

Standard Chartered Hong Kong SME Leading Business Index

Results
Q4 2022



Background

- The “Standard Chartered Hong Kong SME Leading Business Index” is independently implemented by Hong Kong Productivity Council and sponsored by Standard Chartered Bank (Hong Kong) Limited.

Survey Objectives



- To analyse Hong Kong SMEs’ confidence in the recent business environment
- To analyse the current situation of e-commerce adoption among SMEs
- To look into Hong Kong SMEs’ talent demand

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Results
Q4 2022



Key Findings of This Quarter



Overall Index was down 2.9 points from the previous quarter, to **44.2** for Q4 2022, and down 4.0 points from the same quarter last year.



Around **34%** of SMEs have run e-commerce business, among which 20% of them expected their e-commerce revenue to increase



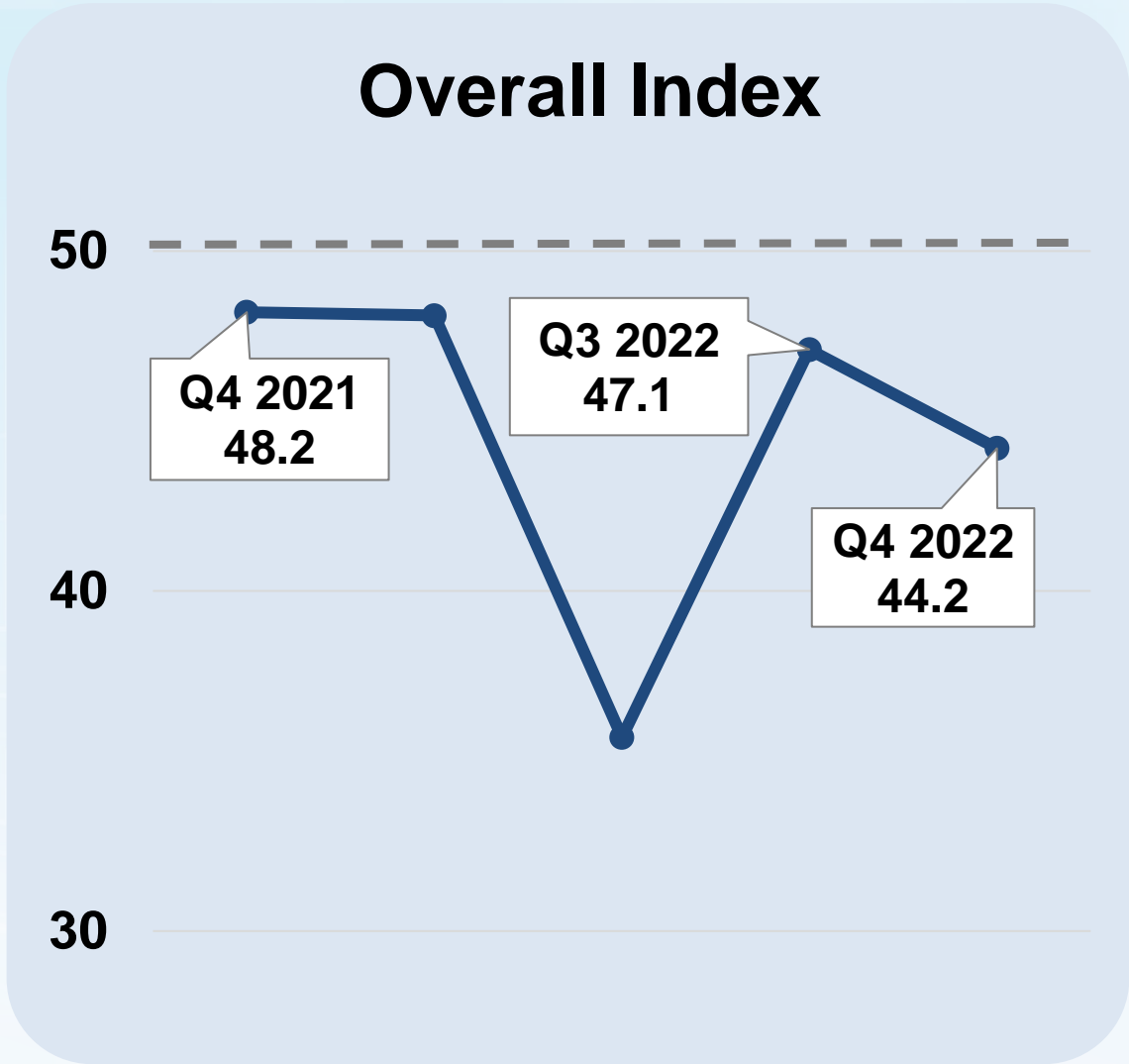
For the year to date, the average staff turnover rate among surveyed SMEs was **14%**

Overall Index in Q4 2022

Quarter-over-quarter decrease

44.2

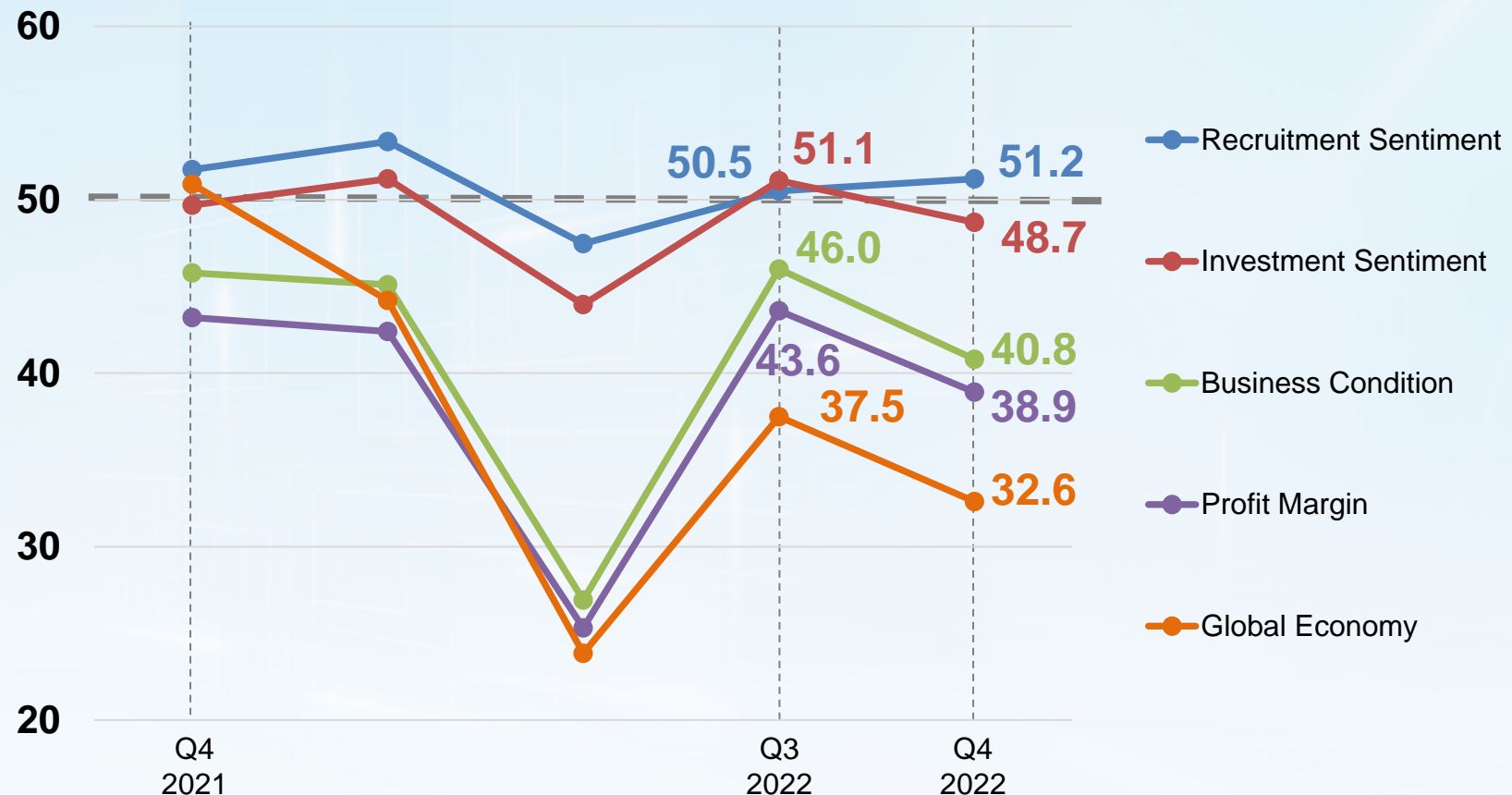
-2.9



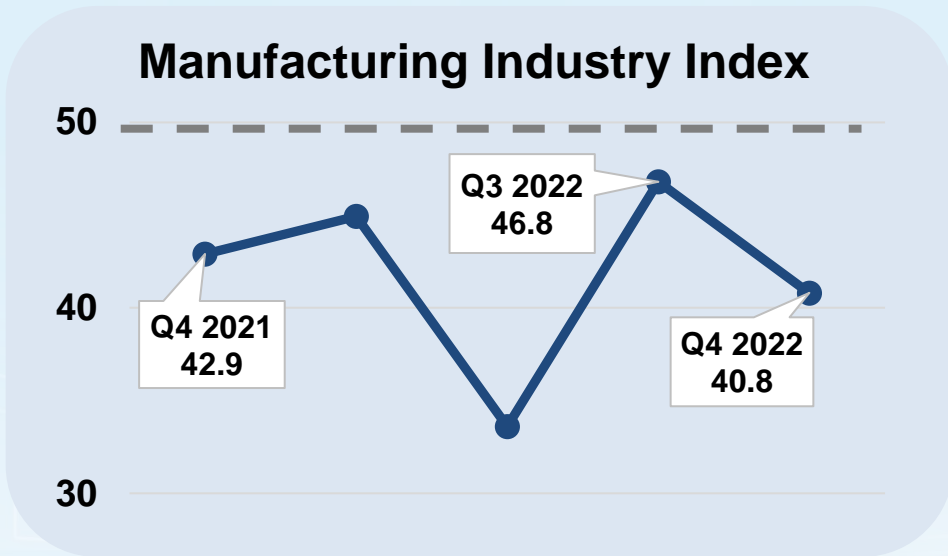
Five Component Sub-Indices of Overall Index

- Except “Recruitment Sentiment” which marked further increase of 0.7, all other sub-indices dropped simultaneously, of which “Investment Sentiment” retreated again to below 50 neutral level
- The drops in “Business Condition”, “Global Economy” and “Profit Margin” were more significant. All of them were down by over 4.0 points

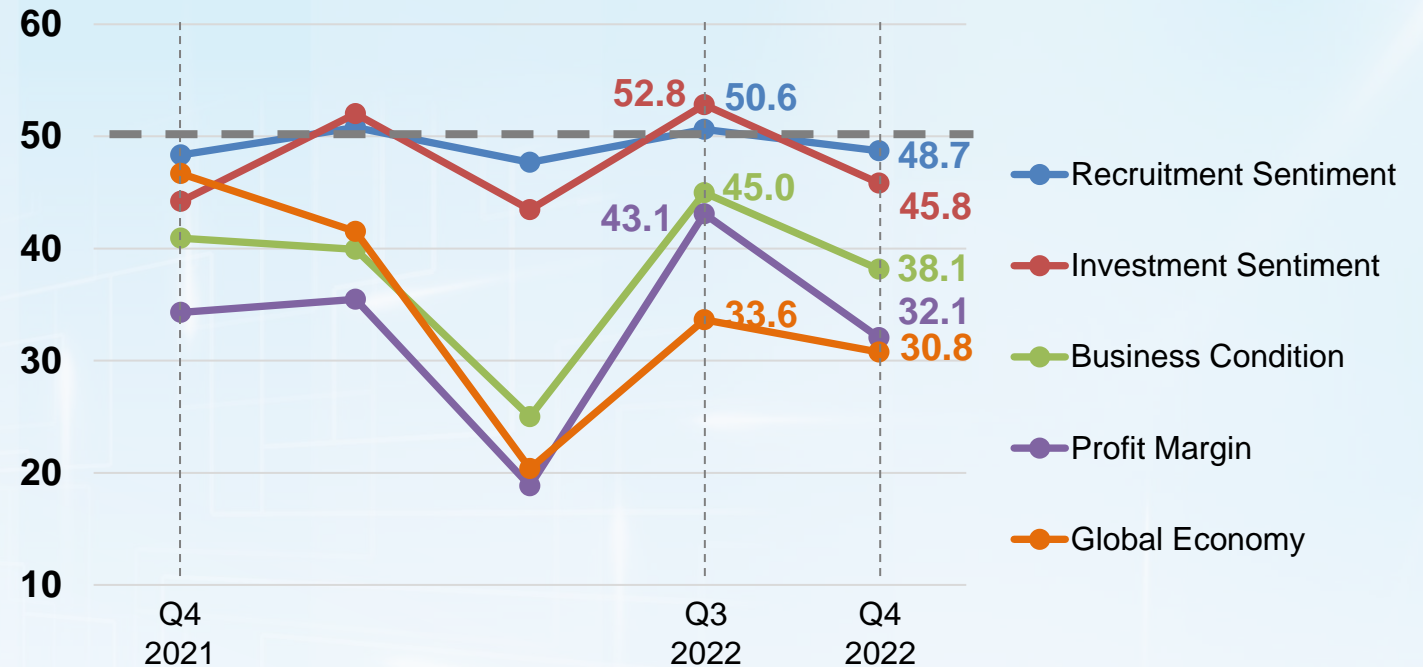
Five Component Sub-Indices of Overall Index



Manufacturing



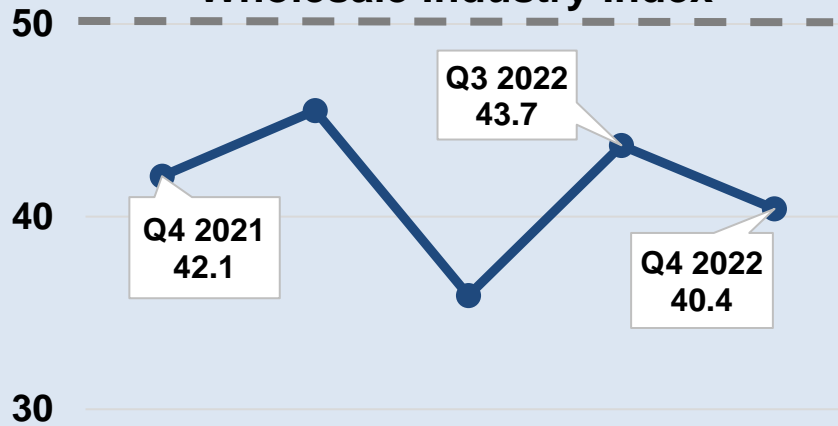
Component Sub-Indices of Manufacturing Industry



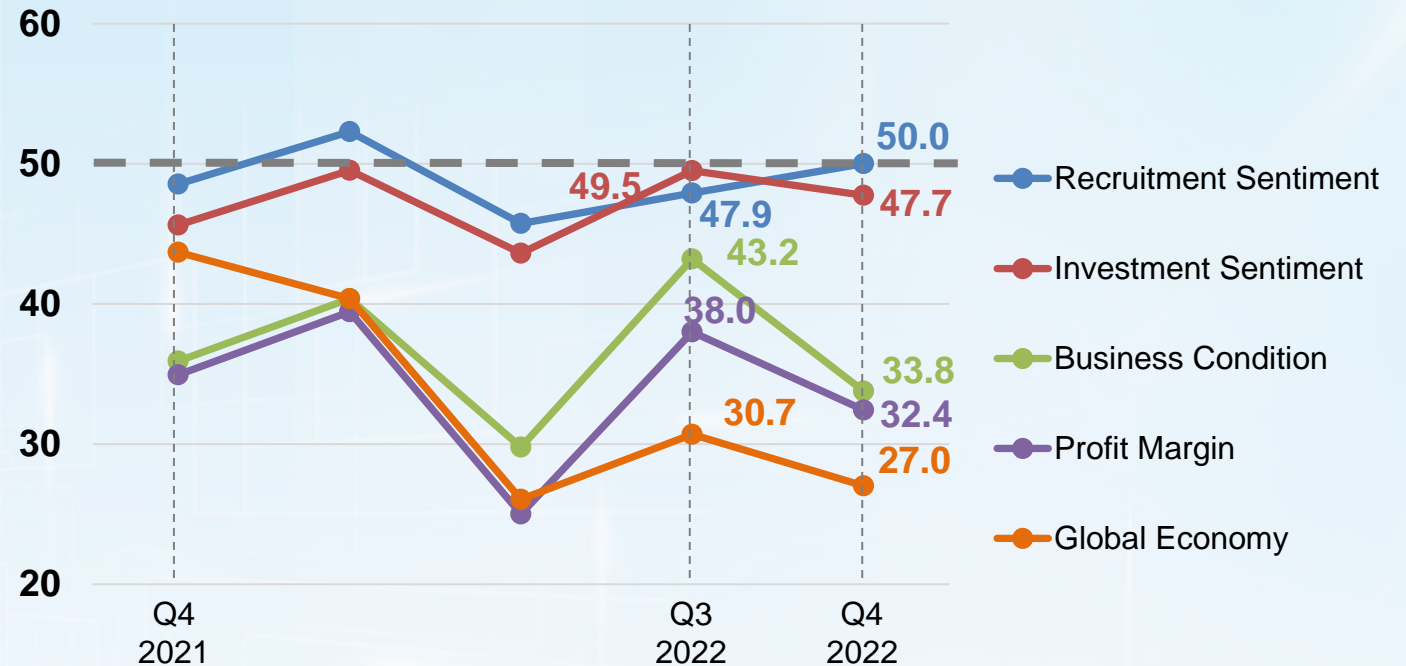
- Industry index of Manufacturing Industry dropped by 6.0 to 40.8 compared to last quarter
- All component sub-indices showed a downturn, among which the drop in “Profit Margin” was the most significant, down by 11.0 points

Import / Export Trade & Wholesale

Import / Export Trade & Wholesale Industry Index



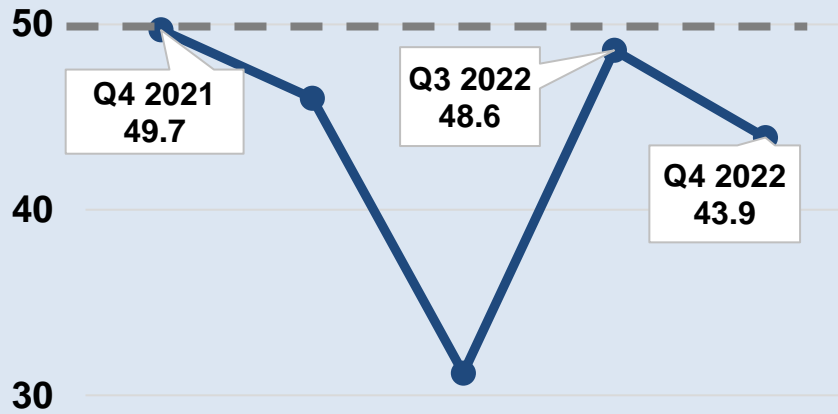
Component Sub-Indices of Import / Export Trade & Wholesale Industry



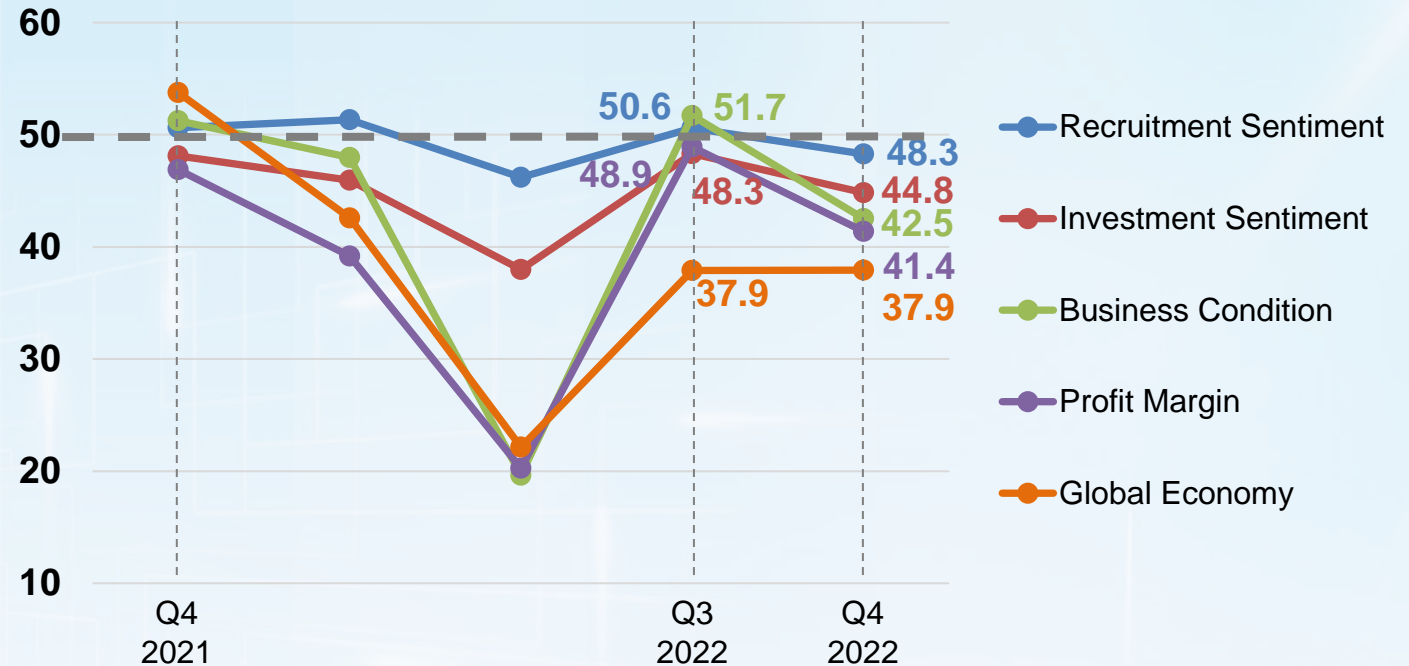
- Industry index of Import / Export Trade & Wholesale Industry decreased by 3.3 to 40.4 compared to last quarter
- Except for "Recruitment Sentiment," which returned to a neutral level, all component sub-indices fell, with "Business Condition" recording the biggest dip (9.4 points)

Retail

Retail Industry Index



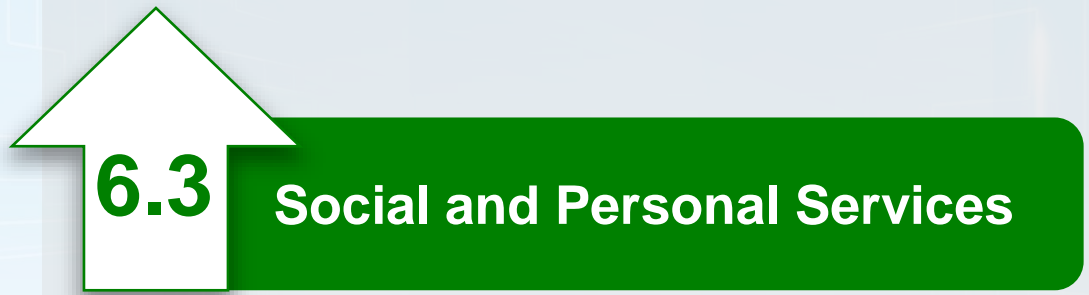
Component Sub-Indices of Retail Industry



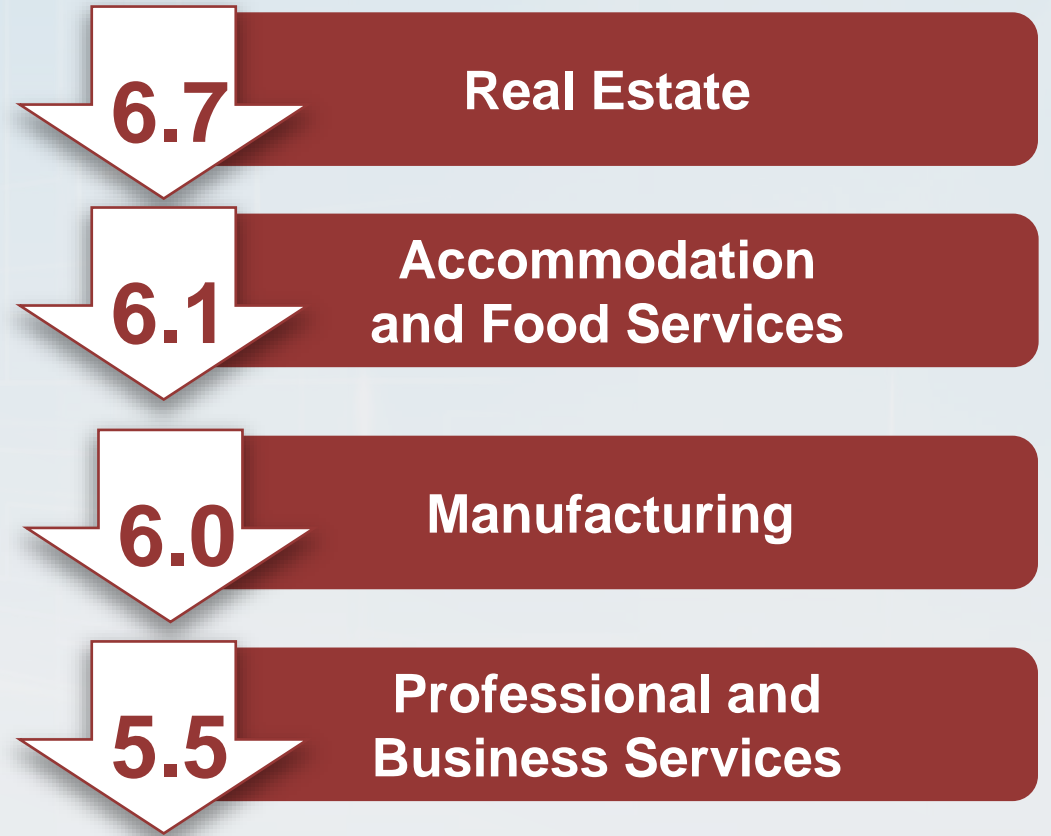
- Industry index of Retail Industry was down by 4.7 to 43.9 compared to last quarter
- Except “Global Economy” which remained stable, other component sub-indices retreated simultaneously, of which “Business Condition” marked the largest drop of 9.2. “Profit Margin” also dropped significantly by 7.5 points

Top 5 Industries with the Largest Changes

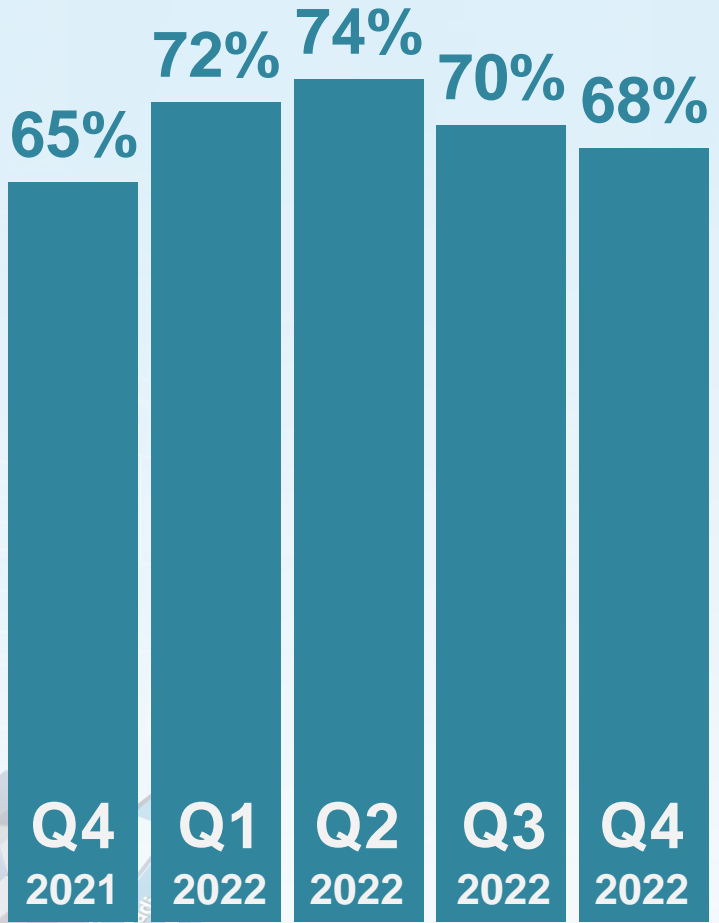
Industry recorded an increase



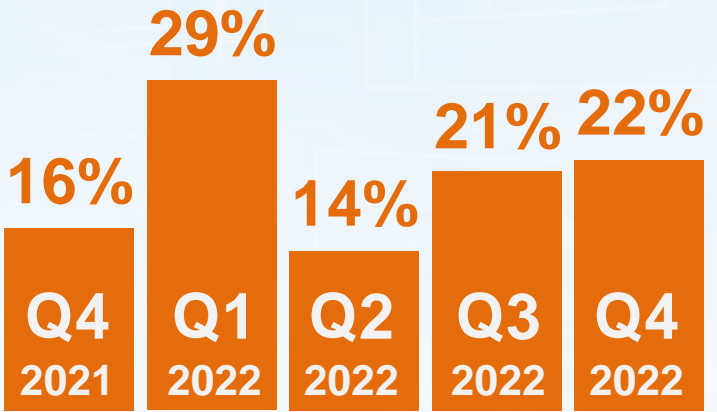
Industries with largest drop



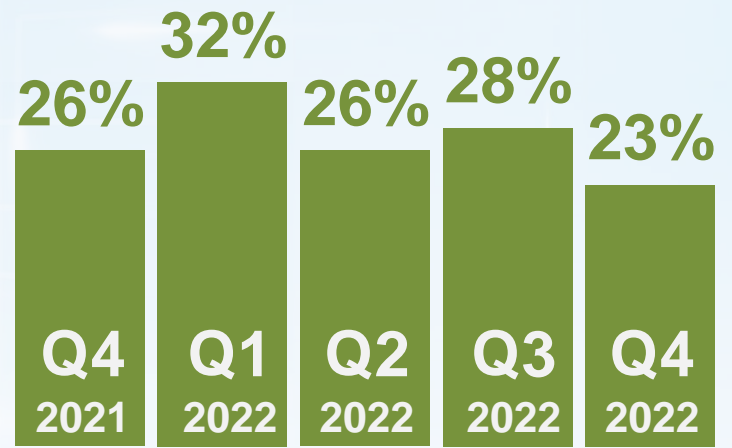
Expectation towards Increase on Cost, Staff Salary and Price Factors



Raw Materials Cost Increase



Staff Salary Increase



Product / Service Price Increase

Expectation towards Changes on Investment

89%

SMEs expected no change or even an increase on the overall investment

SMEs expected to maintain or increase investment on the following items:

1 Training Related to E-commerce or Digital Technology

2 IT System

3 Overall Staff Training

4 Offline Marketing Promotion Facilities and Equipment

5 Online Marketing Promotion



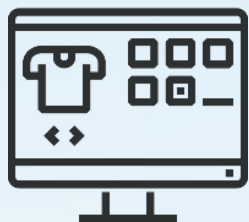
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Digital Economy



SMEs Running E-commerce

34%



SMEs claimed that they were running e-commerce

Industries with largest proportion:

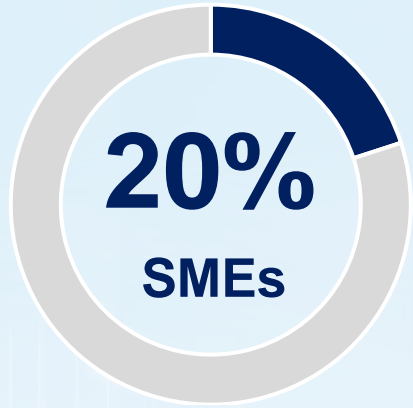
1 Accommodation and Food Services **58%**

2 Manufacturing **49%**

3 Information and Communications Retail **40%**



SMEs' Outlook of E-commerce



One-fifth of SMEs running e-commerce business expected an increase on revenue from e-commerce

Top 3 industries expected an increase on e-commerce revenue:

1 Information and Communications

2 Financing and Insurance

3 Manufacturing



SMEs' Outlook of E-commerce

93%
of SMEs running e-commerce will maintain or even increase its e-commerce investment



Top 3 items with an increase in investment:



- 1** Online Marketing Promotion **82%**
- 2** IT System **75%**
- 3** Training Related to E-commerce or Digital Technology **59%**

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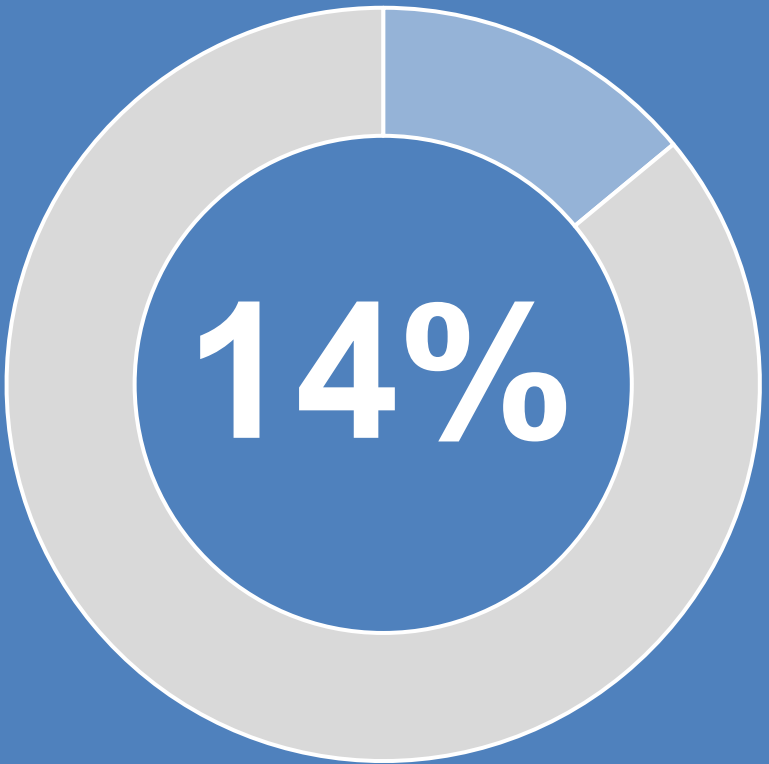
Featured Topic

**Hong Kong SMEs' Outlook on
Talent Demand**

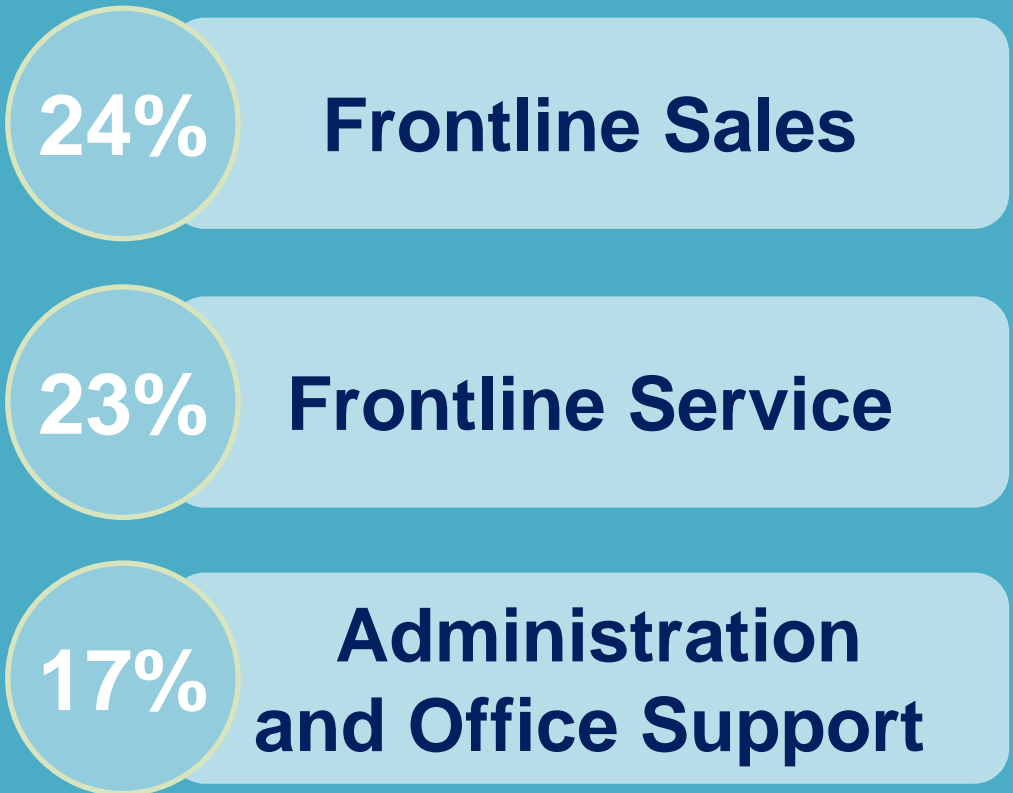


SMEs' Management of Talent Demand

Average Turnover Rate
(Year-to-date)



Top 3 Job Nature with
Highest Staff Turnover



How Do SMEs Tackle Talent Shortage



claimed they would only fill up part of the staff vacancies or would not fill up any of the staff vacancies

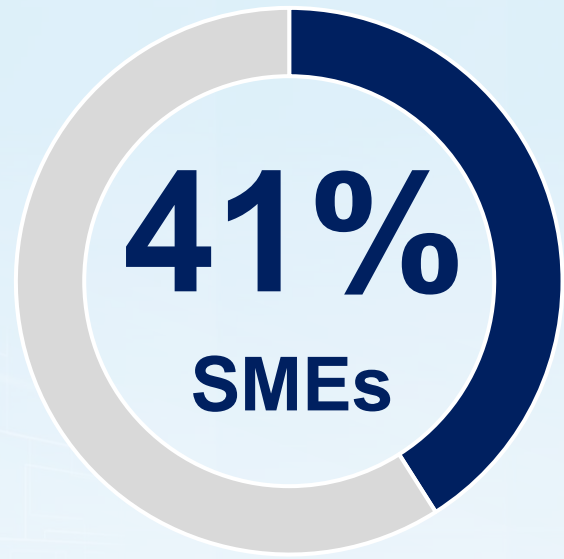
Reasons of not filling up all vacancies:

1 Downsizing / Workload to be shared by other staff **57%**

2 Using automation to replace manual work **13%**

3 Outsourcing **11%**

How Do SMEs Tackle Talent Shortage



claimed to have encountered difficulties in recruiting local talents in the past 12 months

Job nature with difficulties in recruitment in the past 12 months

- 1 Frontline Sales**
- 2 Frontline Service**
- 3 IT and Digital Technology**

SMEs' Management of Talent Demand

85%

of SMEs mainly hire local talents currently

15%

of SMEs have recruited non-local talents

Sources of Non-Local Talents

Mainland China

61%

Greater Bay Area

29%

Shanghai / Beijing

10%

Other cities

22%

Overseas

39%



Providing SMEs with Talent, Technology and Funding Support to Facilitate their Digital Transformation

Talent



Provides RTTP Training, Corporate training and more...

Technology



200+ Digital Solutions Available

Funding



One-stop Platform to Connect with Suitable Service Providers and Manage Procurement Process



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Results

Expert's Analysis



Report Download

“Standard Chartered Hong Kong SME Leading Business Index”
Reports are available on HKPC website:

<https://u.hkpc.org/scbi-en>



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Survey Background



Introduction



Diffusion Index



An index above 50.0 indicates **optimistic** business sentiment among SMEs

A reading at 50.0 indicates **neutral** business sentiment among SMEs



An index below 50.0 indicates **pessimistic** business sentiment among SMEs



Methodology

Survey Design

- Telephone Interview and Online Questionnaire
- The sample is stratified by referencing to the number of SMEs in relevant sectors
- This survey was conducted in September 2022
- Management of 930 SMEs were interviewed

Business Category

1. Manufacturing
2. Construction
3. Import / Export Trade and Wholesale
4. Retail
5. Transportation, Storage and Courier Services
6. Accommodation and Food Services
7. Information and Communications
8. Financing and Insurance
9. Professional and Business Services
10. Real Estate
11. Social and Personal Services



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