

A wide-angle photograph of a multi-lane highway interchange in Hong Kong. The road curves through a landscaped area with green grass, palm trees, and manicured shrubs. Several vehicles, including cars and vans, are visible on the road. In the background, a dense urban skyline features several prominent skyscrapers under a bright blue sky with scattered white clouds. A tall, slender light pole stands on the right side of the road.

Standard Chartered Hong Kong SME Leading Business Index

Quarter 4, 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 Food Services, Information and Communications, Financing and Insurance, Professional and Business 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 816 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 Food Services, 5) Information and Communications, 6) Financing and 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 34th survey of the Standard Chartered Hong Kong SME Leading Business Index was conducted in September 2020. Top management of 816 SMEs were surveyed to gauge their views on the outlook of the overall business environment and regional economic changes in the Q4 2020.

Key Findings

The Q4 2020 Overall Index of the Standard Chartered SME Index recorded an increase of 7.7 compared to 29.8 of Q3, and continued the uptrend for two consecutive quarters, though still remaining at a level below 50. Key findings of the survey are as follows:

- ⊕ All five component sub-indices continued to rise, with “Business Condition” (30.3), “Profit Margin” (28.9) and “Global Economy” (23.2) as the major growth drivers;
- ⊕ The three key industry indices, namely the “Manufacturing Industry” (37.3), the “Import / Export Trade & Wholesale Industry” (36.2) and the “Retail Industry” (32.7) continued the uptrend for two consecutive quarters;
- ⊕ 48% SMEs expected an increased or unchanged turnover in Q4, representing a rise of 17% as compared to last quarter;
- ⊕ The featured topic of this survey dived deep into SMEs’ business deployments amid the new normal. 58% SMEs expected the persistent pandemic to be a long-term negative impact on businesses, while 77% held positive or neutral attitude towards the pandemic-driven new normal like home economy and digital office;
- ⊕ 84% SMEs said they have taken action(s) or planned to cope with the new normal. Sectors that took relatively more actions amid the new normal were ranked as Information & Communications; Manufacturing; and Retail, while sectors that took relatively less actions were ranked as Construction; Professional & Business Services; and Real Estate;
- ⊕ The most popular actions taken or planned by SMEs, in descending order, to thrive in the new normal were: expansion of online sales; applying loans / funding schemes; and strengthening of information security / cyber security;
- ⊕ The top three industry sectors requiring support amid the new normal were ranked as Retail; Construction; and Professional & Business Services. The areas of support most wanted by SMEs were ranked as: funding; talents & professional skills; and system, hardware & facilities.



Standard Chartered SME Index

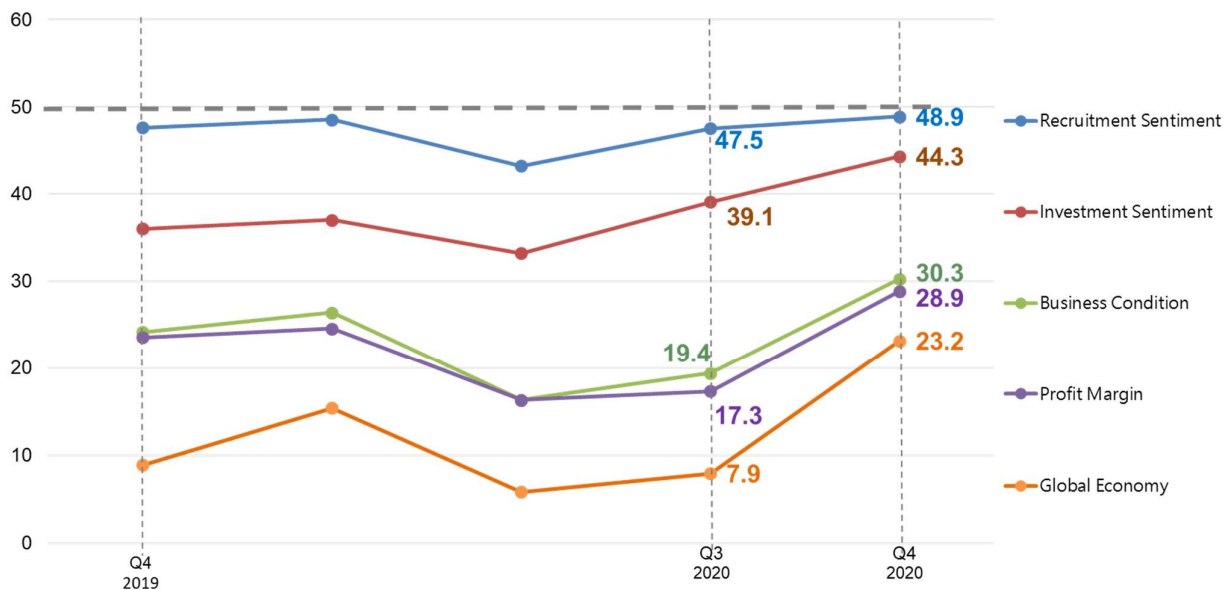
Q4 2020

37.5



The Q4 2020 Overall Index was 37.5, representing an increase of 7.7 compared to 29.8 of Q3, and continued the uptrend for two consecutive quarters, though still remaining at a level below 50. All five component sub-indices continued to rise, among which the major growth drivers were “Business Condition” (30.3), “Profit Margin” (28.9) and “Global Economy” (23.2), with an increase of 10.9, 11.6 and 15.3 respectively. While “Recruitment Sentiment” (48.9) and “Investment Sentiment” (44.3) recorded a rise of 1.4 and 5.2 respectively.

Five Component Sub-Indices of Overall Index

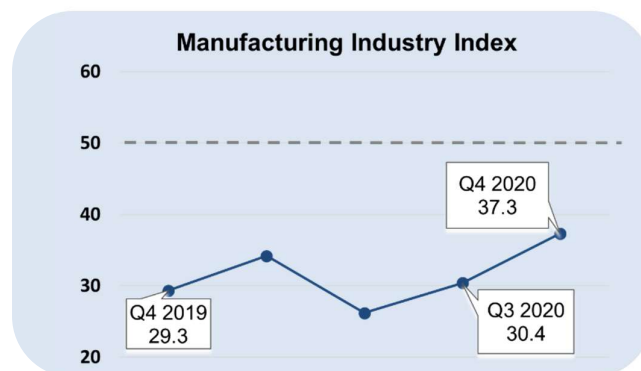


The 3 Key Industry Indices

Manufacturing Industry 37.3

The Manufacturing Industry Index increased by 6.9 to 37.3. Compared to last quarter, all sub-indices recorded a growth, among which “Global Economy” recorded the most significant increase by 27 to 36.6.

Component Indices	Index	Compared to last quarter	Compared to same period of last year
Recruitment Sentiment	47.0	Up	Up
Investment Sentiment	44.8	Up	Up
Business Condition	27.2	Up	Up
Profit Margin	26.3	Up	Up
Global Economy	36.6	Up	Up



Import / Export Trade and Wholesale Industry 36.2

The Import / Export Trade and Wholesale Industry Index increased by 8.9 to 36.2. Compared to last quarter, all sub-indices recorded an uplift, among which “Recruitment Sentiment” sub-index went up to 50.

Component Indices	Index	Compared to last quarter	Compared to same period of last year
Recruitment Sentiment	50.0	Up	Up
Investment Sentiment	42.5	Up	Up
Business Condition	28.7	Up	Up
Profit Margin	26.1	Up	Up
Global Economy	20.7	Up	Up

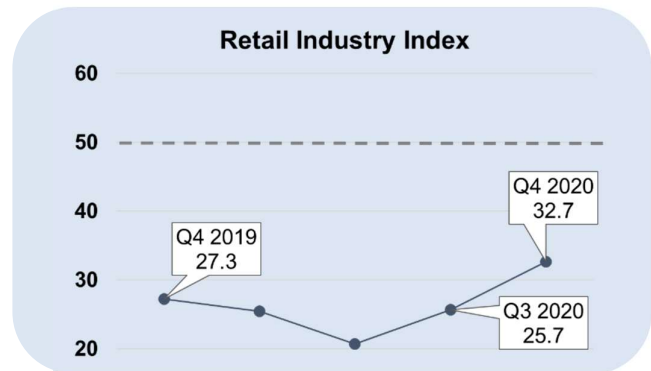


The 3 Key Industry Indices

Retail Industry 32.7

The Retail Industry Index increased by 7.0 to 32.7. All component sub-indices increased except a slight drop of "Recruitment Sentiment" as compared to last quarter.

Component Indices	Index	Compared to last quarter	Compared to same period of last year
Recruitment Sentiment	46.4	Down	Up
Investment Sentiment	39.8	Up	Up
Business Condition	22.9	Up	Up
Profit Margin	21.1	Up	Up
Global Economy	23.5	Up	Up



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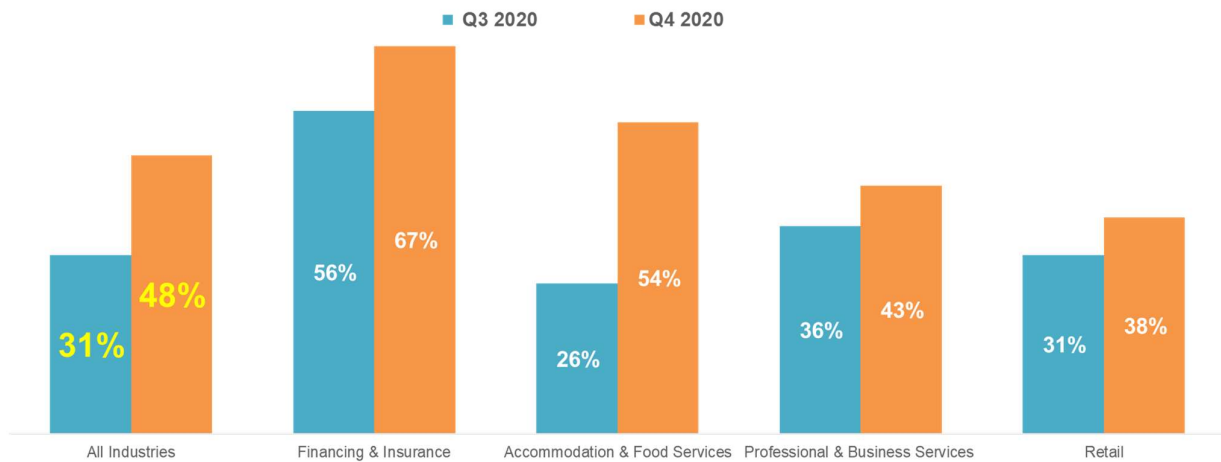
3 Key Industry Indices



Market Observations

The survey unveiled that 48% SMEs expected an increased or unchanged turnover in Q4, which surged 17% as compared to last quarter. Financing & Insurance sector was relatively optimistic about the expected turnover, with 67% SMEs anticipated an increased or unchanged turnover. Accommodation & Food Services also recorded a sharp increase by 28% to 54%, indicating that some industry sectors have boosted confidence in transforming operation models to cope with the new normal. Professional & Business Services and Retail were relatively pessimistic about the expected turnover, with only 43% and 38% SMEs expected the turnover to increase or remain unchanged respectively.

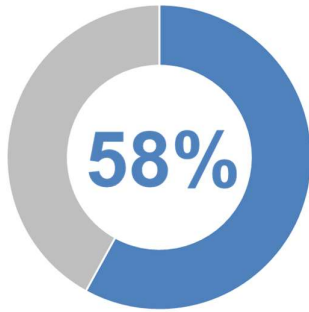
SMEs that are expecting an increased or unchanged turnover



Featured Topic

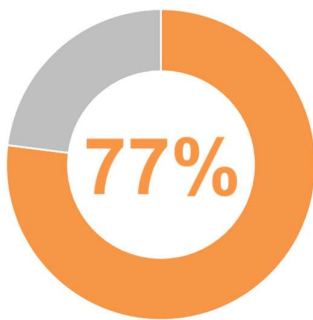
SMEs' Business Deployments amid the New Normal

1)



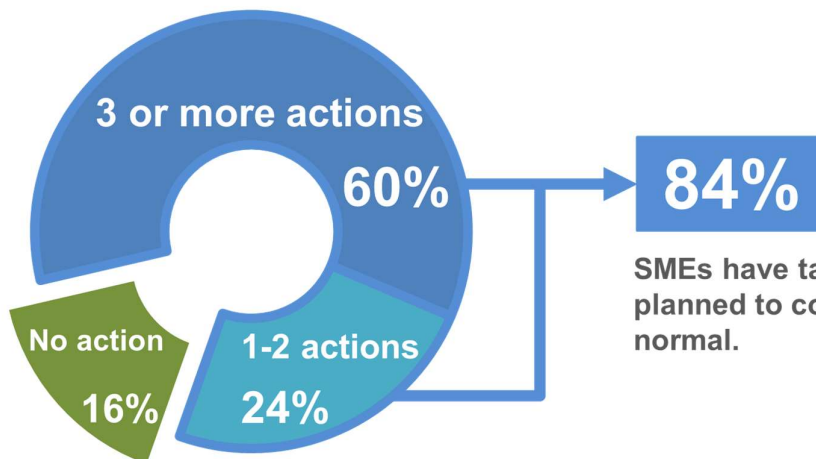
Expected the persistent COVID-19 pandemic to be a long-term negative impact on businesses.

2)



Held positive or neutral attitude towards the new normal like home economy and digital office driven by the COVID-19 pandemic.

3)



84%
SMEs have taken action(s) or planned to cope with the new normal.



Featured Topic

SMEs' Business Deployments amid the New Normal

To cope with the new normal, sectors adopted relatively more actions were ranked as:



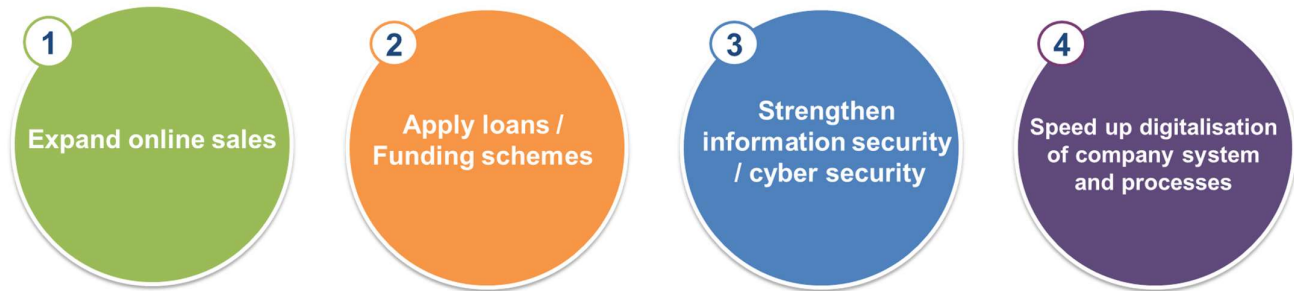
Sectors adopted relatively less actions were ranked as:



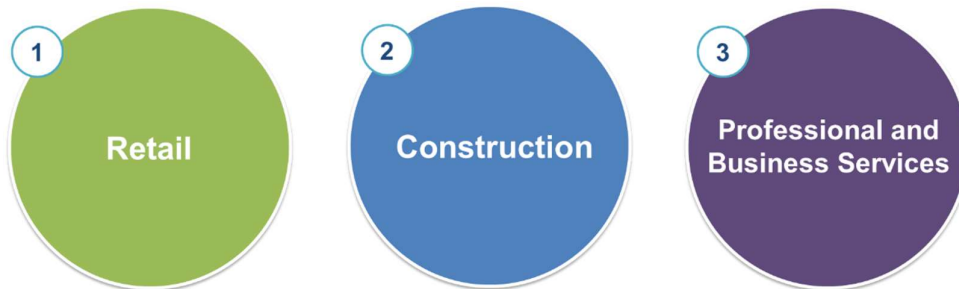
Featured Topic

Plans of SMEs for the Next 6 Months

Amid the new normal, the most popular actions taken or planned by SMEs, in descending order, to thrive in the new normal were:



The top three industry sectors requiring support amid the new normal were ranked as:



10

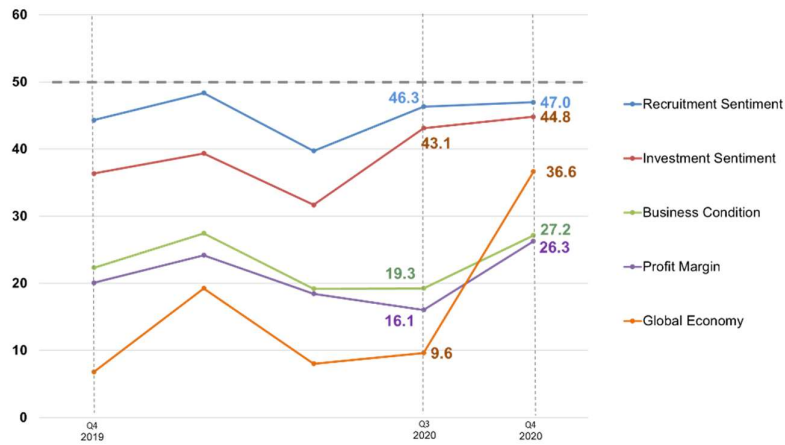
For SMEs needing support amid the new normal, the areas of support most wanted by SMEs were ranked as:



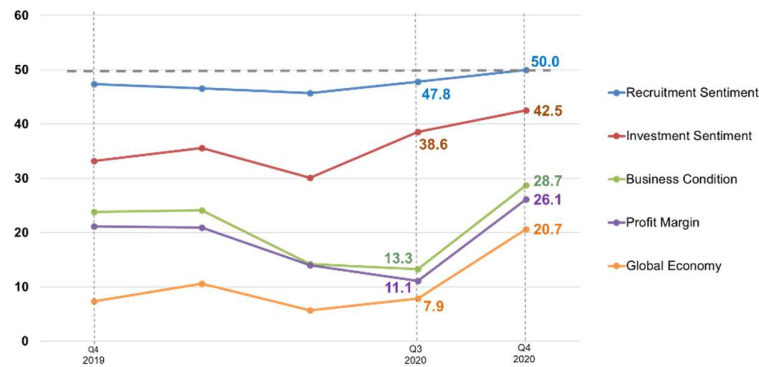
Appendix

Component Sub-Indices of the 3 Key Industry Indices

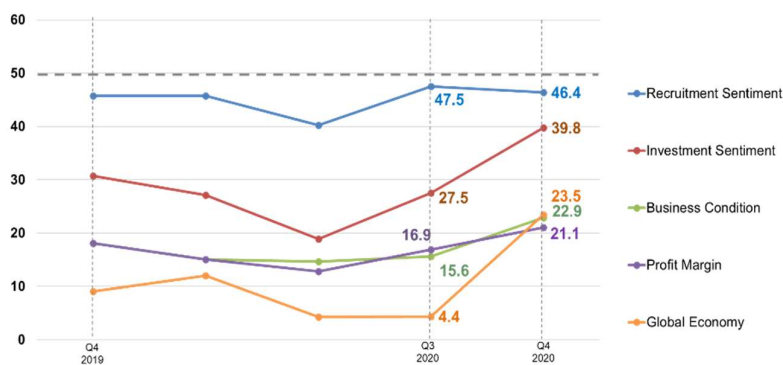
Component Sub-Indices of Manufacturing Industry



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

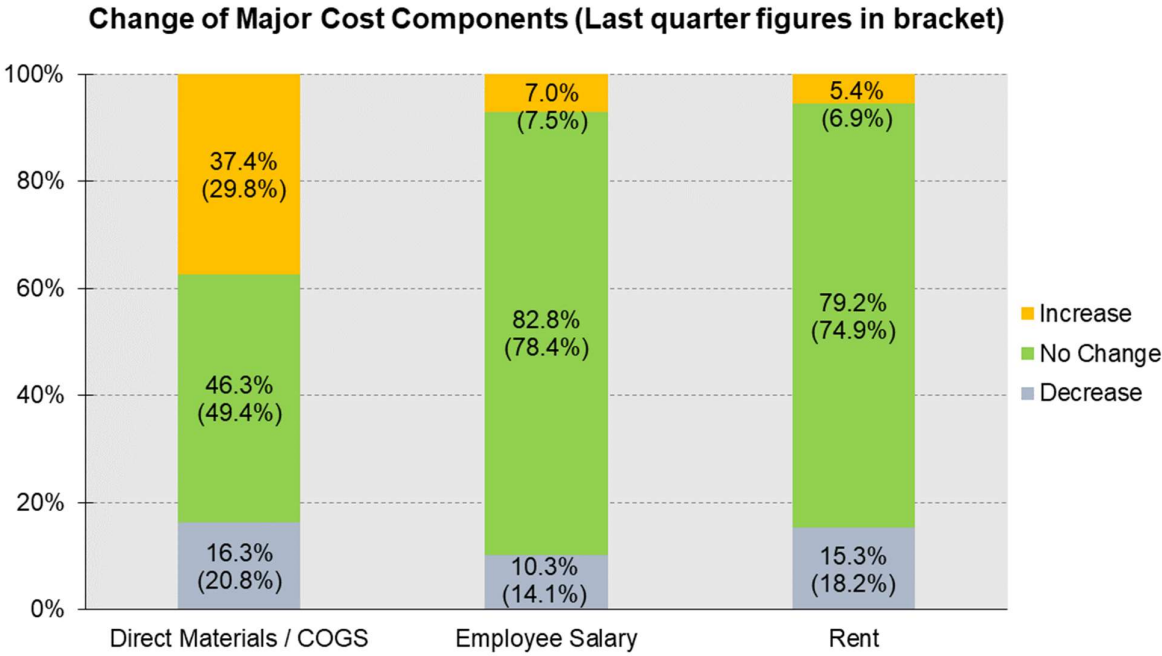


Component Sub-Indices of Retail Industry



Appendix

Change of Major Cost Components



Report Release

The Standard Chartered SME Index is released every quarter. Full reports

can be downloaded at <https://u.hkpc.org/scbi-en>.

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