

IHS Markit Hong Kong SAR PMI™

Private sector continues to expand in September

Key findings

Output and demand growth sustained amid stable COVID-19 situation

Input cost inflation accelerates

Business sentiment eases in September

Data were collected 13-27 September 2021.

Hong Kong SAR's private sector continued to expand at a strong pace in September amid stable COVID-19 conditions. Low COVID-19 case counts coupled with a better economic situation enabled demand and output to continue growing. That said, lead times further lengthened amid COVID-19 disruptions, contributing to a sharp acceleration of overall input price inflation. Business optimism also eased sharply in the month.

The headline seasonally adjusted IHS Markit Hong Kong SAR Purchasing Manager's Index™ (PMI™) posted 51.7 in September, down from 53.3 in August. This represented an eighth successive month in which the Hong Kong SAR private sector registered better business conditions, though the rate of growth fell to a two-month low.

A stable COVID-19 situation enabled business conditions to continue improving, driving higher demand and output in September. Anecdotal evidence suggested that the distribution of consumption vouchers also had a positive effect on new orders.

Foreign demand however remained weak in September. New business from abroad, including China, declined for a fourth consecutive month and at rates faster than August. Survey respondents highlighted continued COVID-19 disruptions upon foreign trading partners affecting incoming new business from abroad.

The mixed effects of an increase in overall demand, but sustained fall in export orders can be linked to a slide in business optimism amongst firms in September. While some firms expect better economic conditions ahead with the COVID-19 situation under control, uncertain factors, including implications on foreign economies, appear to dampen overall optimism.

The rise in overall demand nevertheless contributed to higher

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:

“September’s IHS Markit Hong Kong SAR PMI showed the private sector continuing to enjoy strong growth in demand and business activity amid stable COVID-19 conditions. This also translated to further business confidence and increased buying activity recorded among private sector firms.

“That said, concerns with lingering COVID-19 uncertainties sustained and the virus can also be seen still dampening foreign orders.

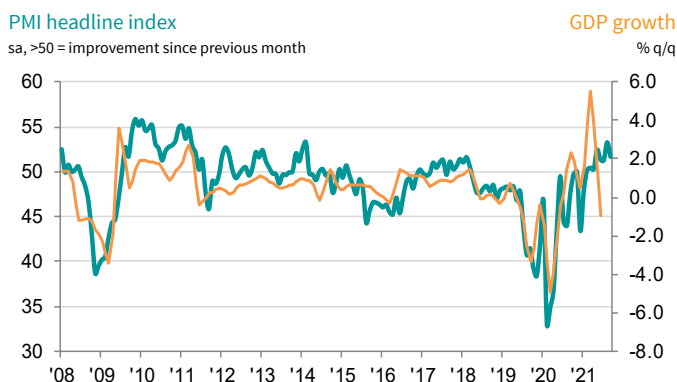
“Supply-chain constraints meanwhile remained a key theme with input shortages and COVID-19 disruptions abroad also leading to higher costs for Hong Kong SAR private sector firms. Although firms continued to share these cost burdens with clients, overall input price inflation continued to exceed that of output charges, indicating pressure on the margins.”

purchasing activity in September, which increased at the fastest rate since November 2017. This led to the stock of purchases similarly rising at a strong rate in the latest survey period.

Staffing levels however remained almost unchanged in September. Anecdotal evidence suggested that while the increase in orders contributed to a greater willingness to hire, there was also a lack of labour availability in some instances.

Suppliers' delivery times continued to lengthen and for a fifth straight month in September, affected by shortages and COVID-19 disruptions according to panellists. Alongside manpower constraints, this led to work outstanding accumulating once again in September.

Separately, price pressures sustained with overall input cost inflation accelerating to the fastest in close to a decade. This was driven primarily by higher purchase costs while wages also increased. Survey respondents attributed the rise in purchase prices to higher raw material and shipping costs. Hong Kong SAR private sector firms continued to pass higher costs on to their clients, leading to another solid hike in output charges.



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.

September 2021 data were collected 13-27 September 2021.

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

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IHS Markit 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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