

Standard Chartered Hong Kong SME Leading Business Index

Results

Q4 2023



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 gauge SMEs' views on expanding their business into other GBA cities

- To explore the development direction of Hong Kong SMEs in 2024

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Results

Q4 2023



Key Findings of This Quarter



Overall Index was **47.6** for Q4 2023, slightly up by 0.9 from the previous quarter



41% of SMEs currently with business in other GBA cities were providing / considered providing Hong Kong employees with job opportunities in other GBA cities



Over half of SMEs expected “worse-than-expected economic conditions” to be their top challenge in 2024

Overall Index in Q4 2023

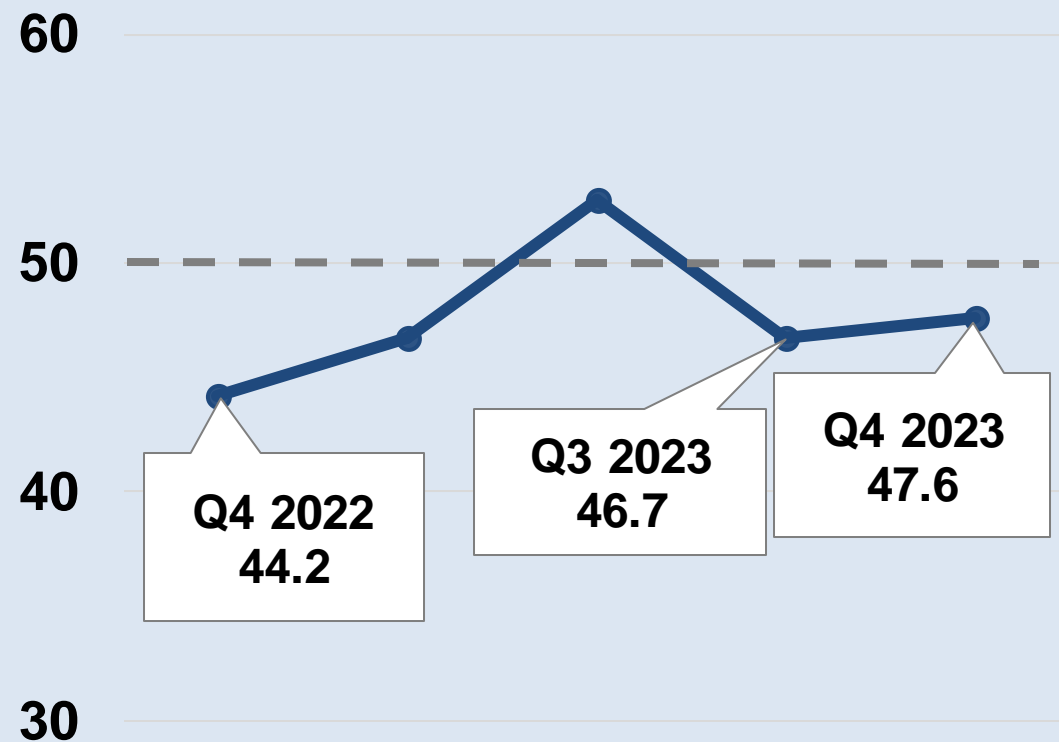
Quarter-over-quarter
increase

47.6

+0.9



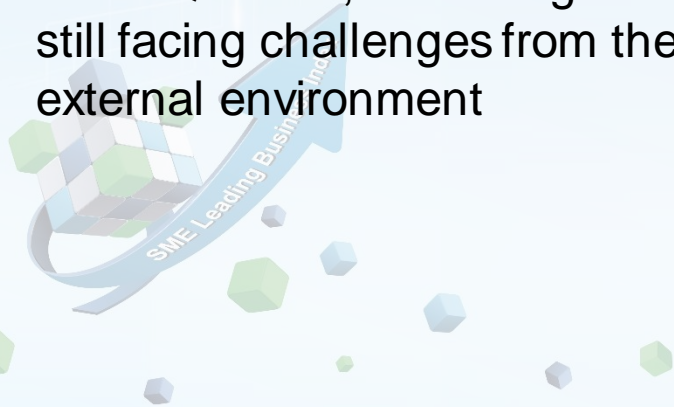
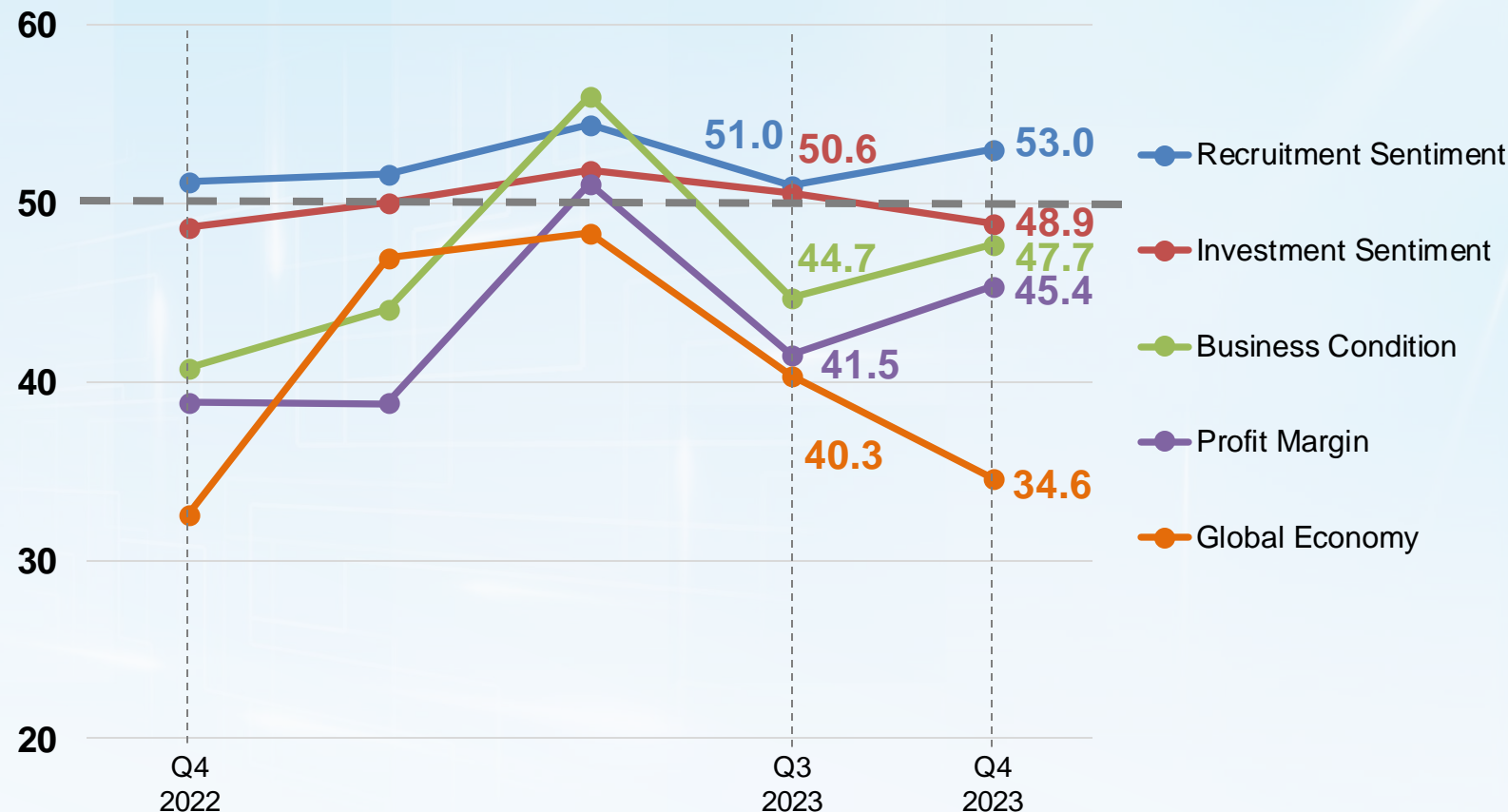
Overall Index



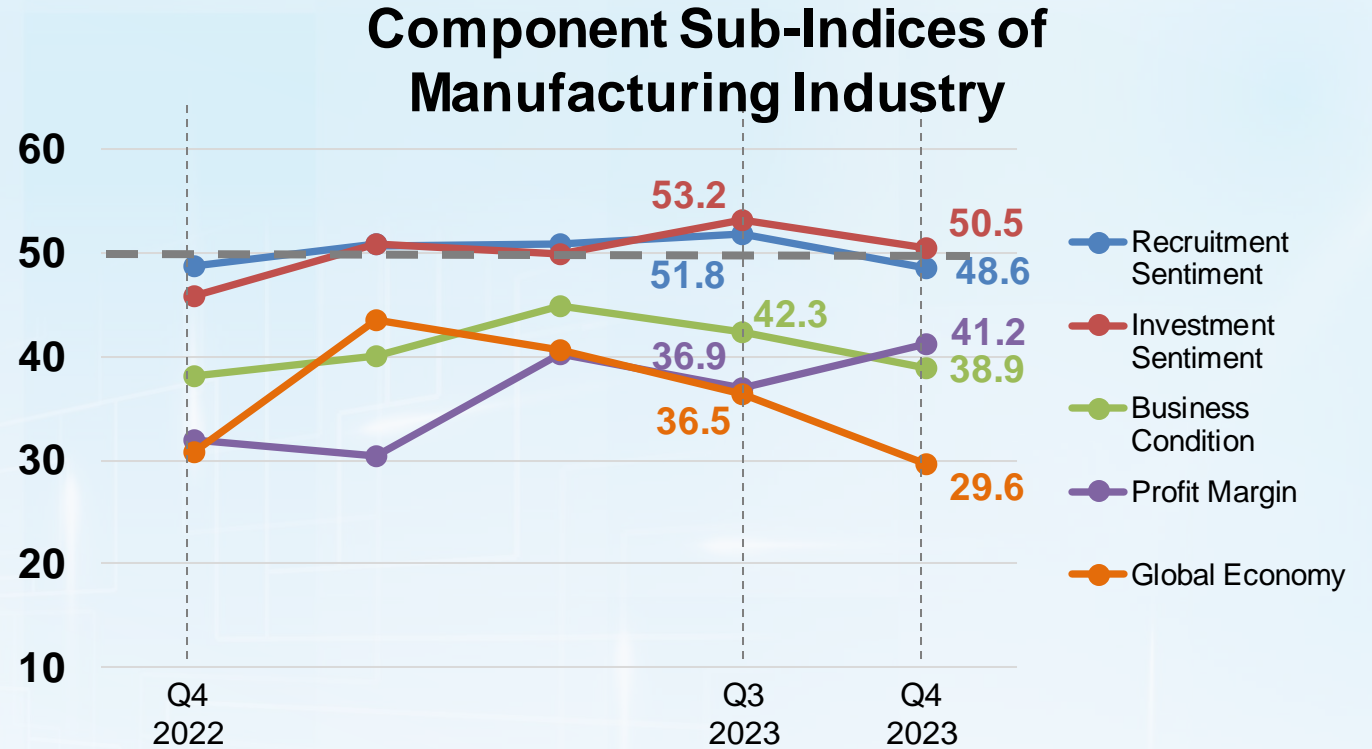
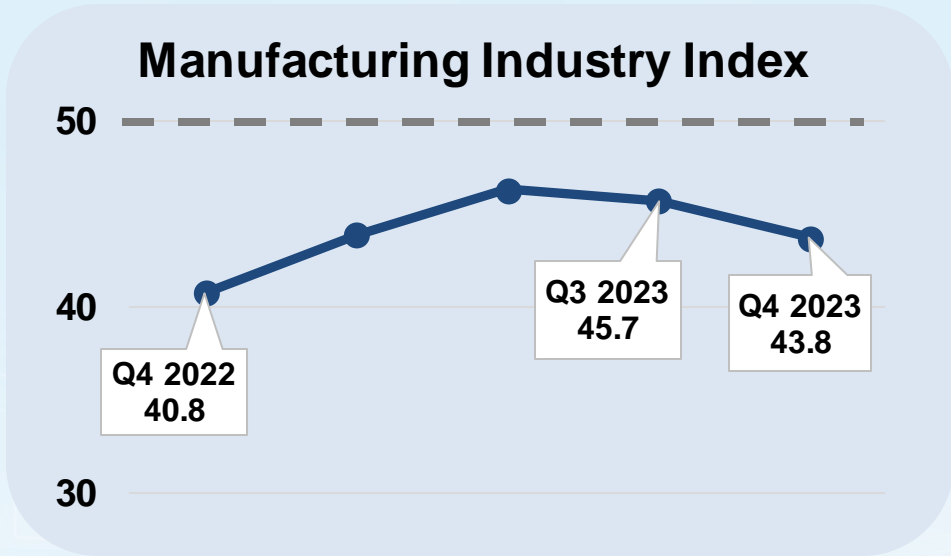
Five Component Sub-Indices of Overall Index

- "Profit Margin" (+3.9), "Business Condition" (+3.0) and "Recruitment Sentiment" (+2.0) sub-indices rebounded this quarter, indicating that SMEs have expectations for business conditions this quarter
- On the contrary, "Global Economy" sub-index continued to drop. It further declined by 5.7 to 34.6 this quarter, accumulating a drop of 13.7 since Q2 2023, indicating SMEs are still facing challenges from the external environment

Five Component Sub-Indices of Overall Index

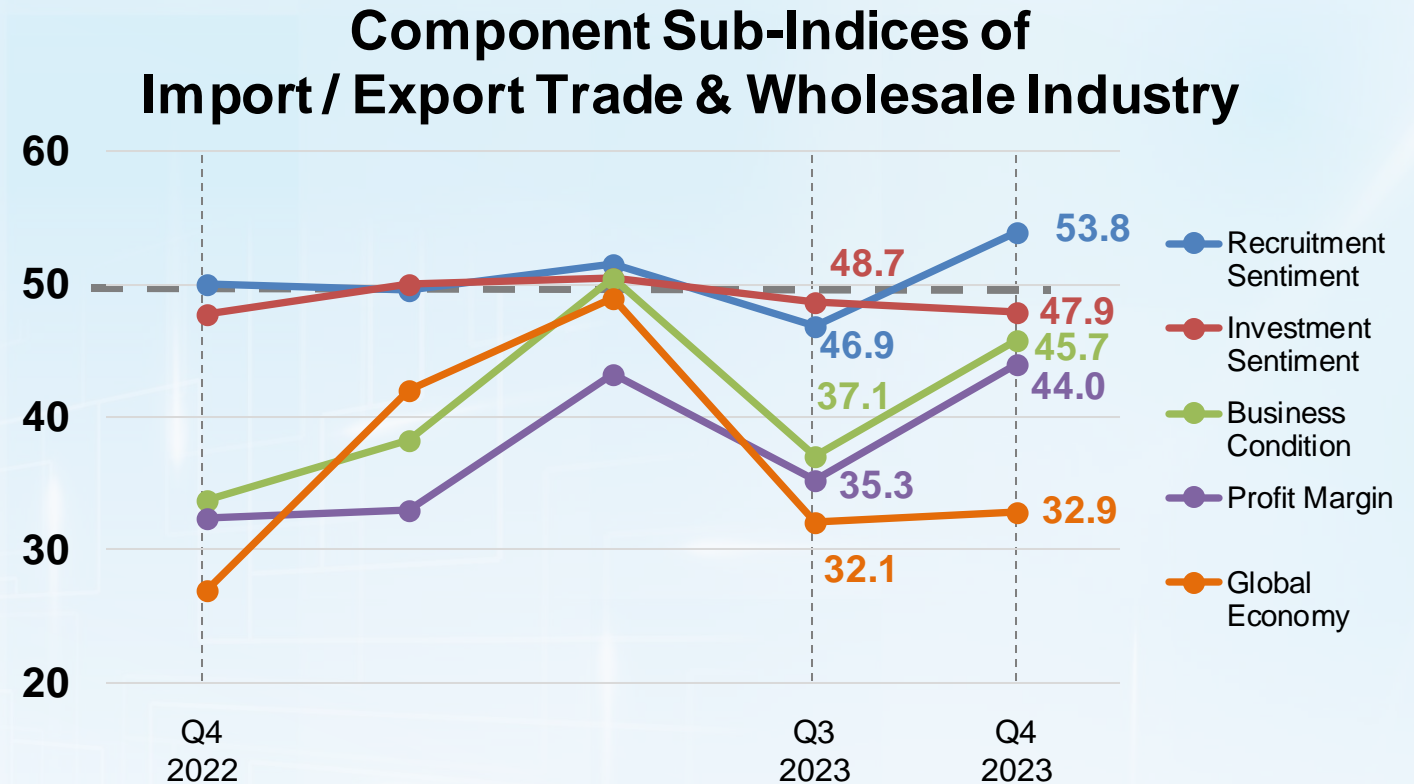
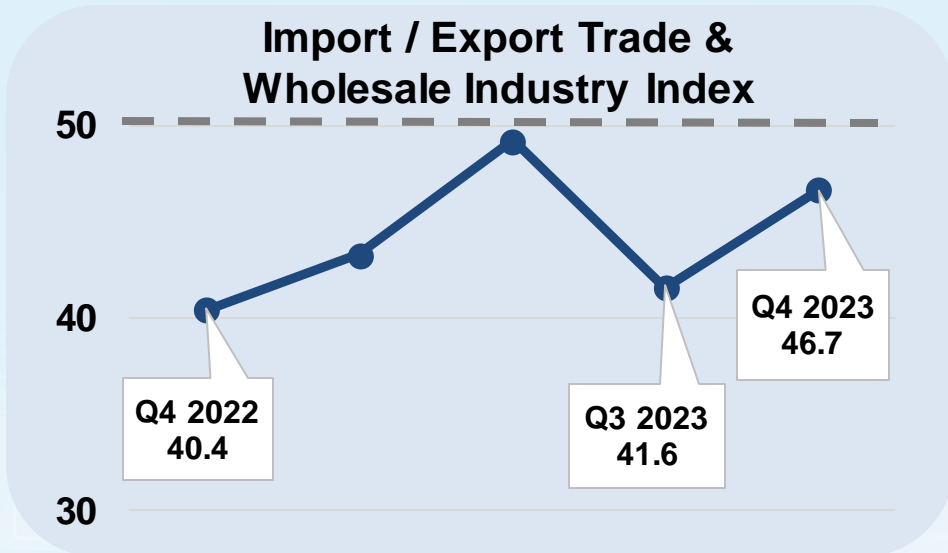


Manufacturing



- Industry index of Manufacturing Industry continued to decline slightly, down by 1.9 to 43.8 this quarter
- Except for “Profit Margin”, all other component sub-indices declined, particularly for “Global Economy” which dropped significantly by 6.9 and fell below the 30-point level

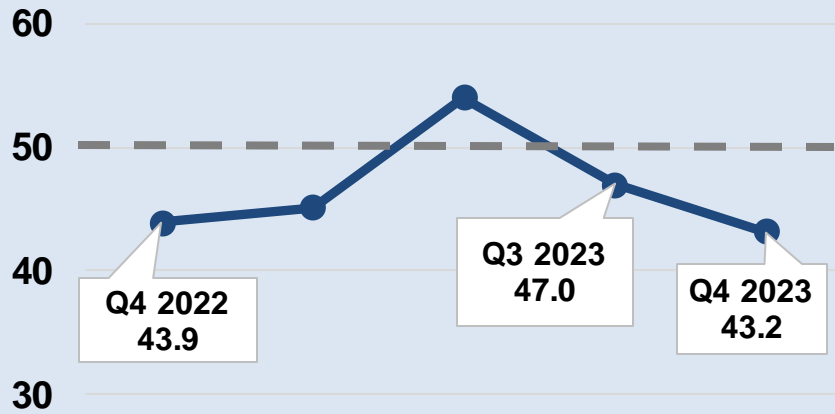
Import / Export Trade & Wholesale



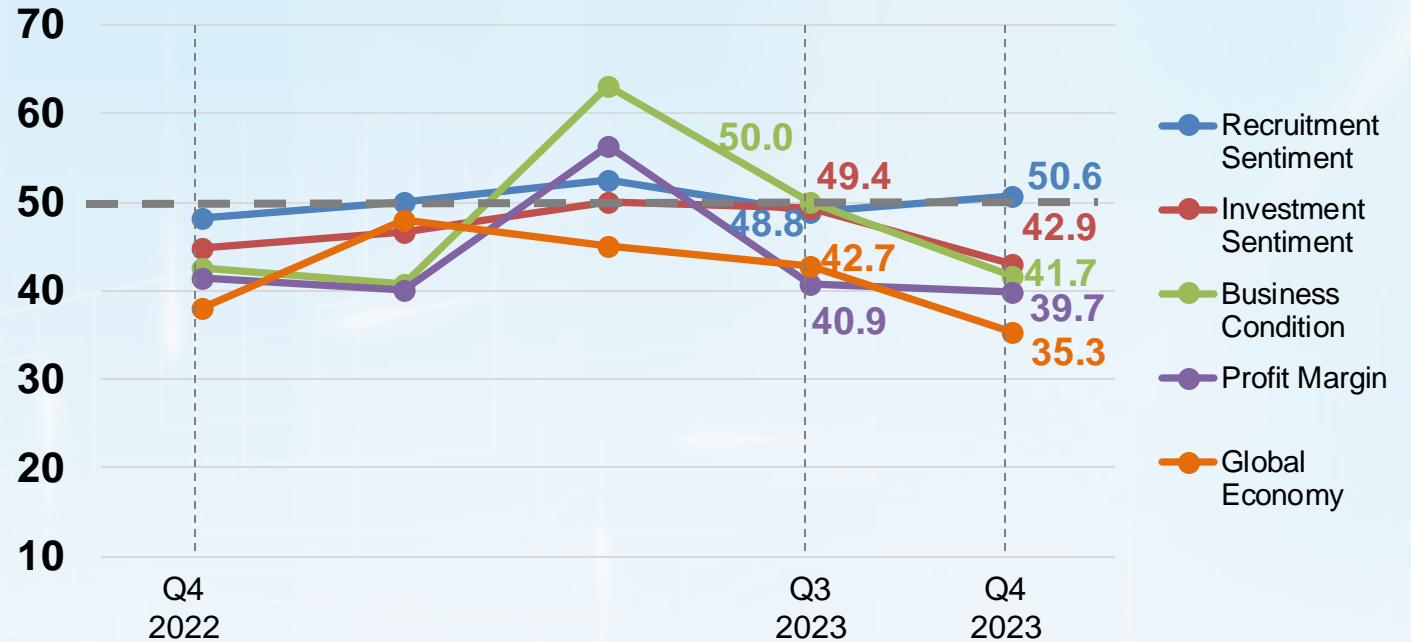
- Industry index of Import / Export Trade & Wholesale Industry rebounded by 5.1 to 46.7 this quarter
- Except for “Investment Sentiment” which was slightly down to 47.9, all other component sub-indices registered increments, among which “Recruitment Sentiment” returned to the level above 50 neutral line

Retail

Retail Industry Index



Component Sub-Indices of Retail Industry



- Industry index of Retail Industry continued to fall, down by 3.8 to 43.2 this quarter
- Except for “Recruitment Sentiment” (50.6) which picked up slightly, all other component sub-indices suffered decline, among which “Business Condition” and “Global Economy” recorded larger drops of 8.3 and 7.4 respectively

Industries with the Largest Changes

Industry Recording the Largest Increase

5.1

**Import / Export Trade
and Wholesale**

Industries Recording the Largest Declines

7.3

Real Estate

4.7

Construction

3.8

Retail



Expectation towards Changes on Investment

92%

SMEs expected to maintain or increase on the overall investment

Top 5 Industries Expecting to Maintain or Increase on the Overall Investment

1 Accommodation and Food Services **98%**

2 Social and Personal Services **97%**

3 Professional and Business Services **96%**

4 Construction **94%**

4 Transportation, Storage and Courier Services **94%**



Expectation towards Changes on Investment

Most SMEs expected to maintain or increase investment in the following items:

1 Training Related to E-commerce or Digital Technology

2

Overall Staff Training

3

Research & Development

4

Offline Marketing Promotion

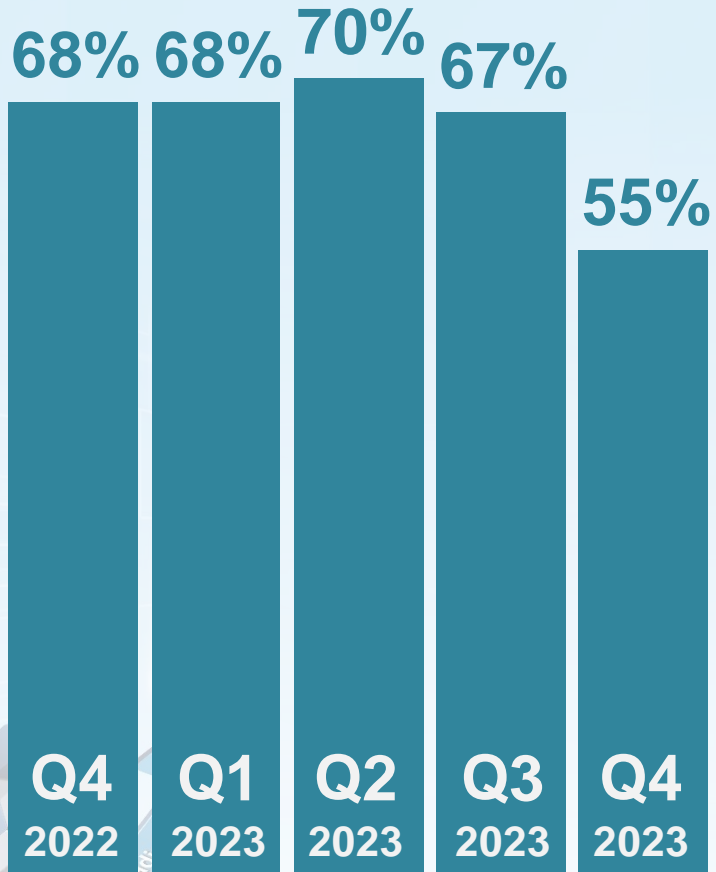
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IT System

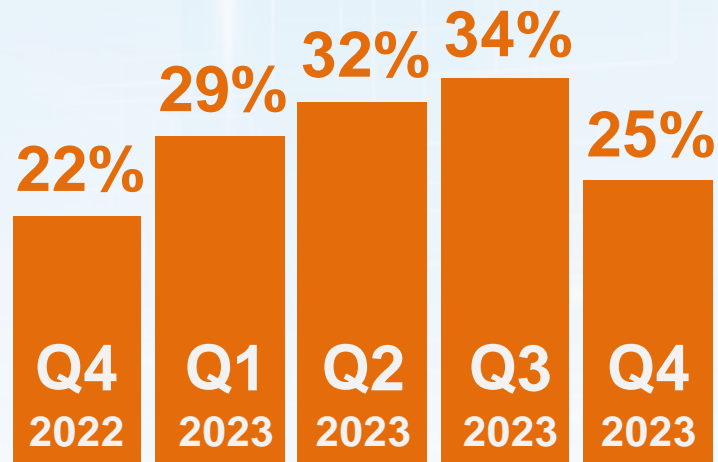


Expectation towards Increase on Raw Materials Cost, Staff Salary and Price Factors

Proportion of surveyed SMEs:



Raw Materials Cost Increase



Staff Salary Increase



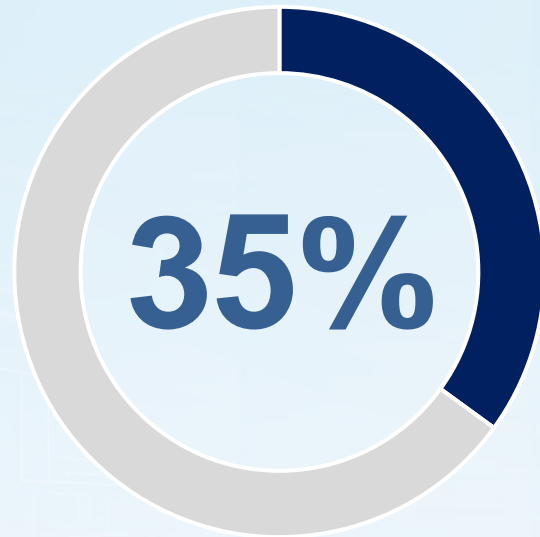
Product / Service Price Increase

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**Hong Kong SMEs'
Current Situation of
Expanding Business into
Other GBA Cities and
Views on Talent Exchange**



SMEs' Current Business Status in Other GBA Cities



35% of SMEs have already expanded / considered expansion to other GBA cities

Motivations behind SMEs' Expansion into Other GBA Cities:

47%

Lower operation cost

32%

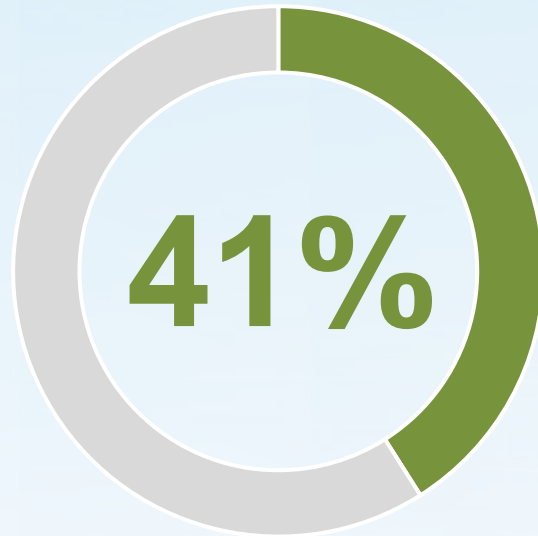
Lower staff salary than Hong Kong

28%

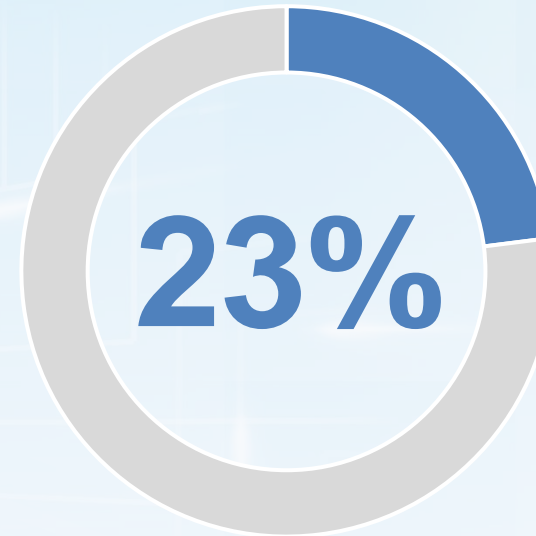
Taking other GBA cities as the pilot for further expansion into other Mainland cities

Current Situation of Talent Exchange between Hong Kong and the Mainland

Among SMEs currently with business operations or sales business in other GBA cities:



Already providing / Considered providing Hong Kong employees with job opportunities in other GBA cities



Already providing / Considered providing employees in the Mainland with job opportunities in Hong Kong



Current Situation of Talent Exchange between Hong Kong and the Mainland

Among SMEs currently with business operations or sales business in other GBA cities

76%

Currently have no arrangement for employees to work across borders

Reasons for not arranging employees to work across borders:

1 Different division of labour / job nature among employees

2 Not allowed by current business scale

3 Complicated administration work

4 Higher cost



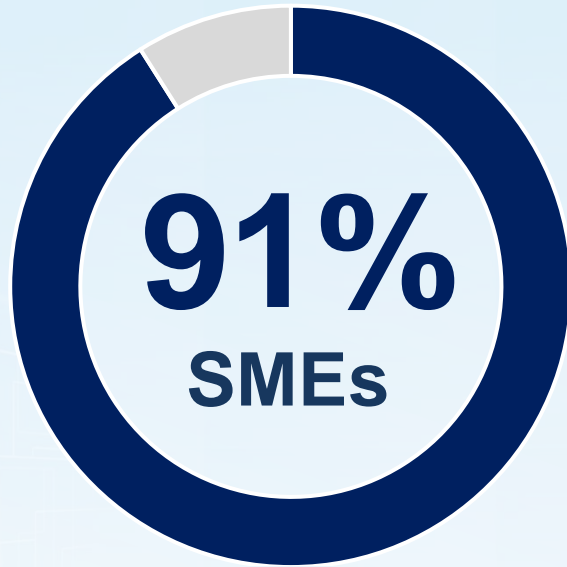
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Thematic Topic

**Hong Kong SMEs'
Development Direction
in 2024**



Challenges Expected by SMEs in 2024



Expected to encounter
business challenges
in 2024

Major Challenges Expected by SMEs:

1 Worse-than-expected economic condition **53%**

2 Increase in cost **35%**

3 Difficulties in recruitment **32%**

SMEs' Development Plan in 2024

34%

Regain / Increase local customer base

27%

Provide or Sell more products or services

22%

Increase resources to develop other markets

Top industries planning to regain / increase local customer base:

1

Retail

2

Construction

3

Accommodation and Food Services

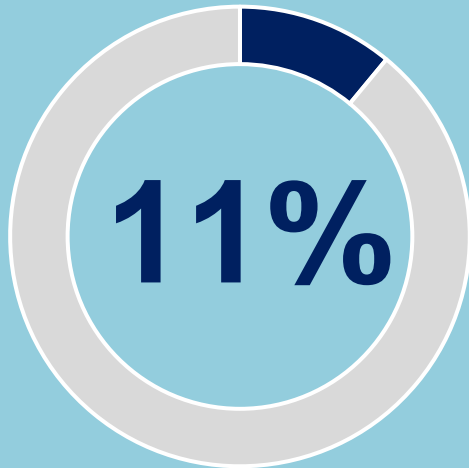
3

Professional and Business Services

5

Information and Communications

SMEs' Development Plan in 2024



of SMEs planned to increase adoption of digital technology in operational processes

Areas where increased adoption of digital technology are needed

Administration
and Office Support

Sales and
Business Development

Data Analysis



SMEs' Awareness of Government Funding Schemes

Top 5 most known Government funding schemes among SMEs:

49%

SME Financing Guarantee Scheme

40%

Technology Voucher Programme (TVP)

36%

SME Export Marketing Fund (EMF)

29%

BUD Fund

26%

Enterprise Support Scheme (ESS)

