



Standard Chartered Hong Kong SME Leading Business Index

Quarter 3, 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, professional services, and real estate industries. It covers SMEs’ outlook on their ‘recruitment sentiment’, ‘profit margin’, ‘investment sentiment’, ‘business condition’, and ‘global economy’ 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 |
|-----------------------|---------|
| Recruitment Sentiment | 25% |
| Investment Sentiment | 25% |
| Business Condition | 20% |
| Profit Margin | 20% |
| Global Economy | 10% |

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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.



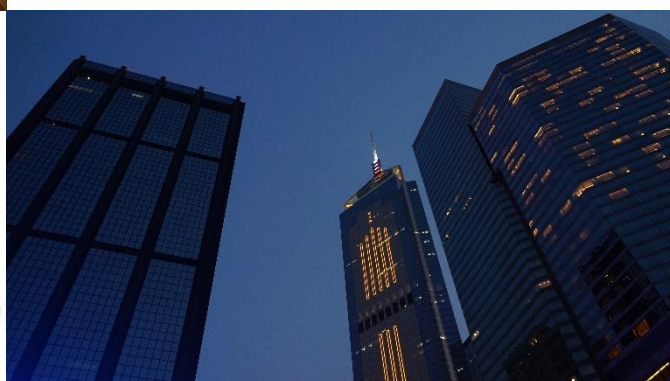
Summary

The 28th survey of the Standard Chartered Hong Kong SME Leading Business Index was conducted in June 2019. Top management of 812 SMEs were surveyed to gauge their views on the outlook of the overall business environment and regional economic changes in the 3rd quarter of 2019.

Key findings

The 2019 Q3 Overall Index of the Standard Chartered SME Index decreased by 7.0 points, reading at 39.0, and reached its three-year-low, indicating a significant drop in SMEs' confidence in the business environment. Key findings of the survey are as follows:

- ⊕ Overall Index comprising five sub-indices, and all the sub-indices dropped simultaneously;
- ⊕ "Recruitment Sentiment" (50.6) maintained positive;
- ⊕ "Investment Sentiment" (43.6), "Business Condition" (36.4) and "Profit Margin" (34.8) decreased by 6.1, 9.2 and 7.5 points respectively;
- ⊕ "Global Economy" recorded a relatively large decrease of 14.4 points, reduced to 12.1;
- ⊕ As for industry, the three key sub-indices, namely "Import/Export Trade and Wholesale Industry", "Retail Industry" and "Manufacturing Industry" were all seen to drop;
- ⊕ The drop of the "Information and Communications Industry" sub-index was relatively mild - decreased by 1.9 points to 56.5 when compared to last quarter (58.4);
- ⊕ When being asked about the trend of international trade negotiation, 44% of surveyed SMEs expressed pessimism, which was much higher than last quarter's 17%;
- ⊕ To cope with business challenges brought by fluctuating global economy, 55% of SMEs said they increase staff capability; followed by developing new products or services (44%), and expanding in current market (43%);
- ⊕ Most of the SMEs (36%) would like to have more support related to "Marketing and Promotion"; while 35% of them wished to receive more support on "Talent Acquisition and Training";
- ⊕ Despite providing "Staff Benefits" (82%), 69% of SMEs believed that "Staff Training & Development" was also very important.
- ⊕ The survey also found that "Internal Knowledge Sharing", "On-the-Job Training" and "Online Learning" are training modes commonly adopted by SMEs.

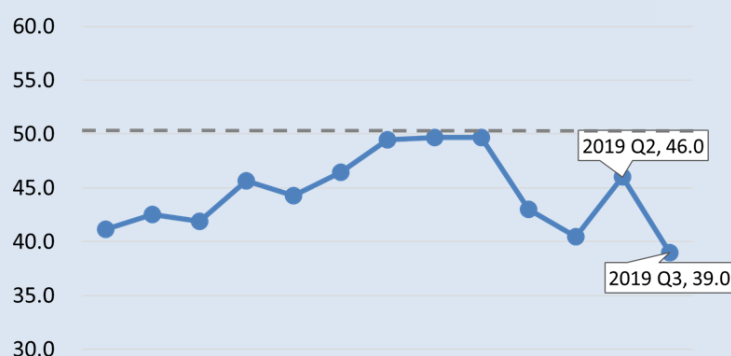


Standard Chartered SME Index

2019 Q3

39.0

綜合營商指數 Overall Index



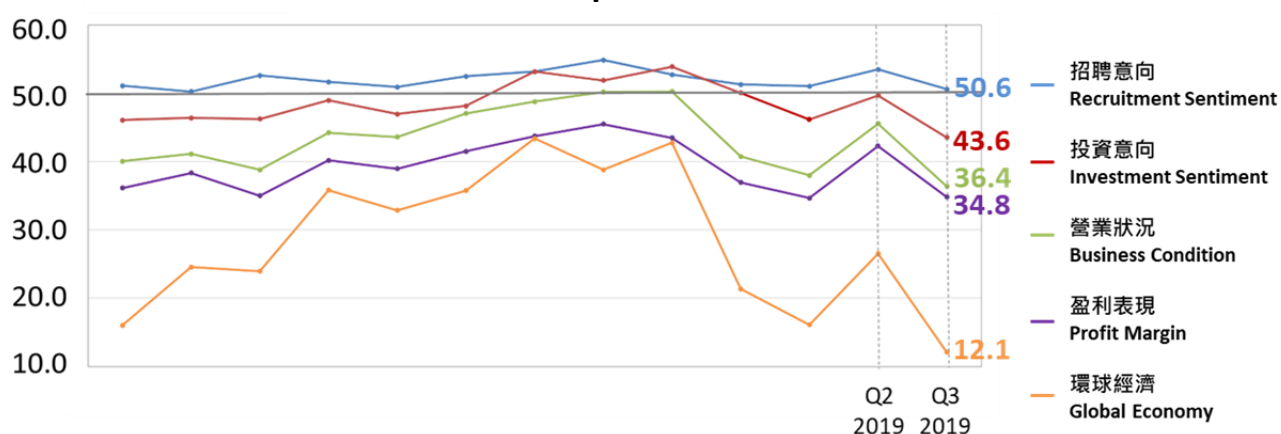
Compared with last quarter, the Overall Index of this quarter decreased by 7.0 points, reading at 39.0 and reached its three-year-low, indicating a significant drop in SMEs' confidence in the business environment.

This quarter, all the five sub-indices of the Overall Index dropped simultaneously, with only "Recruitment Sentiment" (50.6) maintained positive. "Investment Sentiment" (43.6), "Business Condition" (36.4) and "Profit Margin" (34.8) respectively decreased by 6.1, 9.2 and 7.5 points; while "Global Economy" recorded a relatively large decrease of 14.4 points, reduced to 12.1.

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分項指數表現

The Five Component Sub-Indices



LB Index Industry Indices

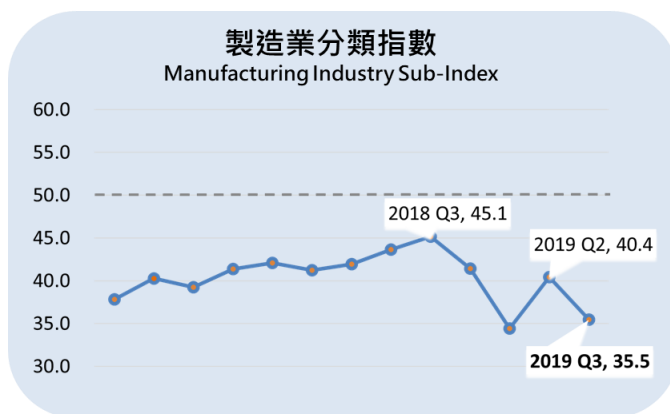
Standard Chartered SME Index Report 2019 Q3

Manufacturing Industry | 35.5

Manufacturing Industry sub-index decreased by 4.9 points to 35.5. All sub-indices dropped simultaneously when compared to last quarter, indicating a drop in SMEs' confidence in the business environment of the industry.



| Component | View | Compare to last quarter | Compare to last year |
|-----------------------|----------|-------------------------|----------------------|
| Industry Index | Negative | Down | Down |
| Recruitment Sentiment | Negative | Down | Down |
| Investment Sentiment | Negative | Down | Down |
| Business Condition | Negative | Down | Down |
| Profit Margin | Negative | Down | Down |
| Global Economy | Negative | Down | Down |

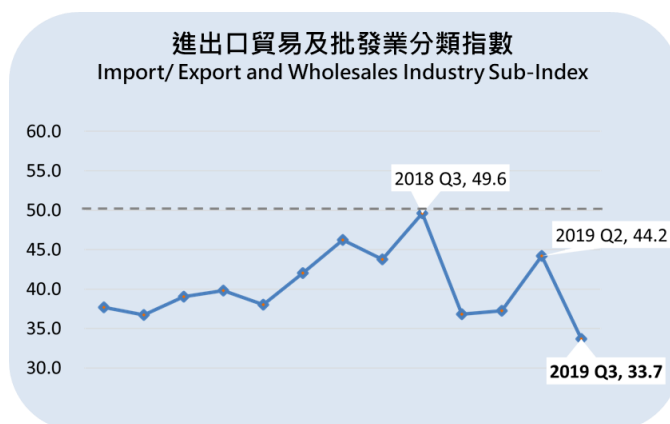


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Import/Export Trade and Wholesale Industry | 33.7

The Import, Export and Wholesale Industry sub-index decreased by 10.5 points to 33.7. All sub-indices dropped simultaneously when compared to last quarter, indicating the industry's gloomy business outlook.

| Component | View | Compare to last quarter | Compare to last year |
|-----------------------|----------|-------------------------|----------------------|
| Industry Index | Negative | Down | Down |
| Recruitment Sentiment | Negative | Down | Down |
| Investment Sentiment | Negative | Down | Down |
| Business Condition | Negative | Down | Down |
| Profit Margin | Negative | Down | Down |
| Global Economy | Negative | Down | Down |

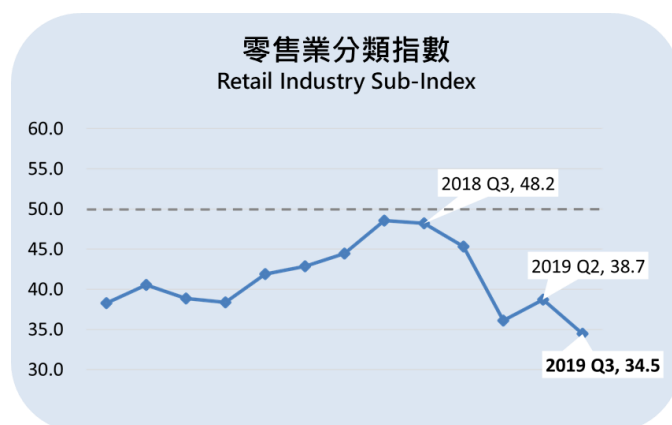


Industry Indices

Retail Industry | 34.5

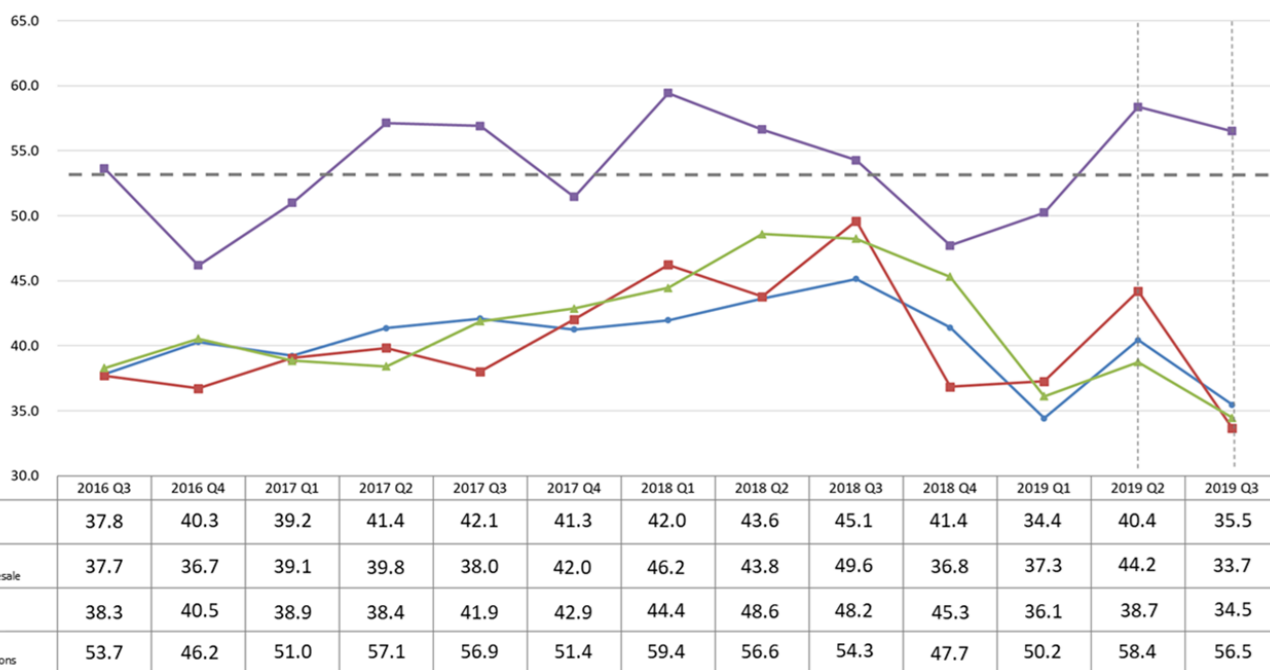
The Retail sub-index decreased by 4.2 points to 34.5. All sub-indices dropped simultaneously in this quarter, while only the industry's "Recruitment Sentiment" sub-index maintained at positive level.

| Component | View | Compare to last quarter | Compare to last year |
|-----------------------|----------|-------------------------|----------------------|
| Industry Index | Negative | Down | Down |
| Recruitment Sentiment | Positive | Down | Down |
| Investment Sentiment | Negative | Down | Down |
| Business Condition | Negative | Down | Down |
| Profit Margin | Negative | Down | Down |
| Global Economy | Negative | Down | Down |



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行業分類指數表現 SME Index for Selected Industries



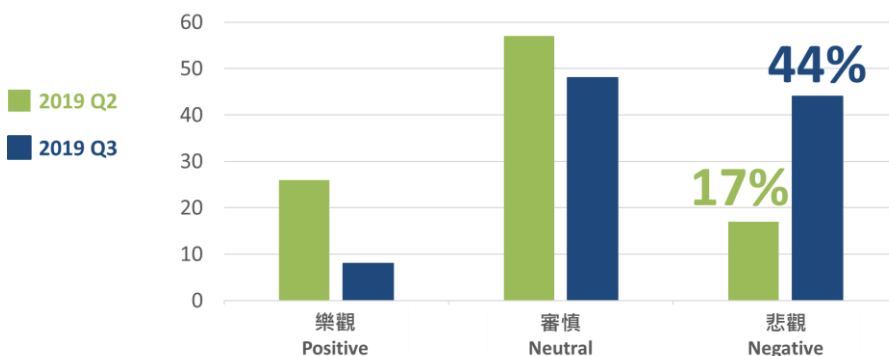
Featured topics

(a) How SMEs Cope With the Fluctuating Global Economy

When being asked about the trend of international trade negotiation, 44% of surveyed SMEs expressed pessimism, which was much higher than last quarter's 17%.

中小企對國際貿易談判發展趨勢的看法：

SMEs' views on the trend of international trade negotiation:



中小企應對環球經濟波動的部署：

SMEs' solutions to cope with the fluctuating global economy:

To cope with business challenges brought by fluctuating global economy, 55% of SMEs said they increase staff capability; followed by developing new products or services (44%), and expanding in current market (43%).



中小企希望得到的支援：

Supports that SMEs wish to receive:



The survey also asked SME's preference on receiving support - most of them (36%) would like to have more support related to "Marketing and Promotion"; while 35% of them wished to receive more support on "Talent Acquisition and Training".



Featured topics

(b) SMEs' Staff Training and Retaining Plan

This survey further discussed staff training and retaining deployment of SMEs. Despite providing "Staff Benefits" (82%), 69% of SMEs believed that "Staff Training & Development" was also very important.

中小企認為最有效挽留人才的措施:

Most effective ways to retain talents for SMEs:



中小企所採用的培訓模式:

Training Modes Adopted by SMEs:

| 培訓模式 Training Mode | 中小企數目 Number of SMEs |
|---|-------------------------|
| 公司內部知識分享 Internal Sharing of Knowledge | 370 |
| 在職培訓 On-the-Job Training | 271 |
| 網上學習 Online Learning | 128 |
| 講課模式 Lecture Seminar | 77 |
| 活動模式 Activity-based Learning | 73 |

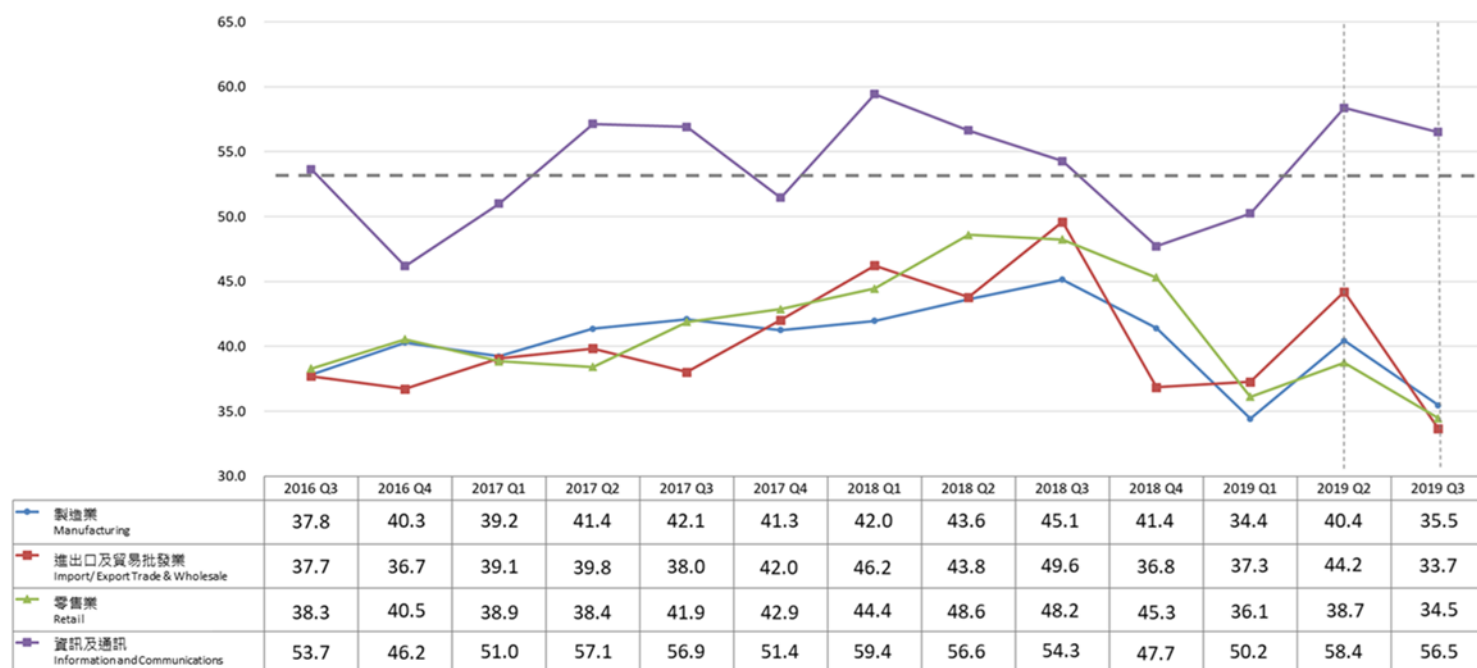
The survey also found that "Internal Knowledge Sharing", "On-the-Job Training" and "Online Learning" are training modes commonly adopted by SMEs.



Appendix

Standard Chartered SME Index by Industry

行業分類指數表現 SME Index for Selected Industries

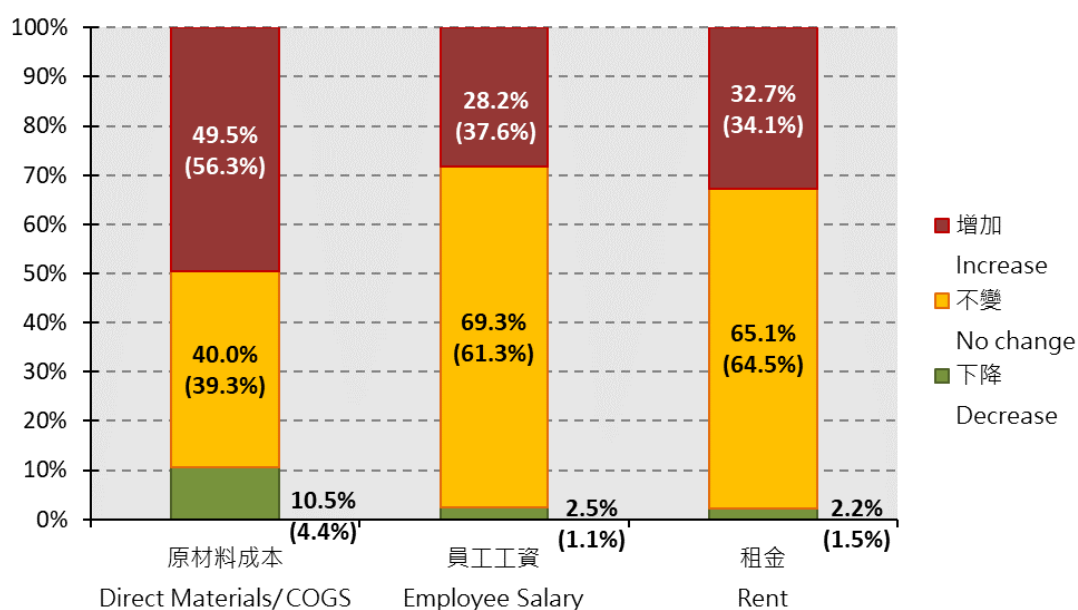


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Change of Major Cost Components

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)

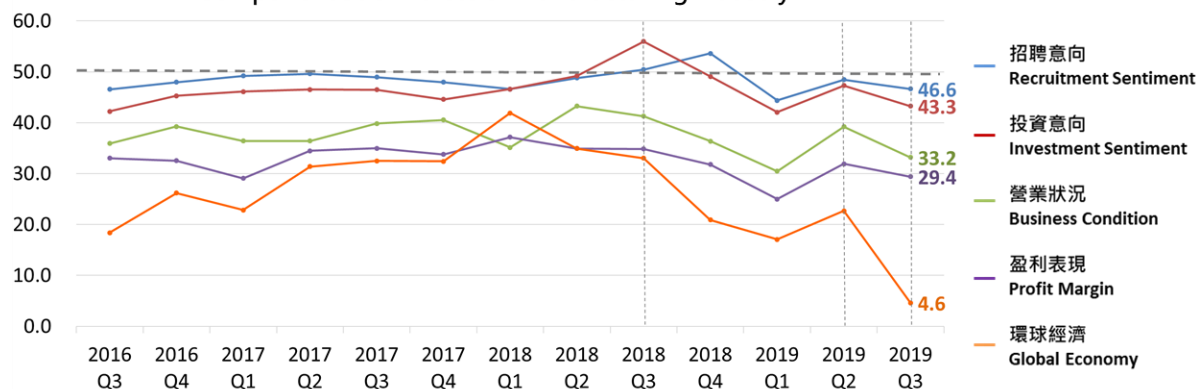


Appendix

Component Sub-Indices of 3 Main Industries

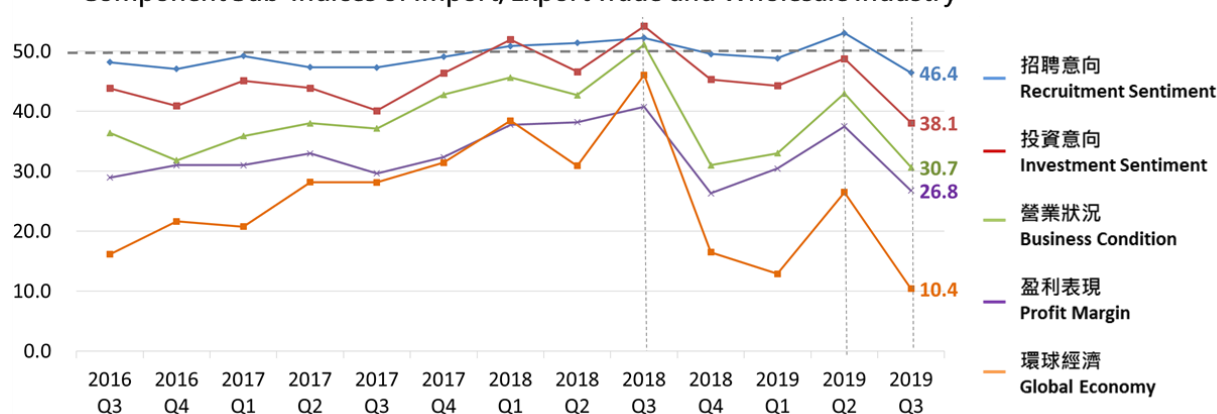
製造業分項指數表現

Component Sub-Indices of Manufacturing Industry



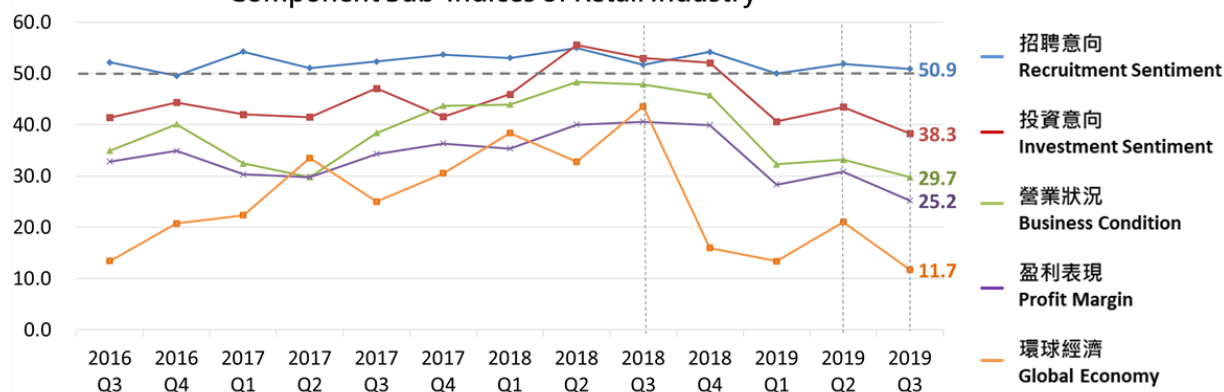
進出口貿易及批發業分項指數表現

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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