

A wide-angle photograph of a Hong Kong highway interchange. In the background, several tall skyscrapers are visible against a blue sky with scattered white clouds. The foreground shows a multi-lane highway with cars and vans. A large, ornate palm tree is in the lower right foreground. A white rectangular box with a teal border is overlaid on the right side of the image, containing the title and date.

Standard Chartered Hong Kong SME Leading Business Index

Quarter 2, 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.



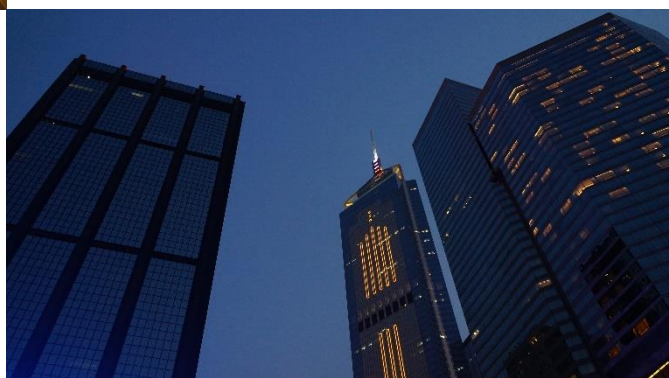
Summary

The 27th survey of the Standard Chartered Hong Kong SME Leading Business Index was conducted in March 2019. Top management of 813 SMEs were surveyed to gauge their views on the outlook of the overall business environment and regional economic changes in the 2nd quarter of 2019.

Key findings

The Overall Index of the Standard Chartered SME Index increased by 5.6, reading at 46.0, which was the sharpest increase over the past three years. The result indicated that SMEs are rebuilding their confidence in doing business gradually. Key findings of the survey are as follows:

- ⊕ Overall Index comprising five Sub-Indices, and all the Sub-indices increased simultaneously;
- ⊕ Staff Number" (53.0) remained at a positive level;
- ⊕ "Investments" (49.7), "Sales Amount" (45.6) and "Profit Margin" (42.3) increased by 3.5, 7.6 and 7.6 respectively;
- ⊕ "Global Economic Growth" recorded a relatively large increase of 10.4, bouncing back to 26.5;
- ⊕ In terms of industry, the three key sub-indices increased simultaneously;
- ⊕ The "Import/Export Trade and Wholesale Industry" sub-index increased by 6.9 to 44.2. All the five sub-indices of the above industries also increased, in which "Staff Number" returned to a positive level;
- ⊕ The "Manufacturing Industry" (40.4) and "Retail Industry" (38.7) sub-indices both increased by 6.0 and 2.6. Despite this, the "Retail Industry" sub-index was still lower than 40.0, which revealed the Industry's negative outlook on business environment;
- ⊕ In response to the launch of the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), 75% respondents expected the advantage of Hong Kong's international status would be strengthened or remain unchanged;
- ⊕ Among the surveyed SMEs, industries including Information and Communications Industry (52%), Finance and Insurance Industry (42%) and Real Estate Industry (42%) anticipated to have a higher chance to benefit from the GBA development plan.

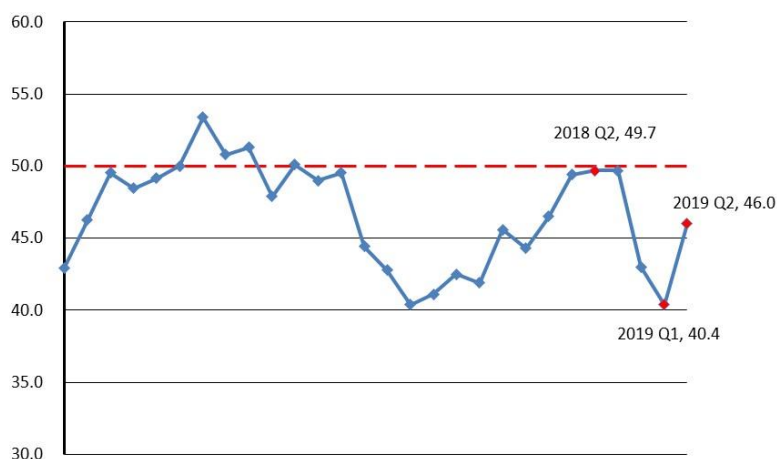


Standard Chartered SME Index

2019 Q2

46.0

綜合營商指數 Overall Index

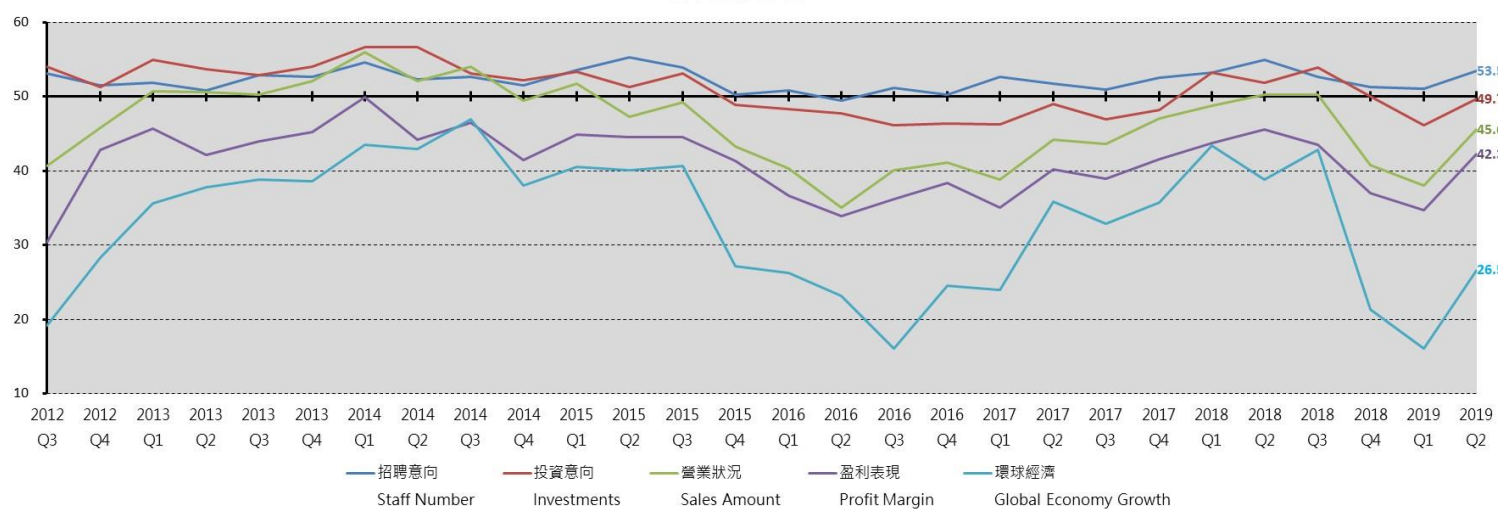


The Overall Index increased by 5.6, reading at 46.0, which was the sharpest increase over the past three years. The result indicated that SMEs are rebuilding their confidence in doing business gradually.

Overall Index comprising five Sub-Indices. In this quarter, all the five sub-indices* of the Overall Index in the Standard Chartered SME Index increased simultaneously. Among all, "Staff Number" (53.0) remained at a positive level; "Investments" (49.7), "Sales Amount" (45.6) and "Profit Margin" (42.3) increased by 3.5, 7.6 and 7.6 respectively. "Global Economic Growth" recorded a relatively large increase of 10.4, bouncing back to 26.5.

Compared to the second quarter of 2018 (49.7), the Index of this quarter (46.0) decreased by 3.7 points. All the sub-indices were dropped simultaneously. 4

分項指數表現



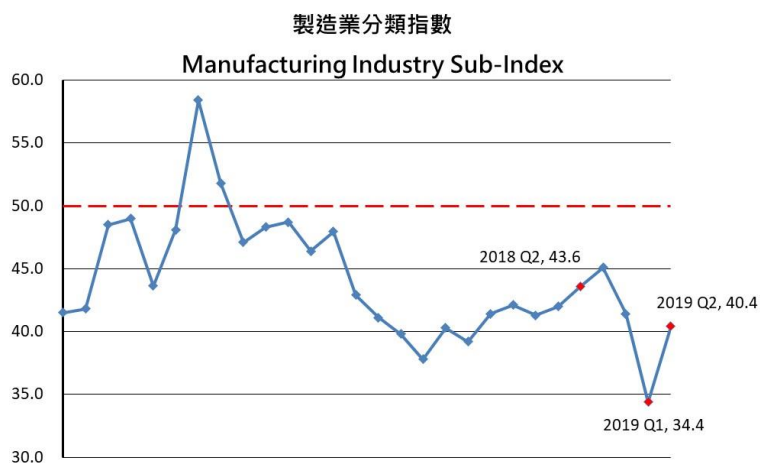
LB Index Industry Indices

Manufacturing industry| 40.4

Manufacturing industry sub-index increased 6.0 to 40.4, and dropped 3.2 when compared to same period of last year (43.6). All sub-indices increased simultaneously when compared to last quarter.



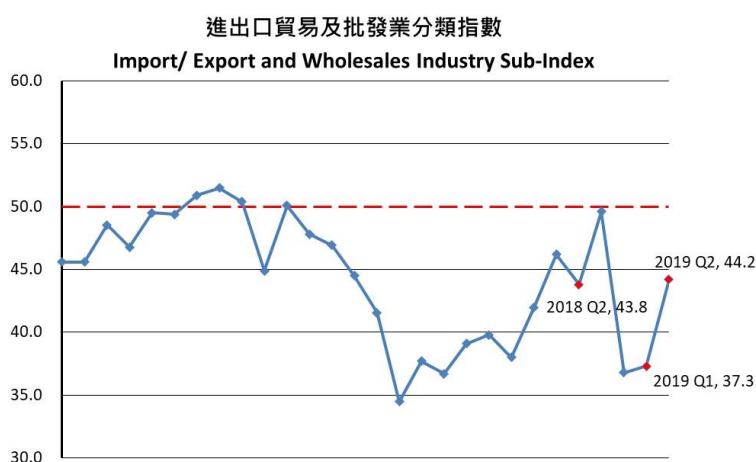
Component	View	Compare to last quarter	Compare to last year
Industry Index	Negative	Up	Down
Staff Number	Negative	Up	Down
Investment	Negative	Up	Down
Sales Amount	Negative	Up	Down
Profit Margin	Negative	Up	Down
Global Economy Growth	Negative	Up	Down



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Import/Export Trade and Wholesale industry| 44.2

The Import, Export and Wholesale Industry Sub-Index increased 6.9 to 44.2, which also slightly improved by 0.4 when compared to same period of last year (43.8). "Staff Number" sub-index (53.0) returned to positive level.



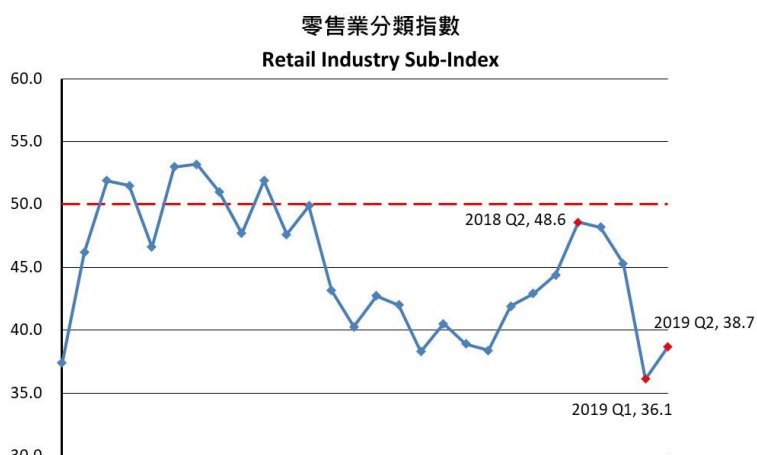
Component	View	Compare to last quarter	Compare to last year
Industry Index	Negative	Up	Up
Staff Number	Positive	Up	Up
Investment	Negative	Up	Up
Sales Amount	Negative	Up	Up
Profit Margin	Negative	Up	Down
Global Economy Growth	Negative	Up	Down



Retail industry | 38.7

The Retail Sub-Index increased 2.6 to 38.7, and also dropped significantly by 9.9 when compared to same period of last year (48.6). All sub-indices increased simultaneously in this quarter but dropped simultaneously when compared to same period of last year.

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



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



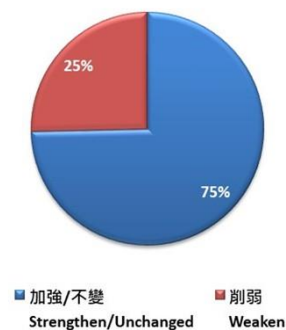
Featured topic

(a) SMEs' Views towards the Greater Bay Area (GBA) Planning

In response to the launch of the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), this quarter gauged SMEs' views towards the GBA planning.

75% of surveyed SMEs expect that due to the GBA planning, Hong Kong's international status will be strengthened/unchanged, with 45% expect "strengthened"

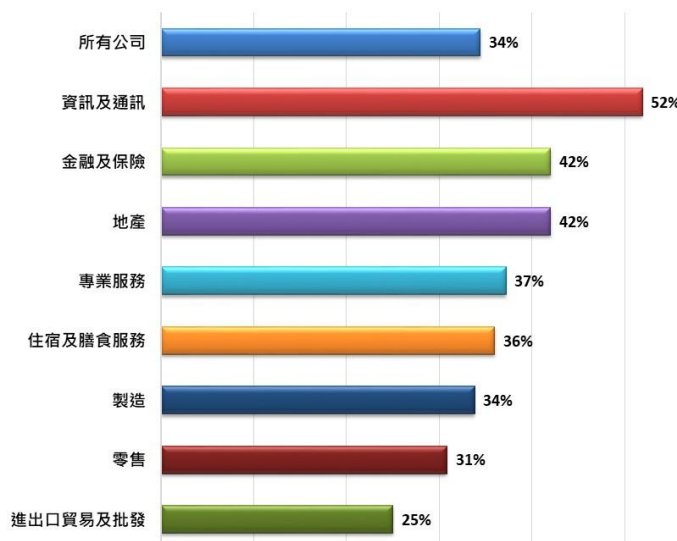
預期大灣區規劃對香港國際地位優勢的影響
Expected impact of GBA planning on the advantage of Hong Kong's international status



About 34% of surveyed SMEs expect their company or corresponding industry may benefit from the GBA planning.

Among the surveyed SMEs, industries including Information and Communications Industry (52%), Finance and Insurance Industry (42%) and Real Estate Industry (42%) anticipated to have a higher chance to benefit from the GBA development plan..

預期貴公司或所在行業會否受惠於大灣區規劃？
(會/可能會)



28%

會/可能會
Yes/ Maybe

參考大灣區規劃制定公司發展方案

Make reference to the GBA planning to formulate the company's development plan

Besides, 28% surveyed SMEs would refer to the GBA development plan to formulate the company's development plan, while 26% would speed up digital transformation accordingly.

26%

會/可能會
Yes/ Maybe

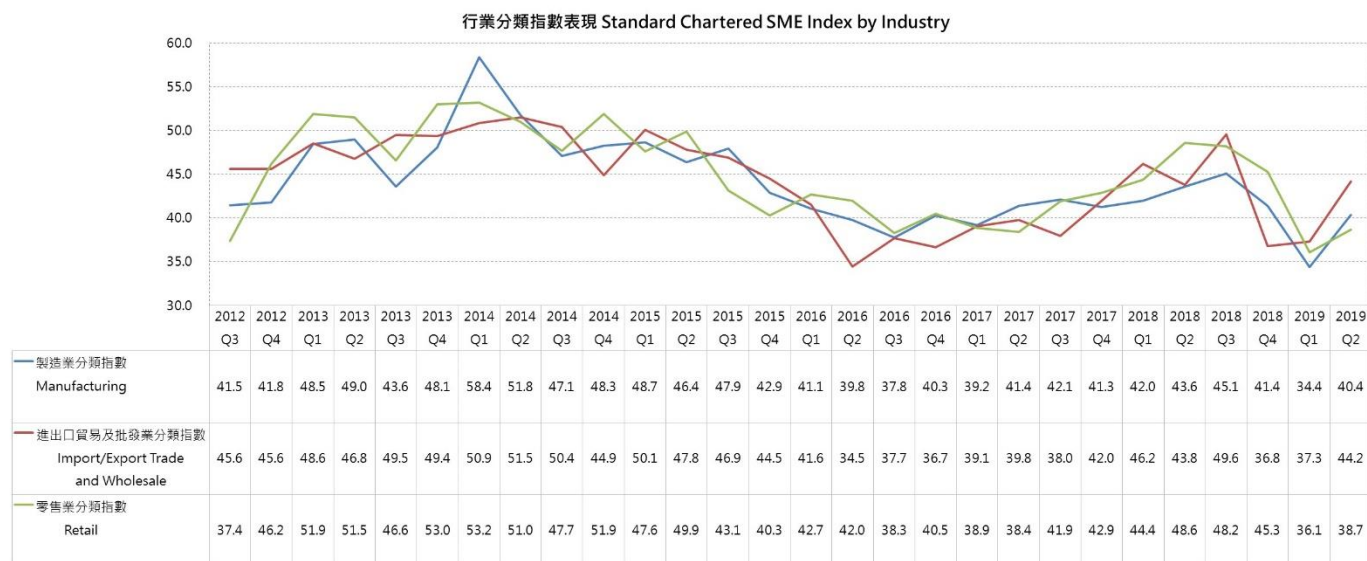
因應大灣區規劃加快數碼轉型的進程

Speed up digital transformation of the company accordingly to the GBA planning

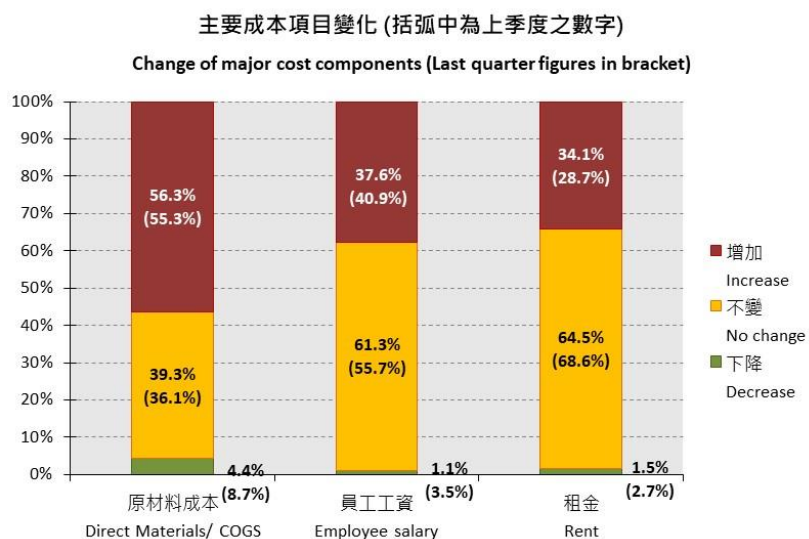


Appendix

Standard Chartered SME Index by Industry



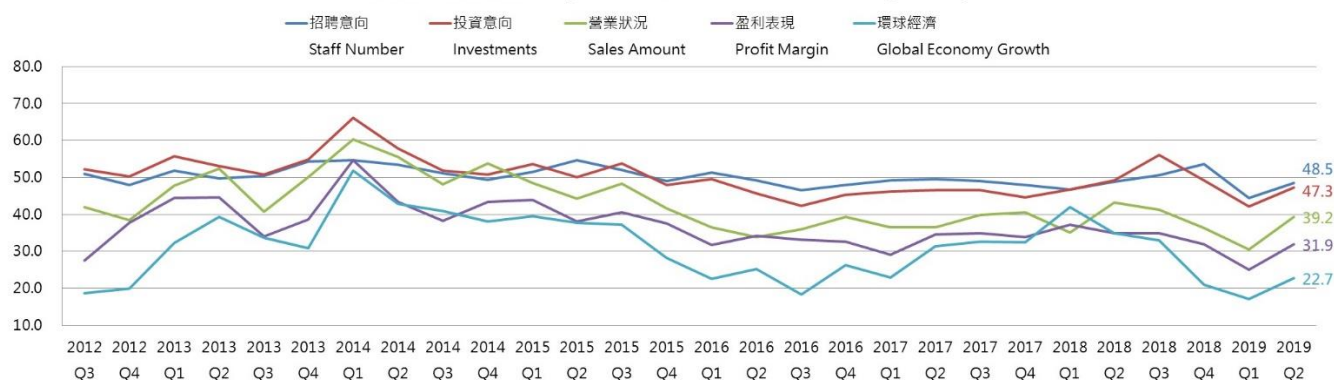
Change of major cost components



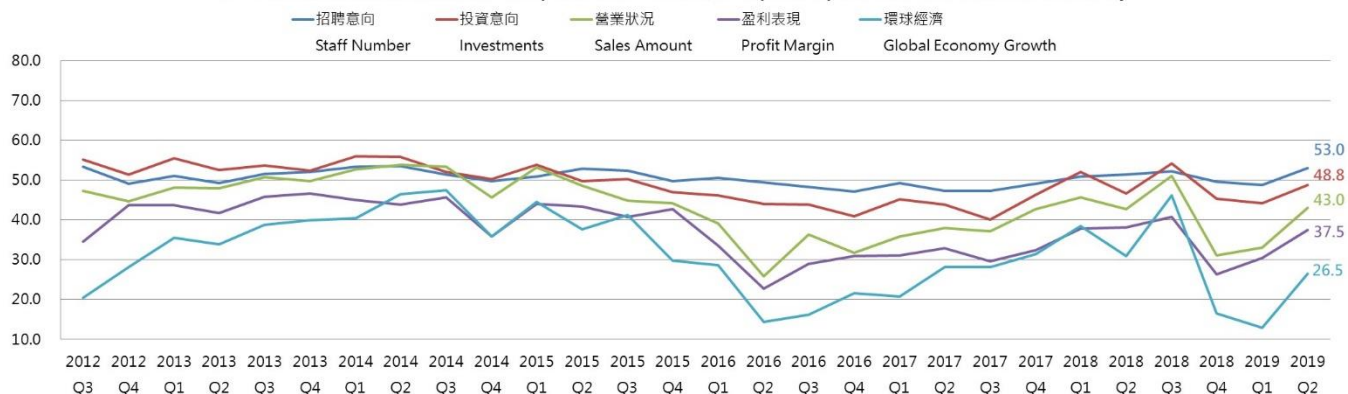
Appendix

Component sub-indices of 3 main industries

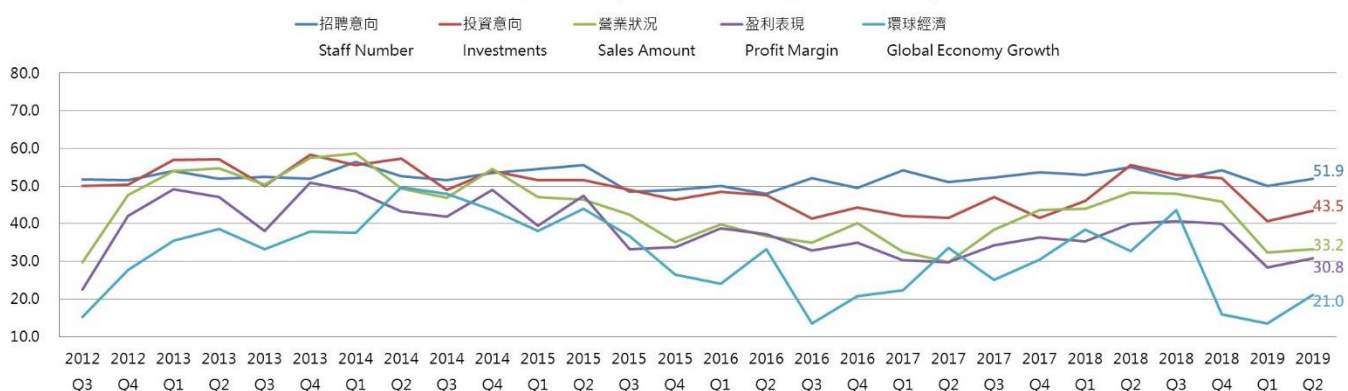
製造業分項指數表現 Component sub-indices of Manufacturing industry



進出口貿易及批發業分項指數表現 Component sub-indices of Import/Export Trade and Wholesale industry



零售業分項指數表現 Component sub-indices of Retail industry



Report release

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

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