

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 skyline includes several prominent skyscrapers, with one featuring a distinctive tiered top. A tall, slender light pole stands on the right side of the road. The overall scene depicts a modern, well-maintained urban environment.

Standard Chartered Hong Kong SME Leading Business Index

Quarter 2, 2020

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 806 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.

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 32nd survey of the Standard Chartered Hong Kong SME Leading Business Index was conducted in March 2020. Top management of 806 SMEs were surveyed to gauge their views on the outlook of the overall business environment and regional economic changes in the 2nd quarter of 2020.

Key Findings

The 2020 Q2 Overall Index of the Standard Chartered SME Index decreased by 6.9 points, reading at 26.2, indicating a significant drop in SMEs' confidence in the business environment. Key findings of the survey are as follows:

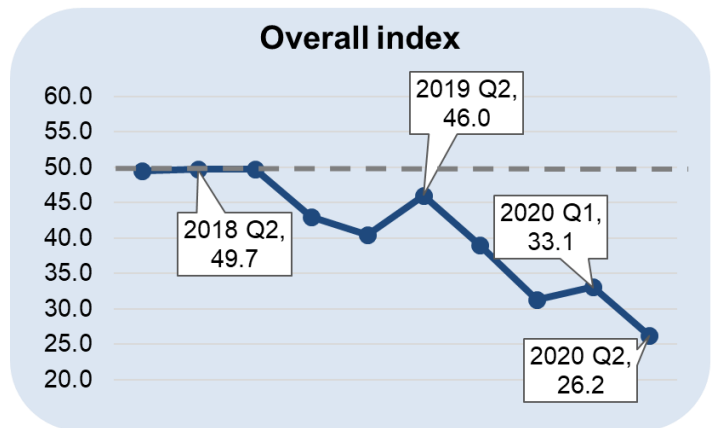
- ⊕ Overall Index comprising five sub-indices, and all the sub-indices dropped simultaneously;
- ⊕ "Recruitment Sentiment" (43.2), "Investment Sentiment" (33.2) decreased by 5.4 and 3.8 points respectively;
- ⊕ "Business Condition" (16.3), "Profit Margin" (16.3) and "Global Economy" (5.8) recorded a relatively large drop of 10.1, 8.3 and 9.6 points respectively;
- ⊕ As for industries, the three key sub-indices, namely "Manufacturing Industry" (26.2), "Import/Export Trade & Wholesale Industry" (25.2) and "Retail Industries" (20.7) sub-indices were all seen to drop;
- ⊕ We interviewed SMEs about the digital technology deployment situation, particularly their views on remote working under COVID-19 :
41% of surveyed SMEs are using electronic / online platform for sales and promotion, Accommodation & Catering Services (75%), Real Estate (59%) and Retail (51%) are the industries of using electronic / online platform for sales or promotion most;
- ⊕ 84% of surveyed SMEs wished to receive supports when enhancing digital technology deployment in the company. The most welcomed supports are listed as suitable tools & system recommendation, security supports in corporate network, as well as relevant training courses;
- ⊕ 33% of surveyed SMEs reckoned themselves suitable for remote working; while 29% said they are implementing remote working.



Standard Chartered SME Index

2020 Q2

26.2

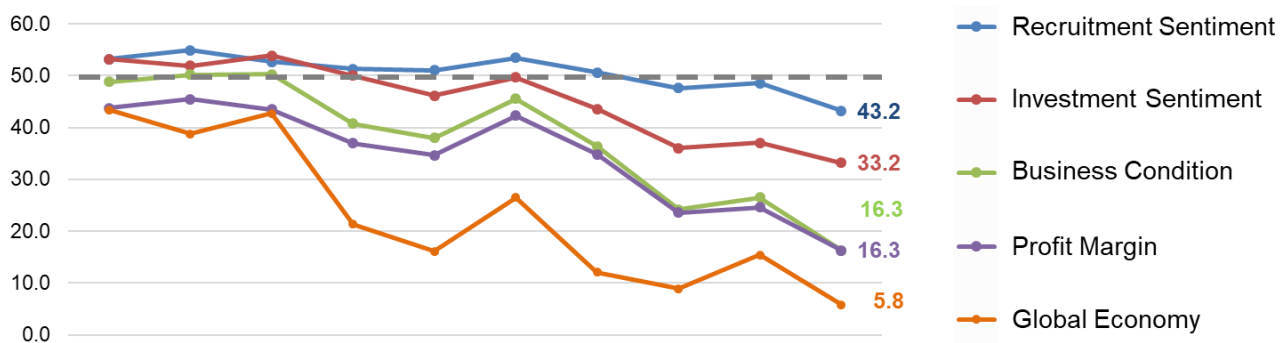


Compared with last quarter, the Overall Index decreased by 6.9 points, reading at 26.2 and reached its record low since this survey series began, indicating a significant drop in SMEs' confidence in the business environment. The results of the investigation are as expected, as the global and local economies are being affected by an unprecedented global pandemic during the survey.

This quarter, all the five sub-indices of the Overall Index decreased simultaneously. Among which the "Business Condition" recorded a relatively large drop of 10.1 points, decreased to 16.3. "Recruitment Sentiment" decreased from 48.6 to 43.2, while "Investment Sentiment" (33.2) and "Profit Margin" (16.3) decreased by 3.8 and 8.3 points respectively, and that "Global Economy" dropped to 5.8.

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The Five Component Sub-Indices



Industry Sub-indices

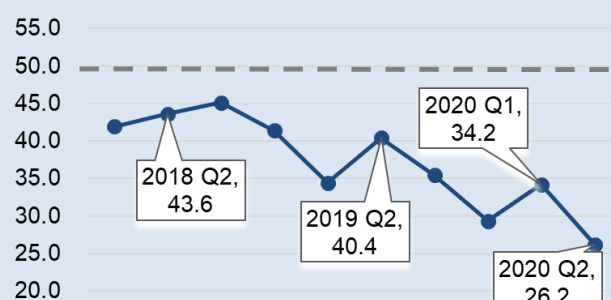
Manufacturing Industry | 26.2

Manufacturing Industry sub-index decreased by 8.0 points to 26.2. Compared to last quarter, "Global Economy" sub-index recorded a large decrease of 11.3 points to 8.0.



Component	Index	Compare to last quarter	Compare to same period of last year
Industry Index	26.2	Down	Down
Recruitment Sentiment	39.7	Down	Down
Investment Sentiment	31.7	Down	Down
Business Condition	19.2	Down	Down
Profit Margin	18.5	Down	Down
Global Economy	8.0	Down	Down

Manufacturing Industry Sub-Index



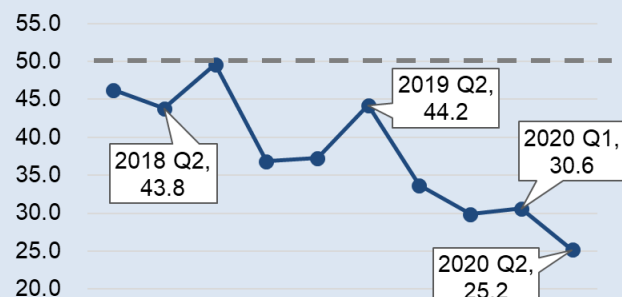
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Import/Export Trade and Wholesale Industry | 25.2

Import/Export Trade and Wholesale Industry sub-index decreased by 5.4 points to 25.2. Compared to last quarter, "Business Condition" sub-indices recorded a large decrease of 9.9 points to 14.2. "Global Economy" recorded as 5.7.

Component	Index	Compare to last quarter	Compare to same period of last year
Industry Index	25.2	Down	Down
Recruitment Sentiment	45.7	Down	Down
Investment Sentiment	30.1	Down	Down
Business Condition	14.2	Down	Down
Profit Margin	14.0	Down	Down
Global Economy	5.7	Down	Down

Import/Export Trade & Wholesale Industry Sub-Index

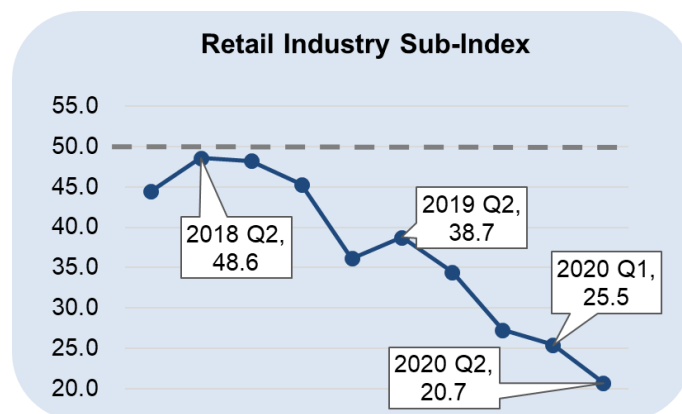


Industry Sub-indices

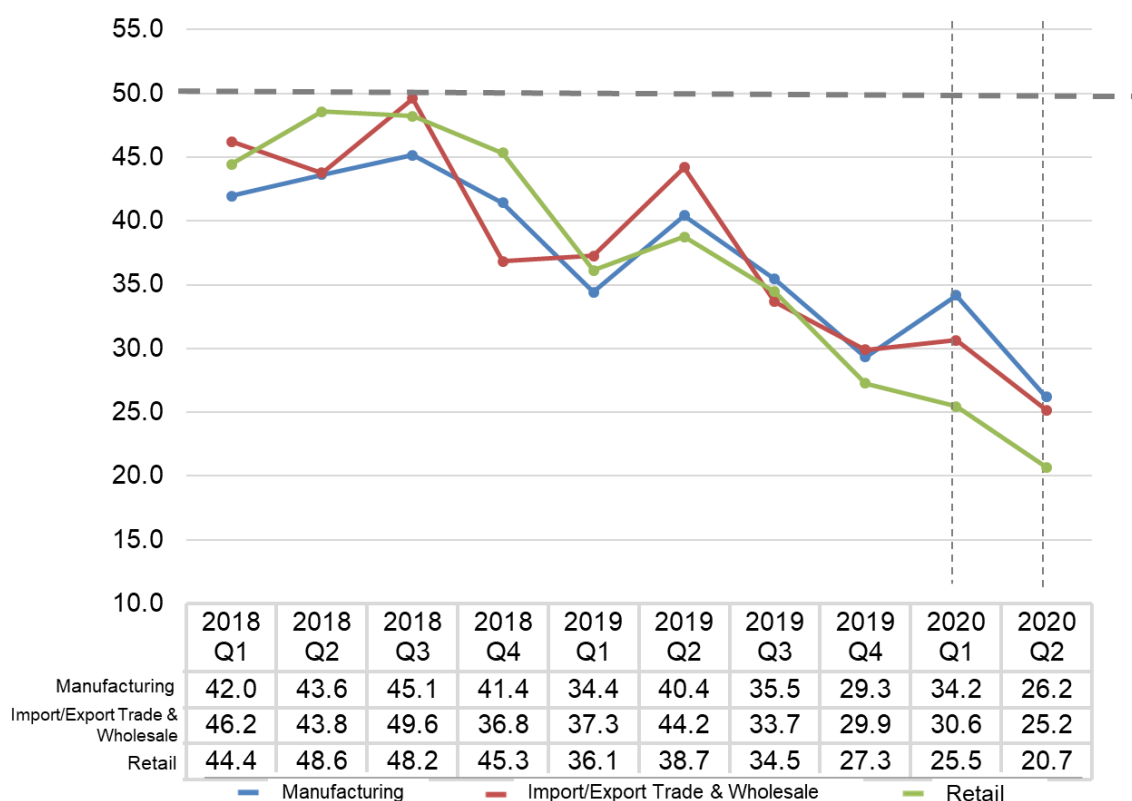
Retail Industry | 20.7

Retail Industry sub-index decreased by 4.8 points to 20.7. Compared to last quarter, "Global Economy" sub-index recorded as 4.3.

Component	Index	Compare to last quarter	Compare to same period of last year
Industry Index	20.7	Down	Down
Recruitment Sentiment	40.2	Down	Down
Investment Sentiment	18.9	Down	Down
Business Condition	14.6	Down	Down
Profit Margin	12.8	Down	Down
Global Economy	4.3	Down	Down



SME Index for Selected Industries



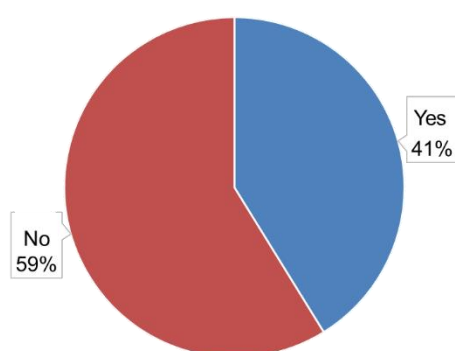
Featured Topic

Digital Technology Deployment of SMEs

41% of surveyed SMEs claimed they are using electronic or online platform for sales or promotion during the survey period. Accommodation and Catering Services, Real Estate, Retail, Manufacturing, Information and Communications Industry were above average in using electronic and online platform.

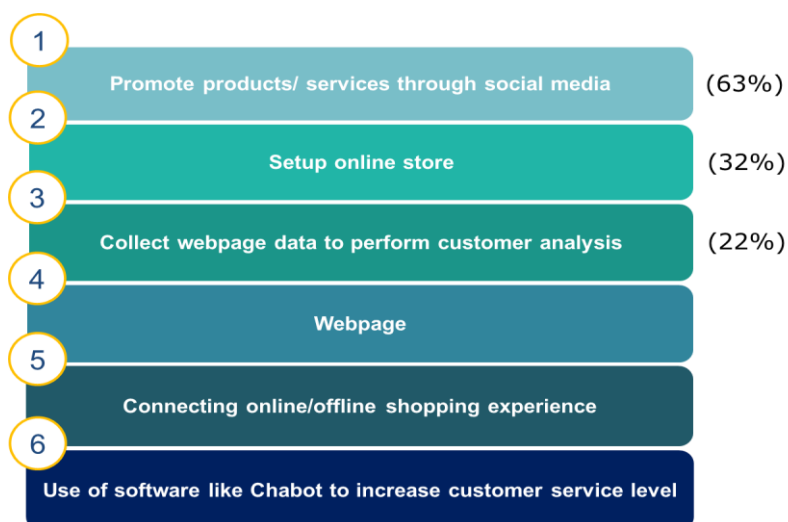
SMEs' use of electronic/online platforms for sales or promotion:

All industries:



Most of the surveyed SMEs, who claimed to use electronic/online platforms for sales or promotion, said they are using social media platforms to promote their product and services and have set up online store.

How SMEs adopt electronic/ online platforms for sales and promotion*:



*For SMEs who replied on using electronic/online platforms to sell or promote



Featured Topic

Digital Technology Deployment of SMEs

84% of surveyed SMEs expected supports when deploying digital technology. The three most welcomed supports were suitable tool & system recommendation, security supports in corporate network, and relevant training courses.

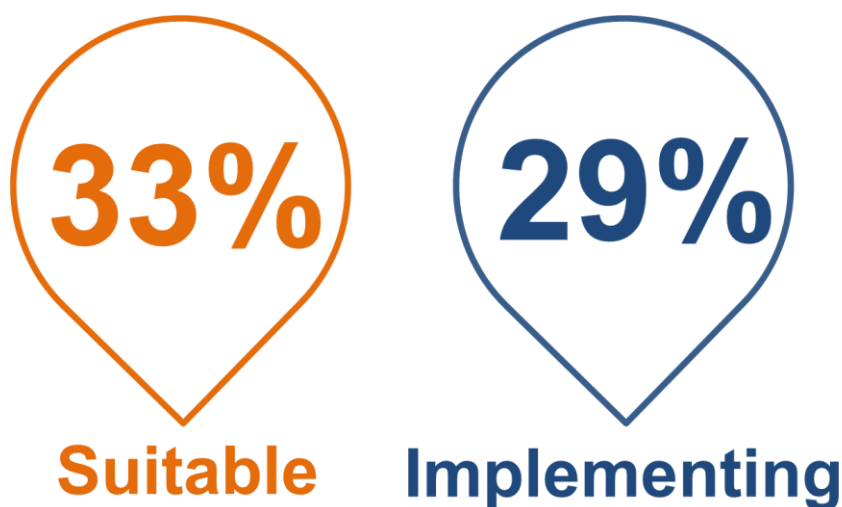
Support expected by SMEs in facilitating digital technology deployment:



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In view of the outbreak of COVID-19 locally and globally, the survey also interviewed SME's remote working arrangement. 33% of SMEs claimed remote working was suitable for their respective industries, and that 29% of surveyed SMEs said they have been implementing remote working.

Implementation of remote working arrangement by SMEs:

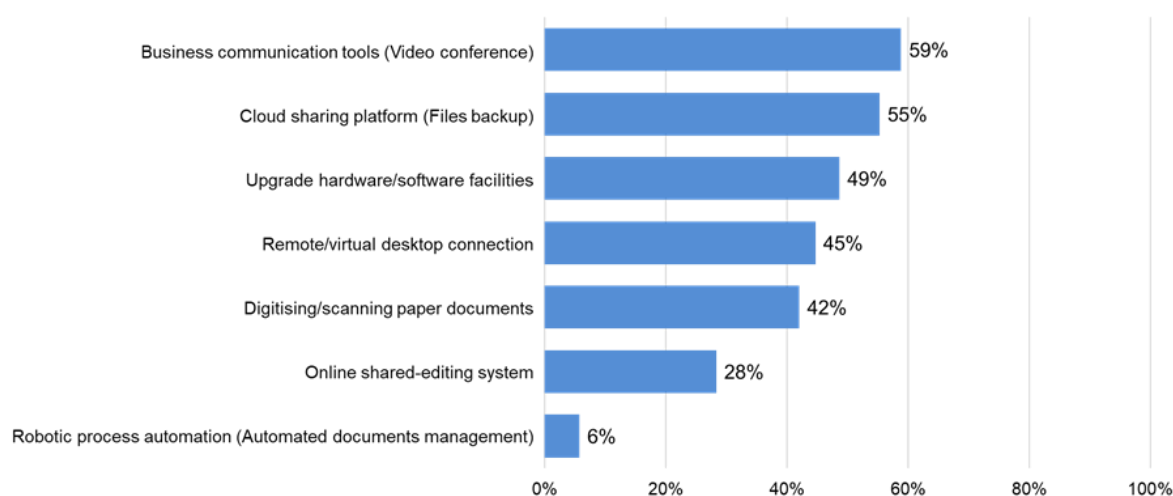


Featured Topic

Digital Technology Deployment of SMEs

For those SMEs claimed remote working as suitable for them, 59% said they had possessed the facilities to implement remote working business communication tools (video conference) , while cloud sharing platform (files backup) and upgrade hardware / software facilities accounted for 55% and 49% respectively. For those SMEs claimed remote working as suitable for them and possessed facilities to implement, 54% said they had strengthened the network security when implementing remote working.

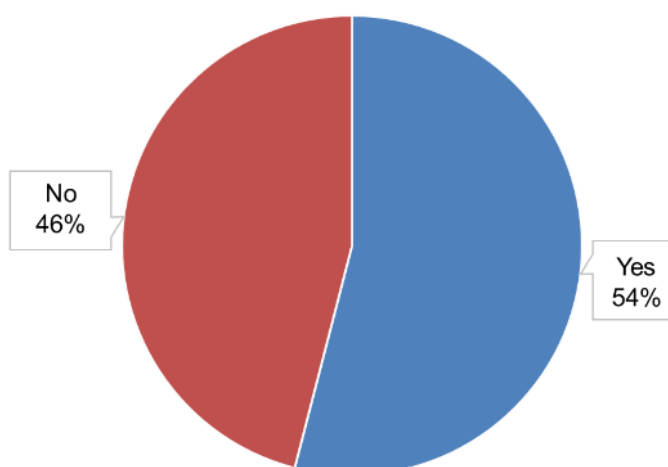
Facilities that SMEs possess to implement remote working by their staff*:



9

*For those replied on remote working was suitable & also claimed to be equipped to implement remote working

Do SMEs that have implemented remote working strengthen network security? *:



*For those replied on remote working was suitable & also claimed to be equipped to implement remote working

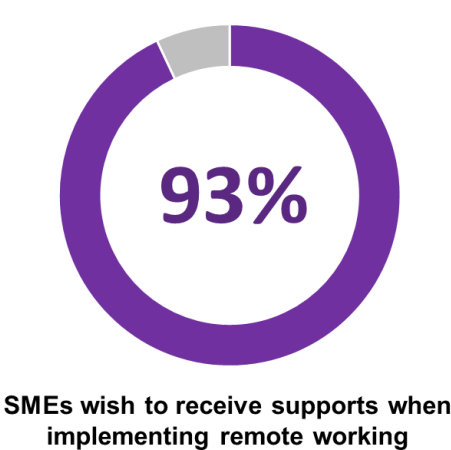


Featured Topic

Digital Technology Deployment of SMEs

Most of the surveyed SMEs, which claimed themselves suitable for implementing remote working, wished to receive supports when implementing remote working. The supports they required were funding, digital technology deployment, and related information of application in the same industry.

SMEs wish to receive the following supports when formulating remote working strategy*:



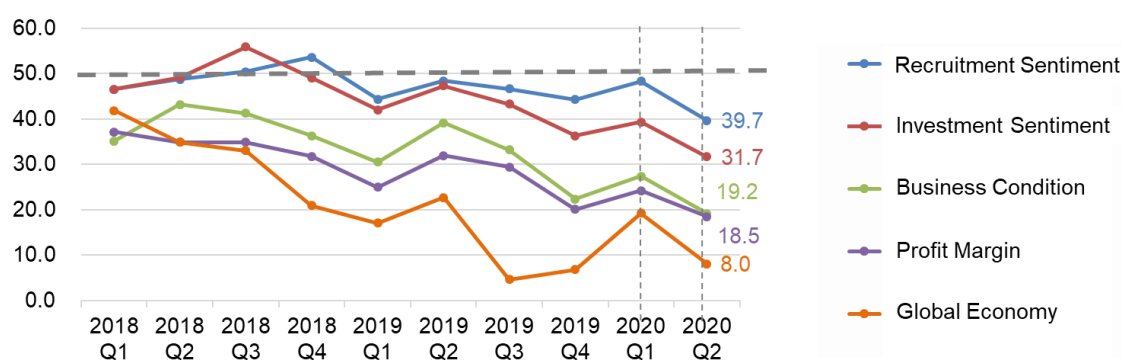
*For those replied on remote working was suitable



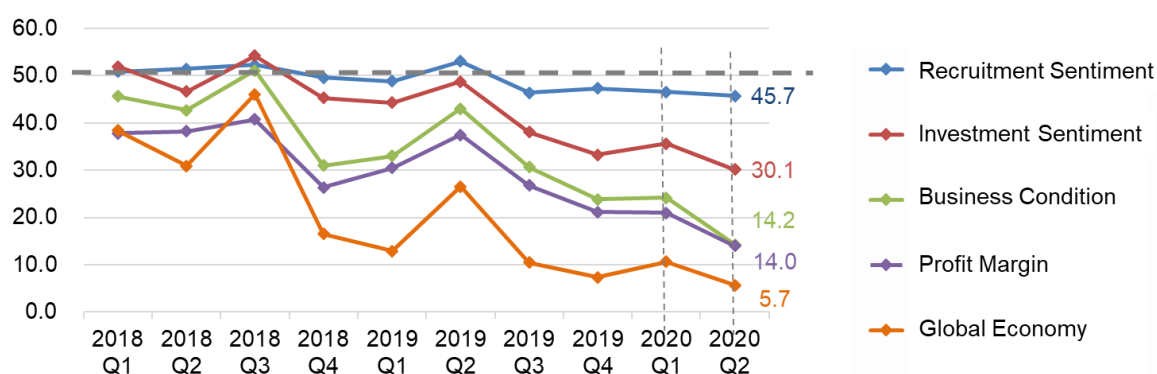
Appendix

Component Sub-Indices of 3 Main Industries

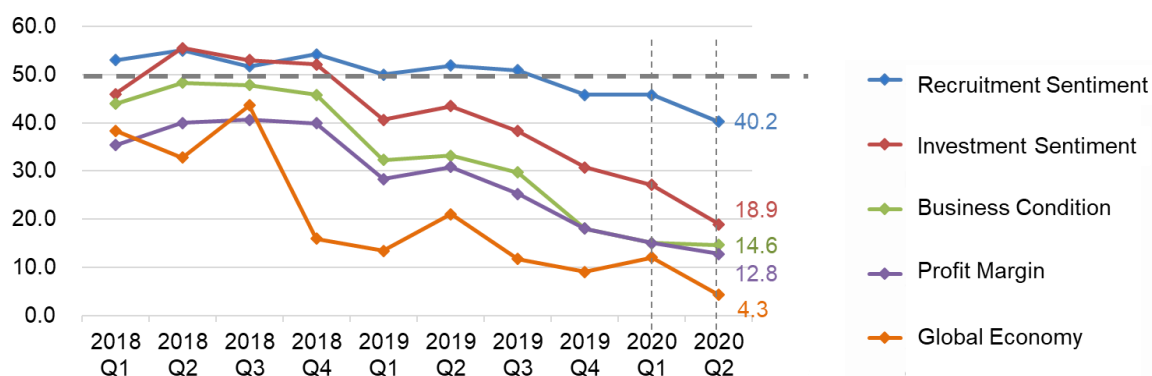
Component Sub-Indices of Manufacturing Industry



Component Sub-Indices of Import/Export Trade and Wholesale Industry

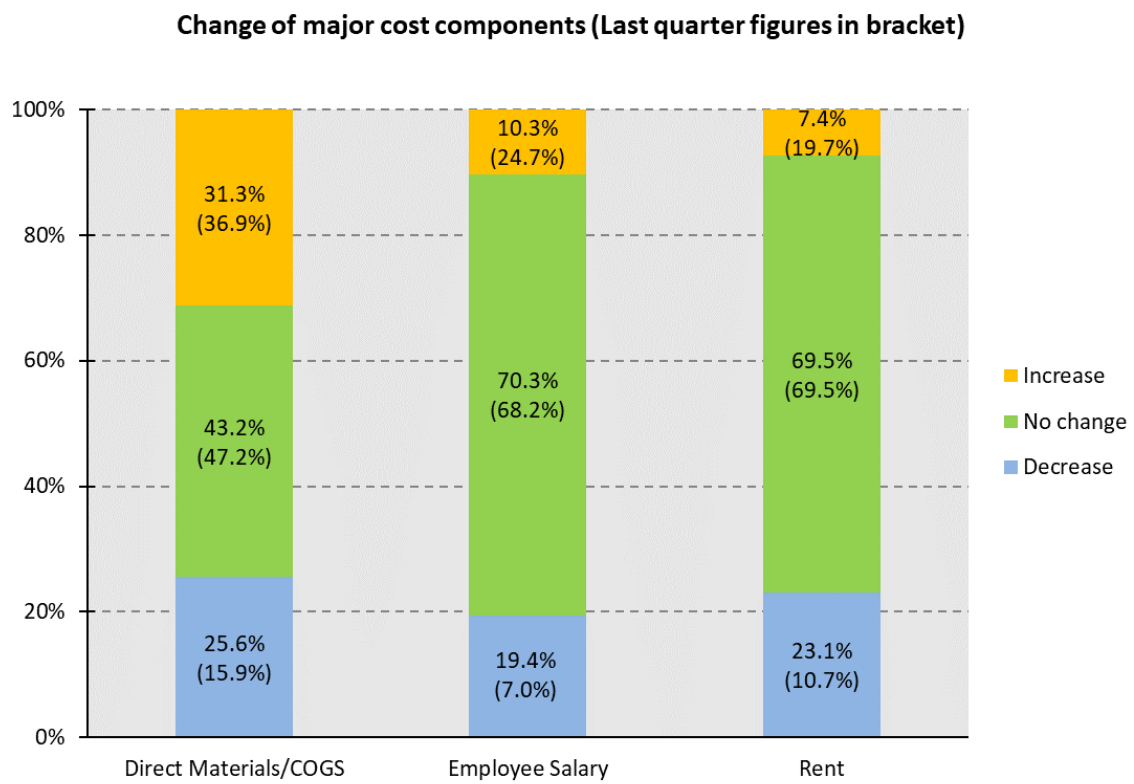


Component Sub-Indices of Retail Industry



Appendix

Change of Major Cost Components



Report Release

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

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