

IHS Markit Hong Kong SAR PMI™

Private sector growth accelerates in August

Key findings

Output and demand improve amid stabilisation of COVID-19 conditions

Supply constraints result in longer lead times

Overall business confidence improves in August

Data were collected 12-25 August 2021.

Hong Kong SAR's private sector expanded at the fastest pace in seven-and-a-half years, reflecting better economic conditions amid the stabilisation of COVID-19 conditions. Business confidence improved alongside higher demand and business activity in August. That said, COVID-19 disruptions to supply chains sustained, leading to the lengthening of delivery times and higher prices in August.

The headline seasonally adjusted IHS Markit Hong Kong SAR Purchasing Manager's Index™ (PMI™) posted 53.3 in August, up from 51.3 in July. This represented a seventh successive month in which the Hong Kong SAR private sector registered better business conditions and the strongest expansion seen since February 2014.

Output and new orders both increased for the fifth straight month and at rates which were each multi-year highs. Panellists commonly associated the pickup in business activity with better economic activity amid low COVID-19 infections, in addition to the boost from the distribution of consumption vouchers.

That said, foreign demand, including the volume of new work from Mainland China, remained weak, falling for the third month in a row in August. Survey respondents attributed the decline to lingering COVID-19 impacts, with some trading partners still experiencing mobility restrictions from the latest COVID-19 Delta wave.

Overall business confidence nevertheless improved given the current stabilisation of COVID-19 conditions as Hong Kong SAR private sector firms grew more confident on higher output in the next 12 months as compared to July. In turn, employment levels were kept steady in August following three straight months of decline.

Purchasing activity likewise rose alongside new orders, which

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:

“The IHS Markit Hong Kong SAR PMI continued to embody the better economic conditions in the region, reflective of the improvement that was brought about by the stabilisation of COVID-19 conditions.

“Both demand and output growth accelerated to multi-year highs, aided by the increase in economic and consumer confidence and supported by recent measures such as the distribution of the consumption vouchers. The overall outlook also improved noticeably amongst Hong Kong SAR private sector firms in August.

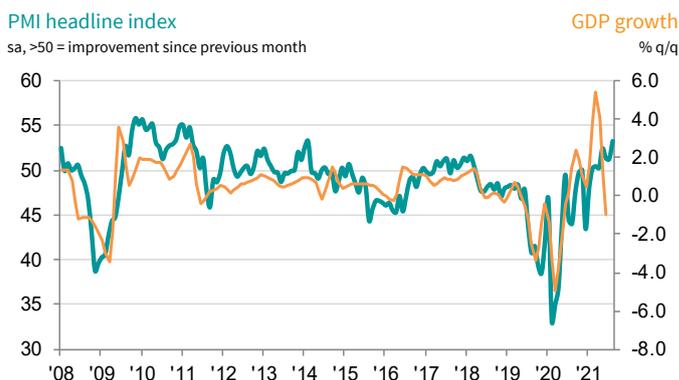
“Supply-chain constraints nevertheless continued to feature as a theme in the survey. Supplier delivery times further lengthened, which alongside higher input costs led to output charges rising at an elevated rate in August. Some signs that these constraints were crimping demand and output were also noted, which is an area worth focusing on.”

contributed to an increase in the stocks of inputs for the first time in three months. Concurrently, backlogged work picked up for the fifth consecutive month and at the fastest pace in since May amid higher demand.

Supply-chain constraints nevertheless lingered, driven by COVID-19 related disruptions. Suppliers’ delivery times continued to lengthen and at the sharpest rate in two months. Shortages of raw materials were reported to have contributed to the longer lead times.

Overall input prices meanwhile sustained their increases at elevated levels in August, underpinned by both input price and wage inflation. Purchase costs rose at a rate surpassing the series average, with shortages of raw materials reported to have led to suppliers raising prices. Wage inflation simultaneously accelerated to the fastest rate since June 2019, tied back to the lack of skilled labour reported among Hong Kong SAR private sector firms.

As a result, businesses continued to share these higher cost burdens with clients, leading to output charges increasing for a fourth consecutive month and at the fastest rate since August 2011.



Contact

Jingyi Pan
Economics Associate Director
IHS Markit
T: +65 6439 6022
jingyi.pan@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44 207 260 2234
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.

August 2021 data were collected 12-25 August 2021.

For further information on the PMI survey methodology, please contact 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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