

A wide-angle photograph of a multi-lane highway interchange in Hong Kong. The road curves through a landscaped area with green grass, manicured bushes, and several palm trees. In the background, a dense urban skyline is visible under a bright blue sky with scattered white clouds. The most prominent building is a tall, modern skyscraper with a distinctive spire. Other vehicles, including cars and vans, are seen traveling on the highway. A tall, slender light pole stands on the right side of the road.

Standard Chartered Hong Kong SME Leading Business Index

Quarter 1, 2019

About the index

Sponsored by Standard Chartered Bank (Hong Kong) Limited, the “Standard Chartered Hong Kong SME Leading Business Index” (Standard Chartered SME Index) is a forward-looking survey on local SMEs’ outlook on the overall business environment for the next quarter. HKPC’s professional team interviews no less than 800 local SMEs from the manufacturing, import/export trade and wholesale, retail, accommodation and catering services, information and communications, finance and insurance industry, professional services, and real estate industries. It covers SMEs’ outlook on their ‘sales amount’, ‘profit margin’, ‘investments’, ‘staff number’, and ‘global economic growth’ for the next quarter.

Methodology

Sample Distribution

Data are collected from over 800 SMEs using publicly available SME directories and HKSAR Census database. The sample is stratified by the Hong Kong Standard Industrial Classification (HSIC) version 2.0, and based on the number of SME establishments in Hong Kong. The stratified sample covers nine categories namely: 1) Manufacturing, 2) Import/Export Trade and Wholesale, 3) Retail, 4) Accommodation and Catering Services, 5) Information and Communications, 6) Finance & Insurance, 7) Professional and Business Services (include Legal, Accounting, Consultancy, Advertising, Interior Design), 8) Real Estate (include Property Agent, Property Management and Maintenance), and 9) Miscellaneous category (include Construction, Transportation, Courier Services, Human Health Activities, Entertainment, and Domestic Personnel such as maids, cooks, gardeners, caretakers; exclude non-commercial activity such as primary school).

Index Calculation

Standard Chartered SME Index is a composite index based on the diffusion indices of the five surveyed areas with the following weights:

Diffusion indices	Weights
Staff Number	25%
Investments	25%
Sales Amount	20%
Profit Margin	20%
Global Economic Growth	10%

Respondents indicated the change of business sentiments in three ways: Increase, same or decline. Each diffusion index is calculated using the following formula:

$$\text{Increase\%} \times 100 + \text{No Change\%} \times 50 + \text{Decline\%} \times 0$$

Diffusion indices, which have been broadly used as leading indicators, are convenient summary measures indicating the prevailing direction of change in business sentiments. An index above the 50 no-change mark generally indicates optimistic business sentiment, while that below 50 indicates pessimistic business sentiment. A reading at 50 indicates neutral business sentiment.



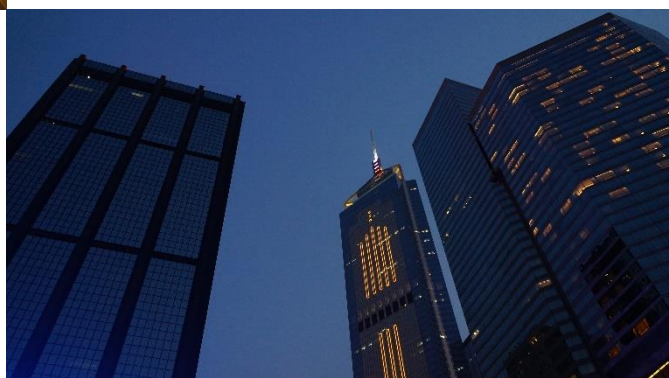
Summary

The 26th survey of the Standard Chartered Hong Kong SME Leading Business Index was conducted from mid December 2018 to early January 2019. Top management of 820 SMEs were surveyed to gauge their views on the outlook of the overall business environment and regional economic changes in the 1st quarter of 2019.

Key findings

The Overall Index of the Standard Chartered SME Index dropped by 2.6, reading at 40.4, which was the same as the low level three years ago. Under the global gloomy economic outlook, local SMEs still lack confidence in doing business. Key findings of the survey are as follows:

- ⊕ Overall Index comprising five Sub-Indices, and all the Sub-indices dived again after the drop recorded in the previous quarter;
- ⊕ Only the “Staff Number” (51.0) was seen above the neutral level; “Investments” (46.2) dropped by 3.9 and reached a negative level;
- ⊕ whilst “Sales Amount” and “Profit Margin” were read at 38.0 and 34.7 respectively;
- ⊕ “Global Economy Growth” dropped even further in this quarter to 16.1, seeing its second lowest point since the index was launched;
- ⊕ For sectorial findings, the three key industry sub-indices all dropped below 40;
- ⊕ The “Import/Export Trade and Wholesale industry” sub-index slightly increased 0.5 point to 37.3; Respondents expected “Sales Amount” and “Profit Margin” deterioration will get milder, yet “Global Economy Growth” forecast was seen diving to 12.9 - which is the lowest among all industries;
- ⊕ “Manufacturing Industry” and “Retail Industry” sub-indices both dropped significantly to the lowest in history, which were read at 34.4 and 36.1 respectively;
- ⊕ About 38% of SMEs expressed that international trade tension may impact their business volume, with 14% more of them than that of the last quarter (24%);
- ⊕ In terms of industry, more than 40% of the respondents in the three key industries indicated that their business volume has already been affected – two times more respondents than the previous quarter in Manufacturing Industry (50%) and Retail Industry (42%) felt the hit

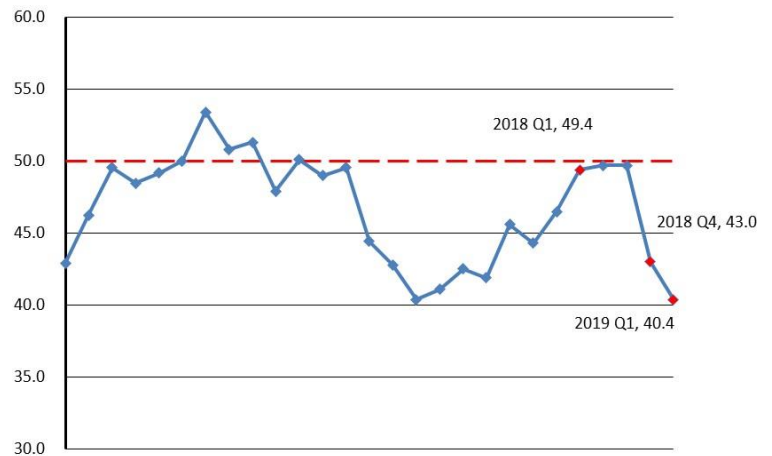


Standard Chartered SME Index

2019 Q1

40.4

綜合營商指數 Overall Index

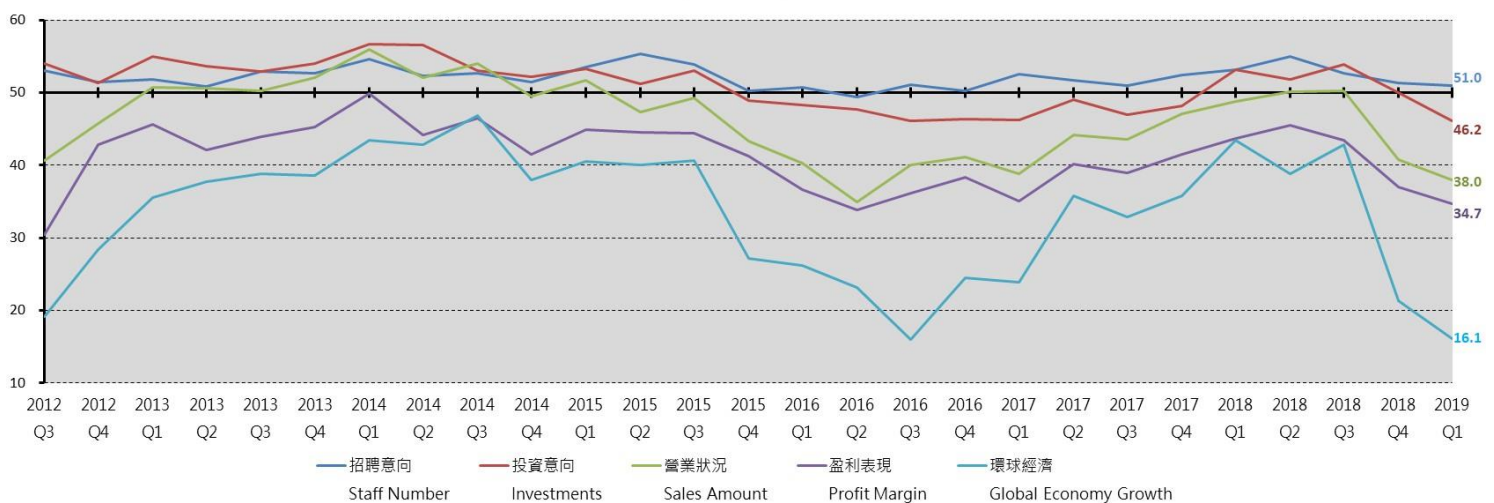


The Overall Index dropped by 2.6, reading at 40.4, which was the same as the low level three years ago. Under the global gloomy economic outlook, local SMEs still lack confidence in doing business.

Overall Index comprising five Sub-Indices. In this quarter, all the Sub-indices dived again after the drop recorded in the previous quarter. Only the "Staff Number" (51.0) was seen above the neutral level; "Investments" (46.2) dropped by 3.9 and reached a negative level; whilst "Sales Amount" and "Profit Margin" were read at 38.0 and 34.7 respectively, "Global Economy Growth" dropped even further in this quarter to 16.1, seeing its second lowest point since the index was launched.

Compared to the first quarter of 2018 (49.4), the Index of this quarter (40.4) decreased by 9.0 points. All the sub-indices were dropped simultaneously,.

分項指數表現



Industry Indices

Manufacturing industry| 34.4

Manufacturing industry sub-index fell 7.0 to 34.4, and dropped 7.6 when compared to same period last year (42.0). The Index hits record low with all sub-indices dropped simultaneously. Overall, the impact of the global economics issue on industry confidence is beginning to emerge.



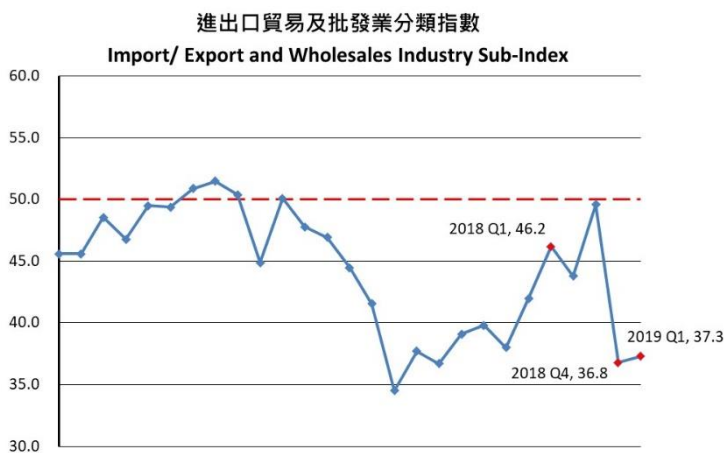
Component	View	Compare to last quarter	Compare to last year
Industry Index	Negative	Down	Down
Staff Number	Negative	Down	Down
Investment	Negative	Down	Down
Sales Amount	Negative	Down	Down
Profit Margin	Negative	Down	Down
Global Economy Growth	Negative	Down	Down



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Import/Export Trade and Wholesale industry| 37.3

The Import, Export and Wholesale Industry Sub-Index rose slightly by 0.5 to 37.3, which also dropped 8.9 when compared to same period last year (46.2). The industry expects the deterioration of "sales amount" and "profit margin" to slow down. Yet, the industry prospect is still uncertain.



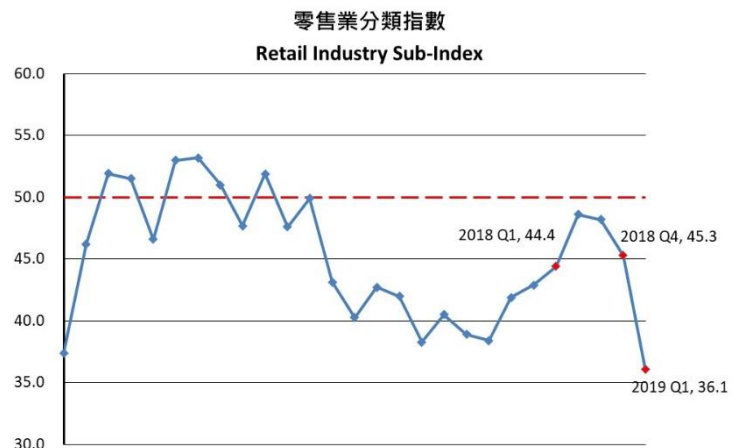
Component	View	Compare to last quarter	Compare to last year
Industry Index	Negative	Up	Down
Staff Number	Negative	Down	Down
Investment	Negative	Up	Down
Sales Amount	Negative	Up	Down
Profit Margin	Negative	Down	Down
Global Economy Growth	Negative	Down	Down



Retail industry | 36.3

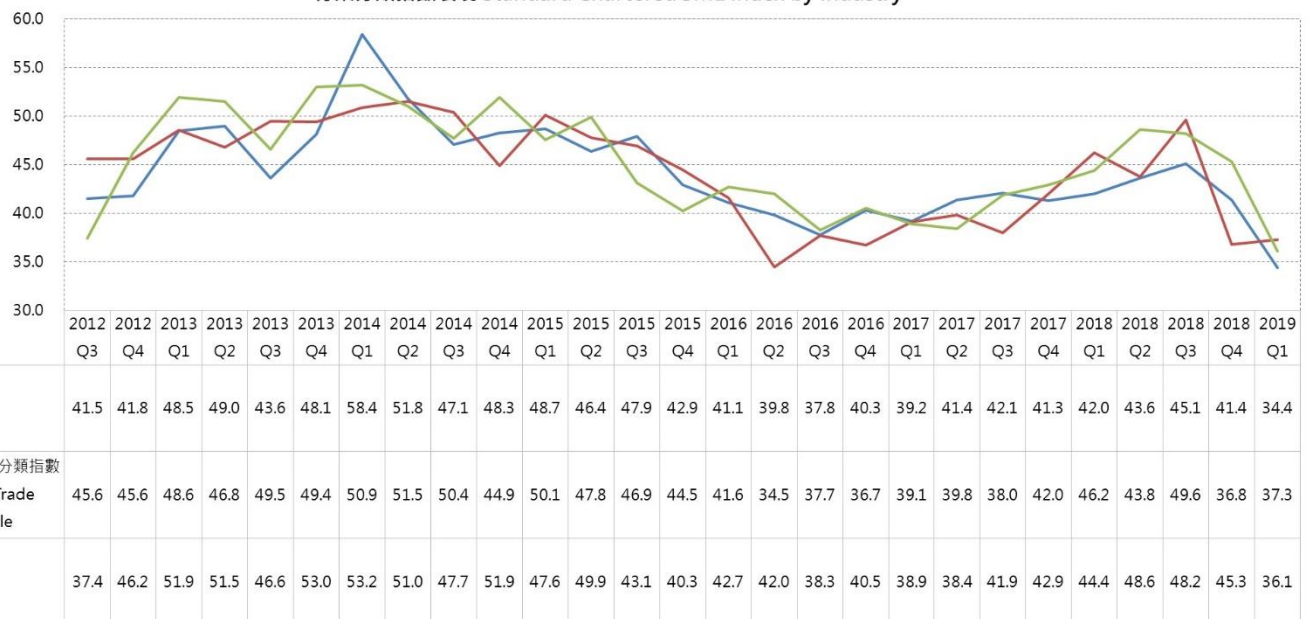
The Retail Sub-Index dropped 9.2 to 36.1, and also dropped 8.3 when compared to same period last year (44.4). The Index hits record low with all sub-indices dropped simultaneously. However, the outlook in "Staff Number" of the Industry is Neutral, a indicate that there is still demand for human resource.

Component	View	Compare to last quarter	Compare to last year
Industry Index	Negative	Down	Down
Staff Number	Neutral	Down	Down
Investment	Negative	Down	Down
Sales Amount	Negative	Down	Down
Profit Margin	Negative	Down	Down
Global Economy Growth	Negative	Down	Down



行業分類指數表現 Standard Chartered SME Index by Industry

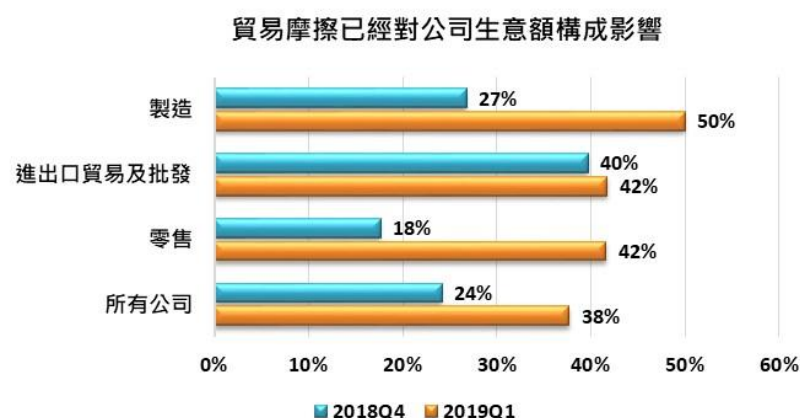
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Featured topic

(a) Views of SMEs to the recent global trade tensions

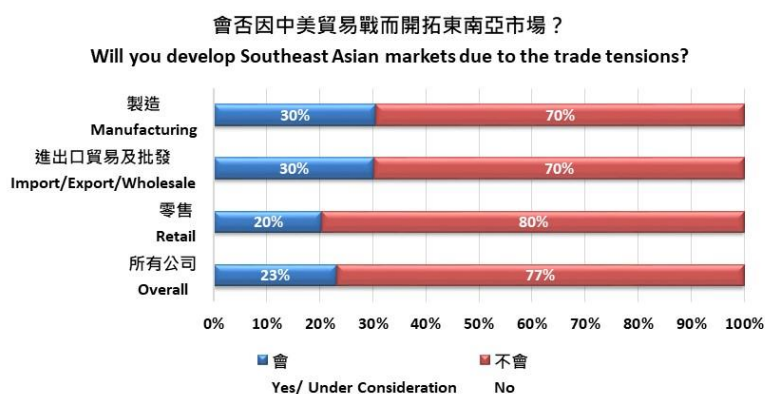
This quarter, after the last quarter, once again explored the views of respondents towards the recent international trade tensions.



About 38% of SMEs surveyed said that trade tensions has affected their sales amount, 14% higher than the last quarter (24%)

In terms of industry, all the three major industries got over 40% respondents indicated that their sales amount has been affected, with manufacturing (50%) and retail (42%) nearly double the number in last quarter

About 23% of SMEs respondents said that they would consider exploring Southeast Asian markets to get away with international trade tension. A higher number in Manufacturing and Import/Export & Wholesales sectors were recorded

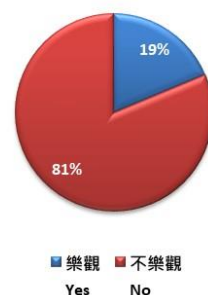


In response to the temporary relieve of the trade tensions, nearly half of the SMEs respondents believed that local business environment in Hong Kong will be stable or improved in this quarter. Nonetheless, most SMEs (81%) are not optimistic to the outcomes from the trade negotiations

因應貿易磨擦的情況暫時紓緩，預期短期本地營商環境將會
Expectation on local business environment in response to the temporary relieve of the trade tensions



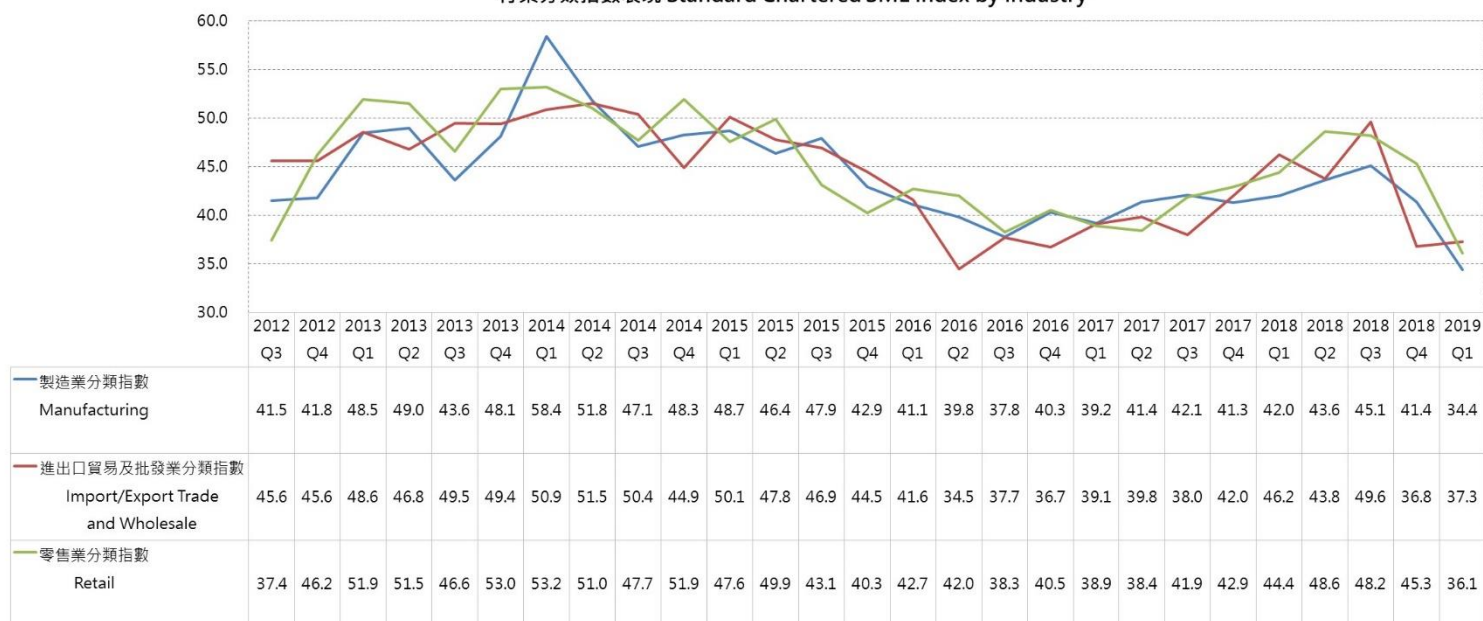
對緊接貿易談判是否樂觀？
Are you optimistic about the coming trade negotiation?



Appendix

Standard Chartered SME Index by Industry

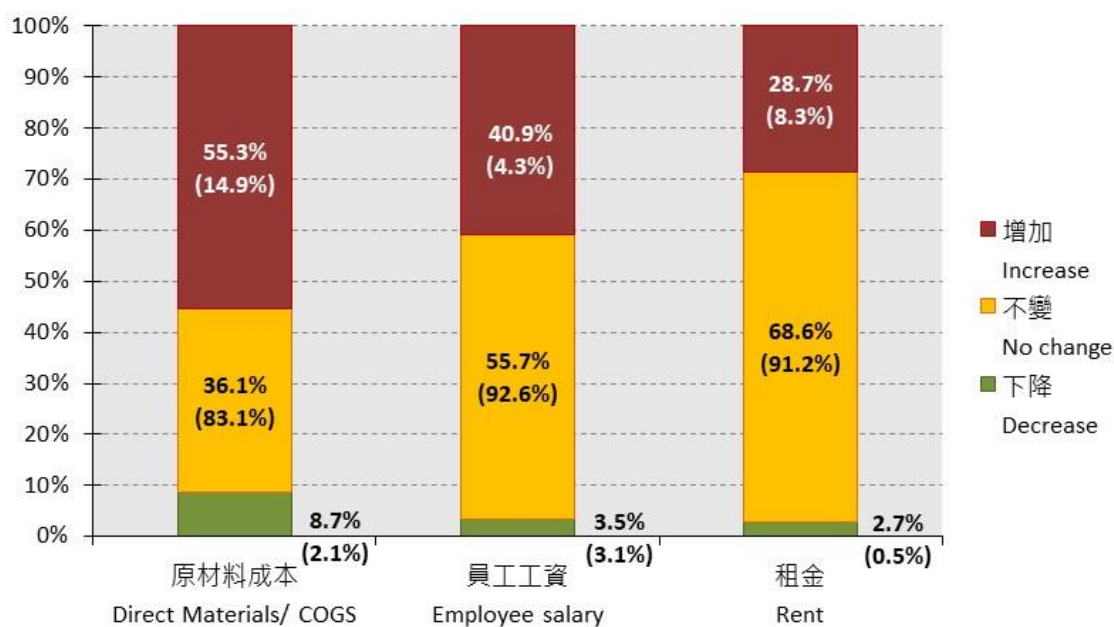
行業分類指數表現 Standard Chartered SME Index by Industry



Change of major cost components

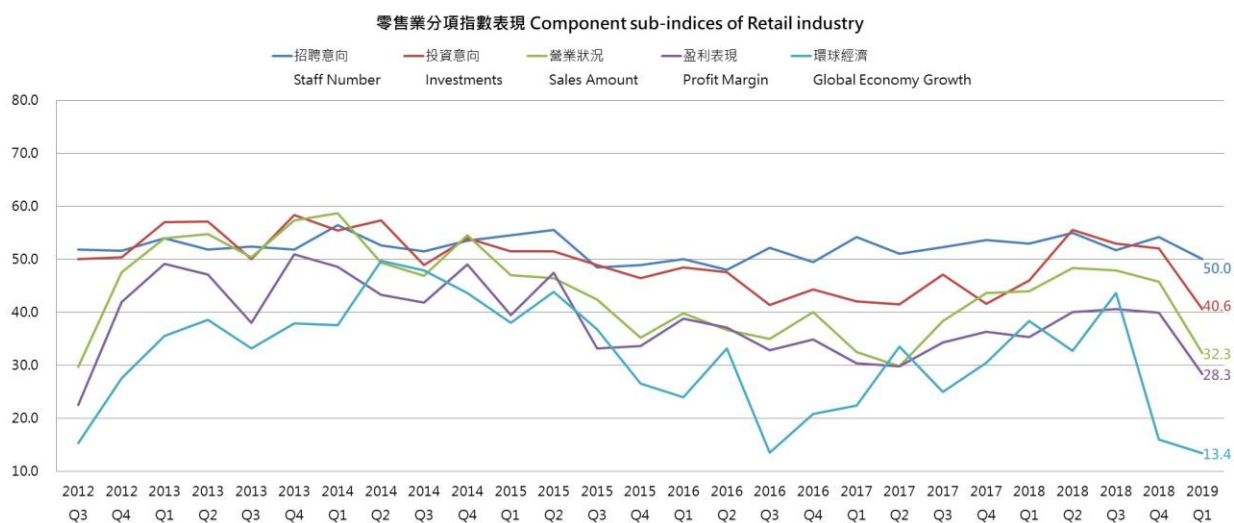
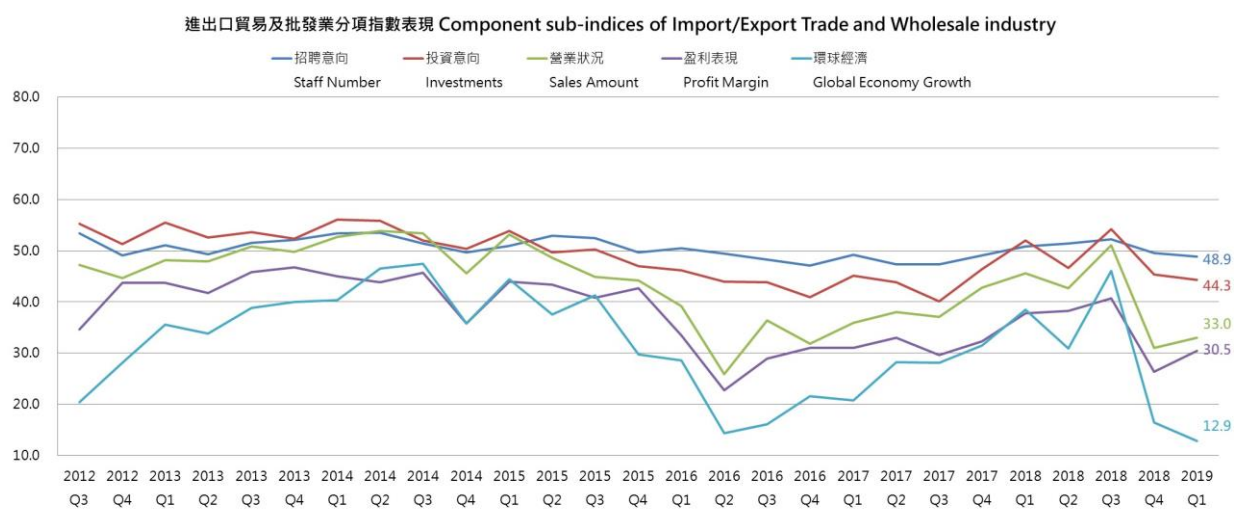
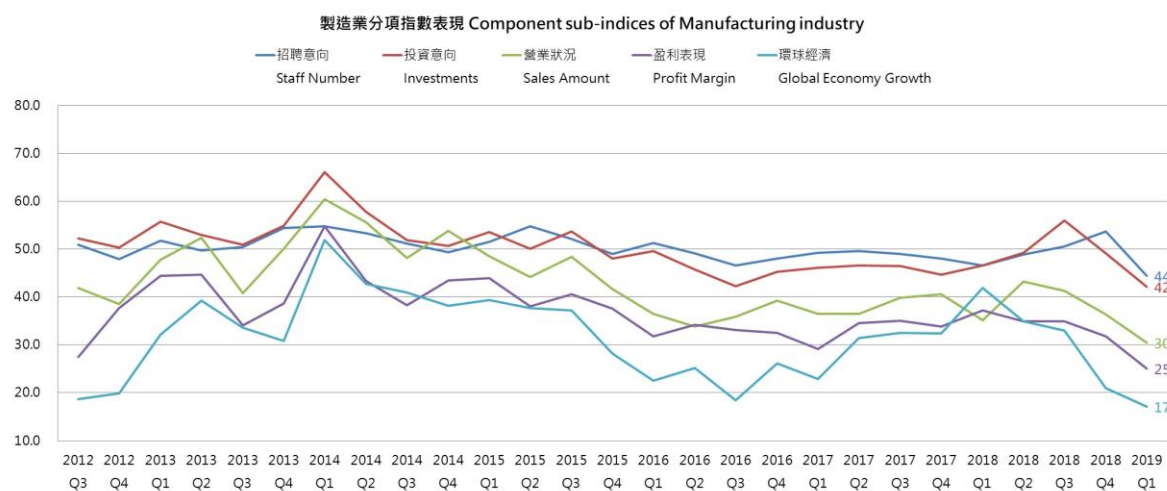
主要成本項目變化 (括弧中為上季度之數字)

Change of major cost components (Last quarter figures in bracket)



Appendix

Component sub-indices of 3 main industries



Report release

The Standard Chartered SME Index is released every quarters. Full reports can be downloaded at www.smeone.org.

For more details about the Index, please contact Kinson Leung at tel. (852) 2788 5795 or email: kinsonleung@hkpc.org.

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