albeit at a slower rate. Both wage and purchase costs increased, inducing firms to continue sharing these cost burdens with their clients.

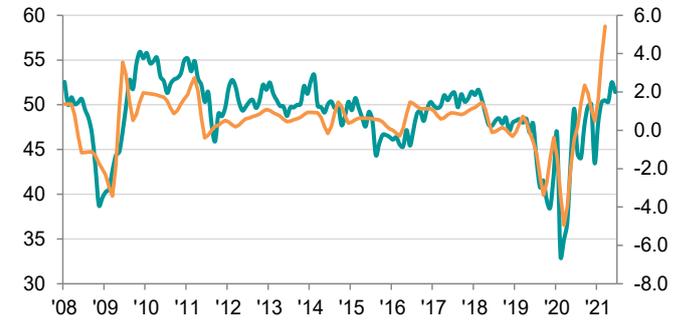
Overall optimism in Hong Kong SAR sustained at a slightly lower level in June, although confidence did not translate to an increase in employment levels. Staffing levels decreased modestly for the second month running.

PMI headline index

sa, >50 = improvement since previous month

GDP growth

% q/q



Sources: IHS Markit, HKSAR Census and Statistics Department.

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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.

June 2021 data were collected 11-25 June 2021.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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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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