

Standard Chartered Hong Kong SME Leading Business Index

Results

Q1 2024



Background

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

Survey Objectives



- To analyse Hong Kong SMEs' confidence in the recent business environment

- To explore the development of e-commerce among Hong Kong SMEs

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Results

Q1 2024



Key Findings of This Quarter



Overall Index was **43.7** for Q1 2024, retreated by 3.9 from the previous quarter and down to the level in Q4 2022



Currently, SMEs mainly focus on developing online sales locally. However, they are also **keen to do online sales in the Mainland**



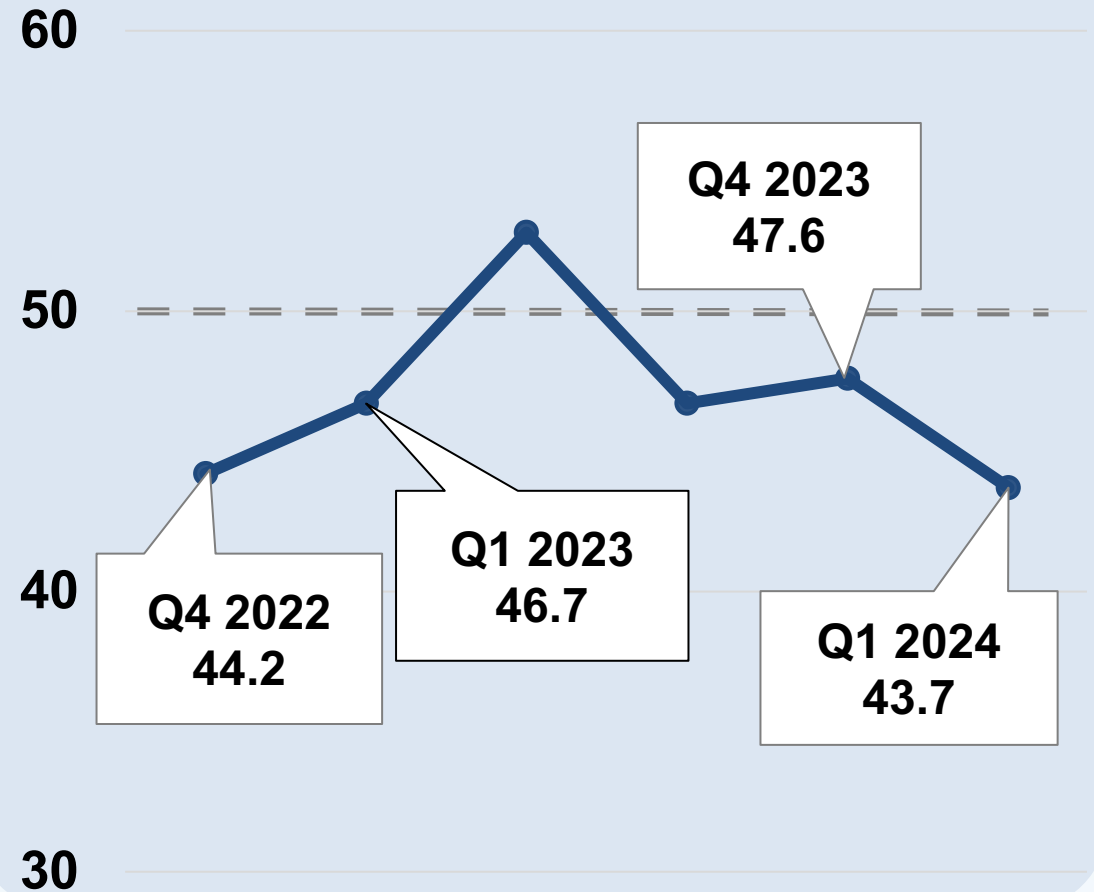
“**Lack of knowledge about the corresponding laws or regulations**” is the SMEs’ major difficulty when doing / developing online sales in the Mainland

Overall Index in Q1 2024

Quarter-over-quarter
decrease

43.7

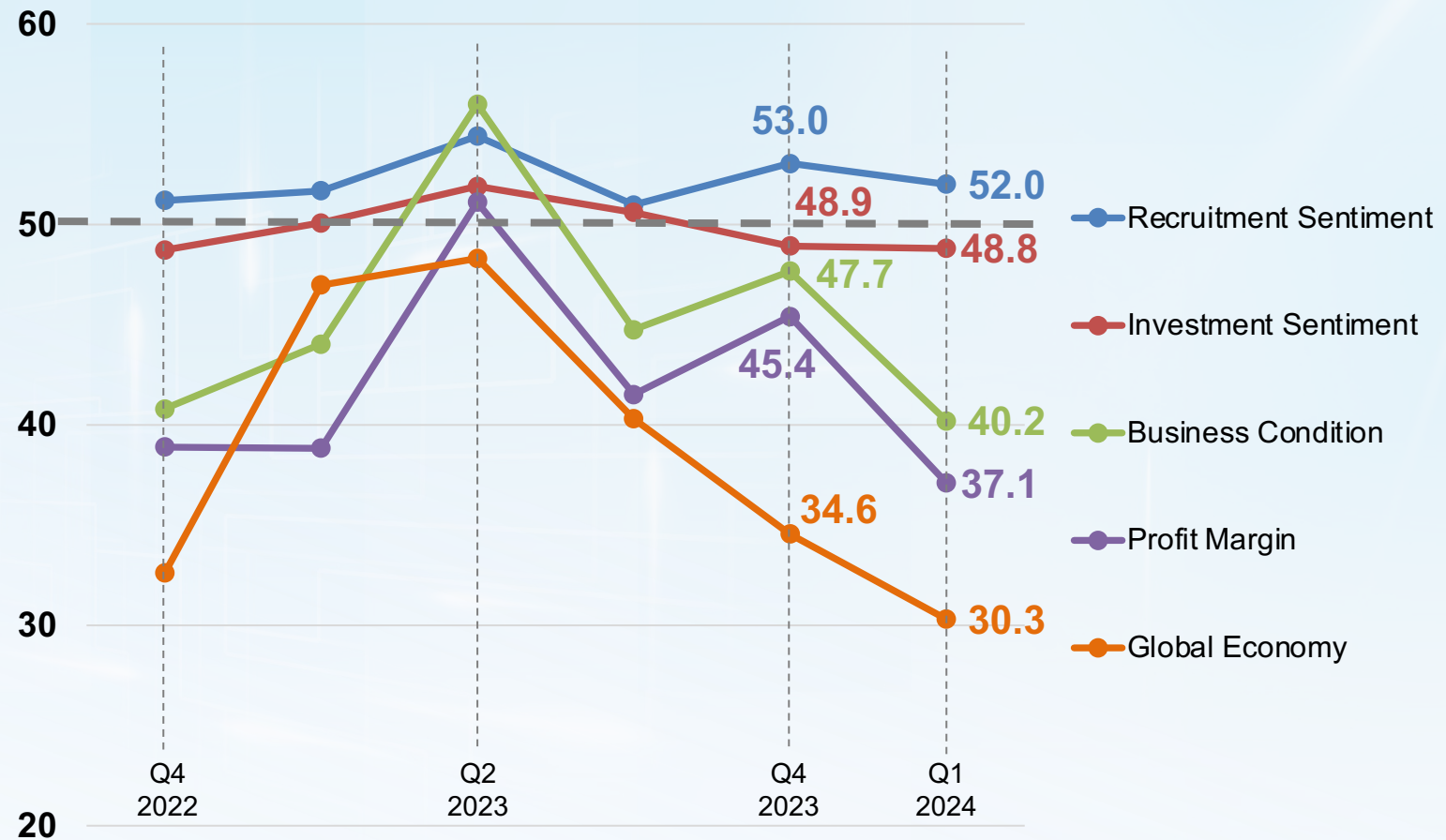
3.9



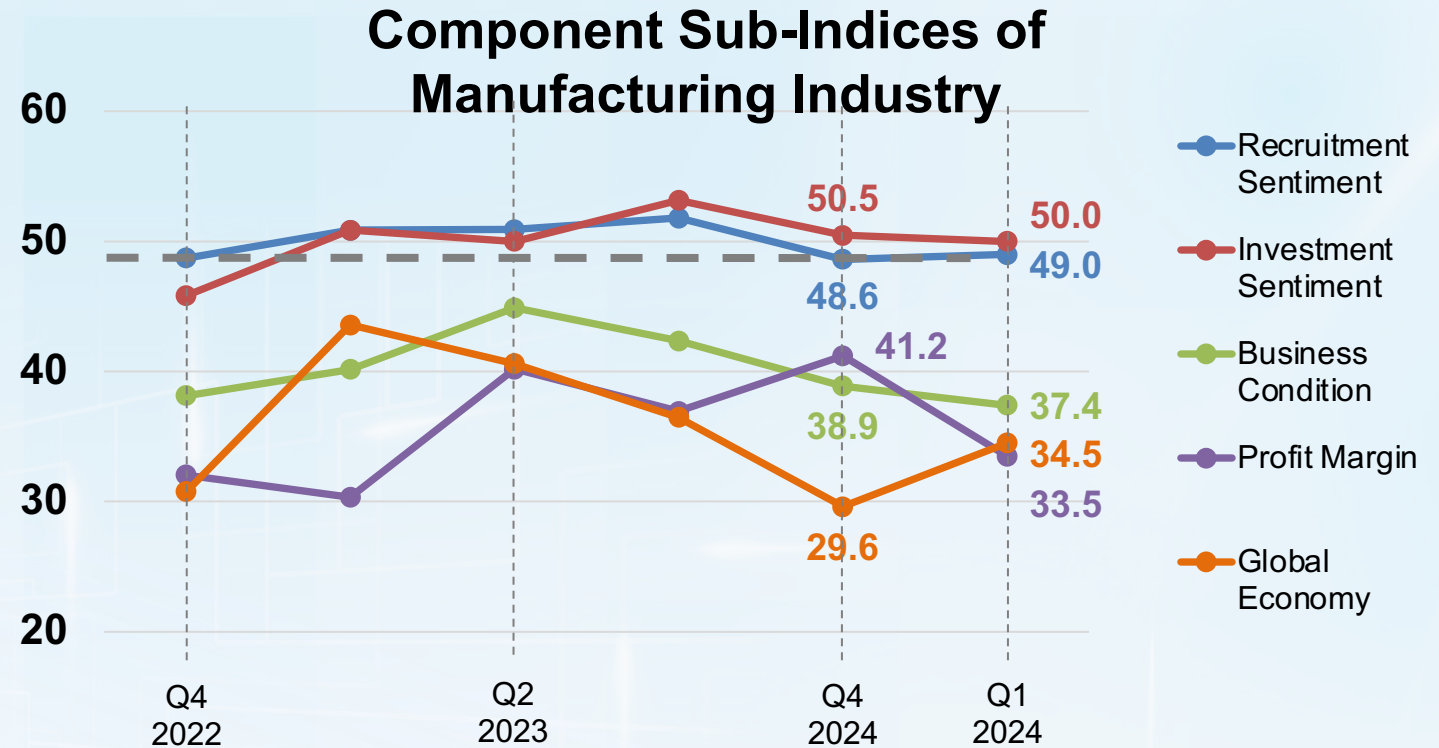
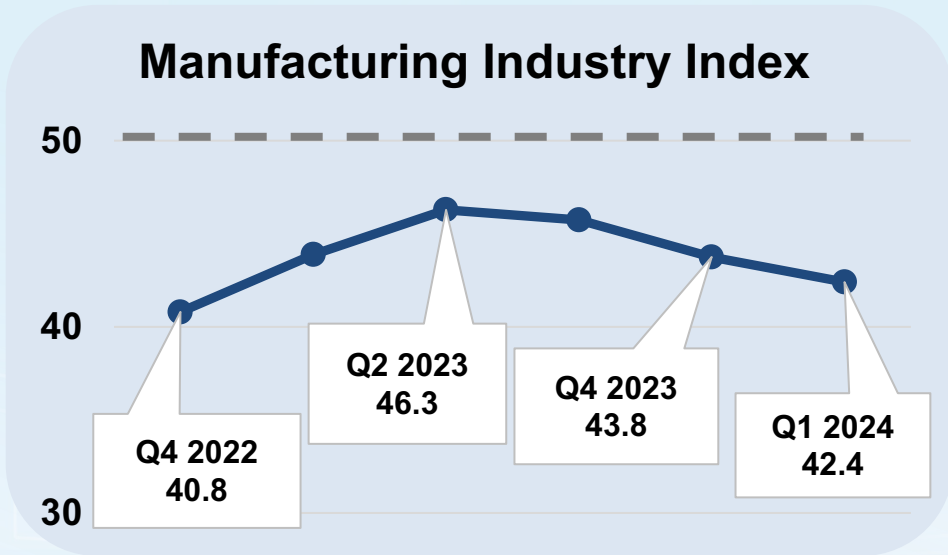
Five Component Sub-Indices of Overall Index

- Except “Investment Sentiment”, all component sub-indices declined simultaneously, reflecting a weakened confidence of SMEs on their business turnover this quarter
- Notably, “Global Economy” has been down for 3 consecutive quarters. In this quarter, it was down by 4.3 to 30.3, accumulating a drop of 18.0 since Q2 2023. This indicates that SMEs are still facing the challenges from the external environment

Five Component Sub-Indices of Overall Index

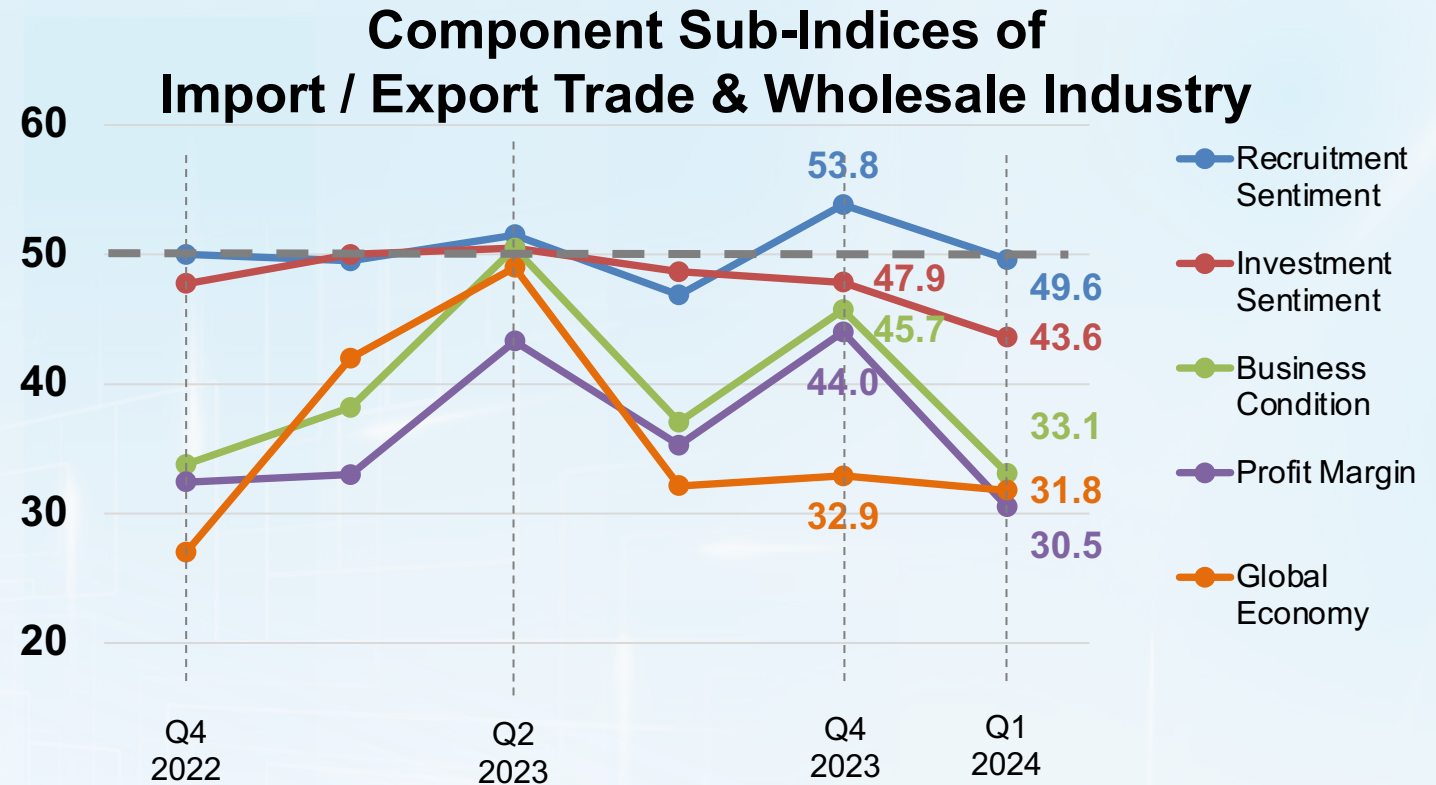
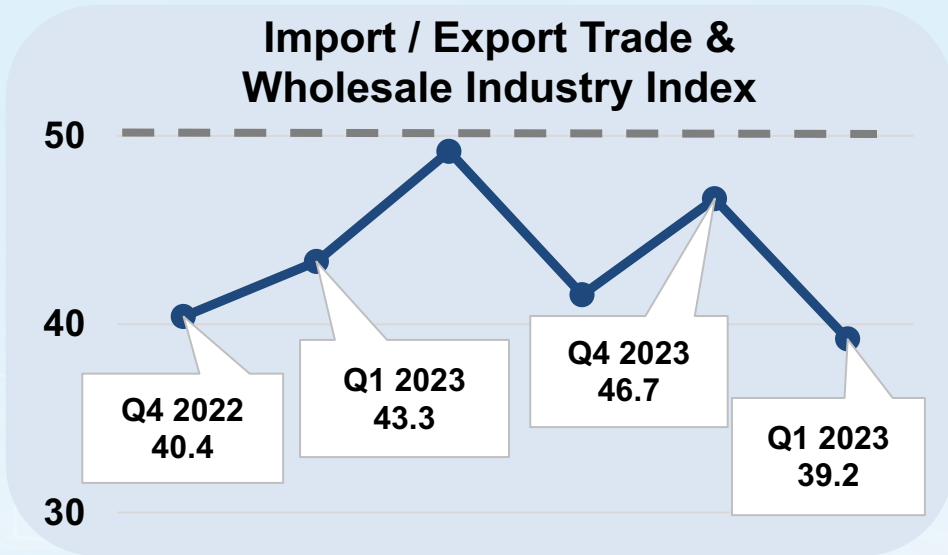


Manufacturing



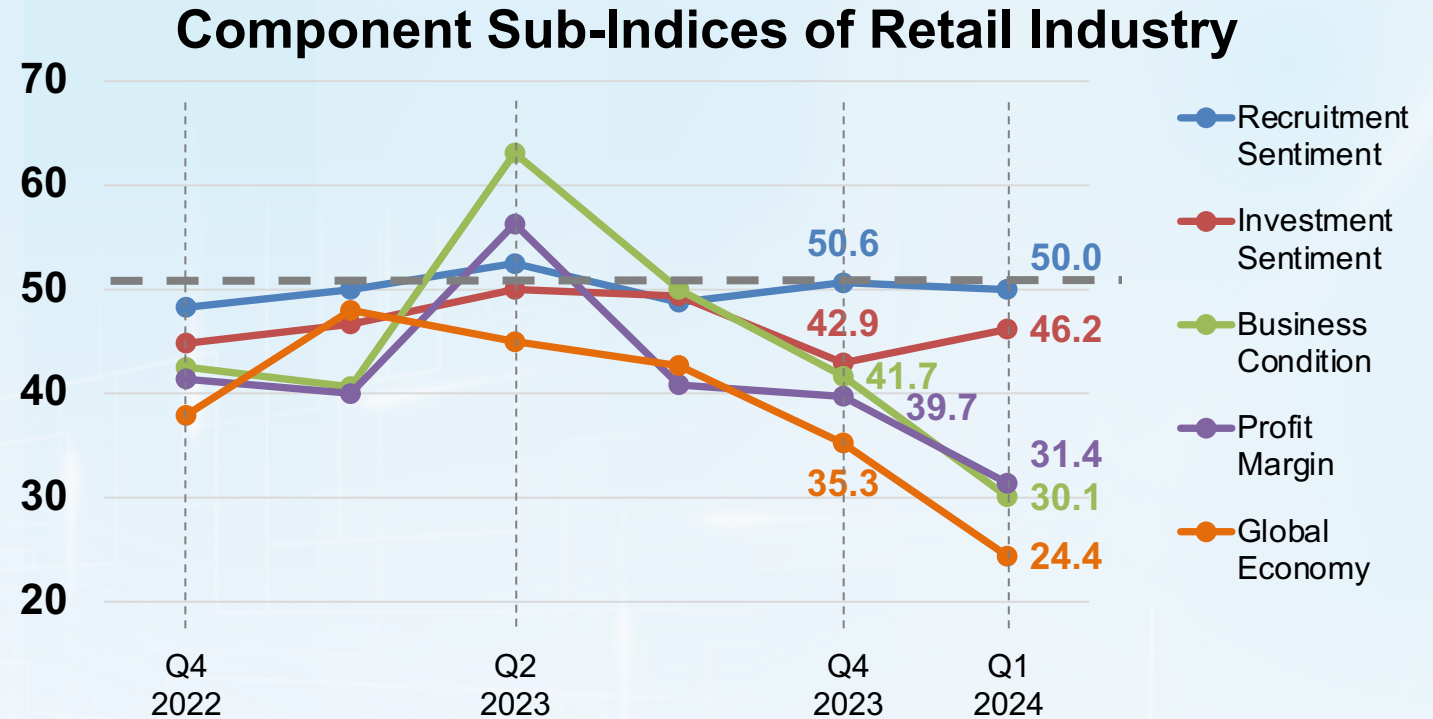
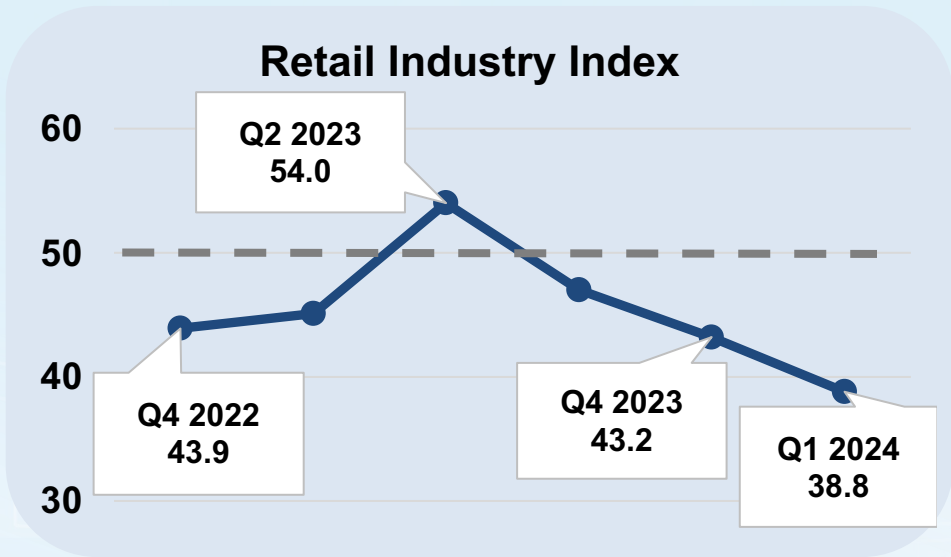
- Industry index of Manufacturing Industry has been down for 3 consecutive quarters and accumulated a drop of 3.9 to 42.4 this quarter, returning to a similar level as Q4 2022
- The decline was mainly due to the drops in “Profit Margin” and “Business Condition”, decreasing by 7.7 and 1.5 respectively
- On the other hand, “Global Economy” picked up this quarter, recording an increase for the first time since Q2 2023

Import / Export Trade & Wholesale



- Industry index of Import / Export Trade & Wholesale Industry recorded a larger drop of 7.5 to 39.2 this quarter
- All component sub-indices fell simultaneously, of which “Profit Margin” and “Business Condition” suffered larger drops of 13.5 and 12.6 respectively

Retail



- Industry index of Retail Industry has been down for 3 consecutive quarters and accumulated a drop of 15.2 to 38.8 this quarter which is lower than the level in Q4 2022
- In particular, “Business Condition”, “Global Economy” and “Profit Margin” recorded larger drops of 11.6, 10.9, and 8.3 respectively. In contrast, “Investment Sentiment” slightly picked up (3.3)

Industries with the Largest Changes

Industry Recording the Largest Increase

5.2 Financing and Insurance

Industries Recording the Largest Declines

8.4 Accommodation and Food Services

7.5 Import / Export Trade and Wholesale

6.4 Professional and Business Services

6.2 Information and Communications

4.4 Retail



Expectation towards Changes on Investment

91%

SMEs expected to maintain or increase on the overall investment

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

1 Social and Personal Services **100%**

2 Construction **95%**

3 Financing and Insurance **94%**

4 Manufacturing **93%**

4 Professional and Business Services **93%**



Expectation towards Changes on Investment

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

**Training Related to
E-commerce
or Digital Technology**

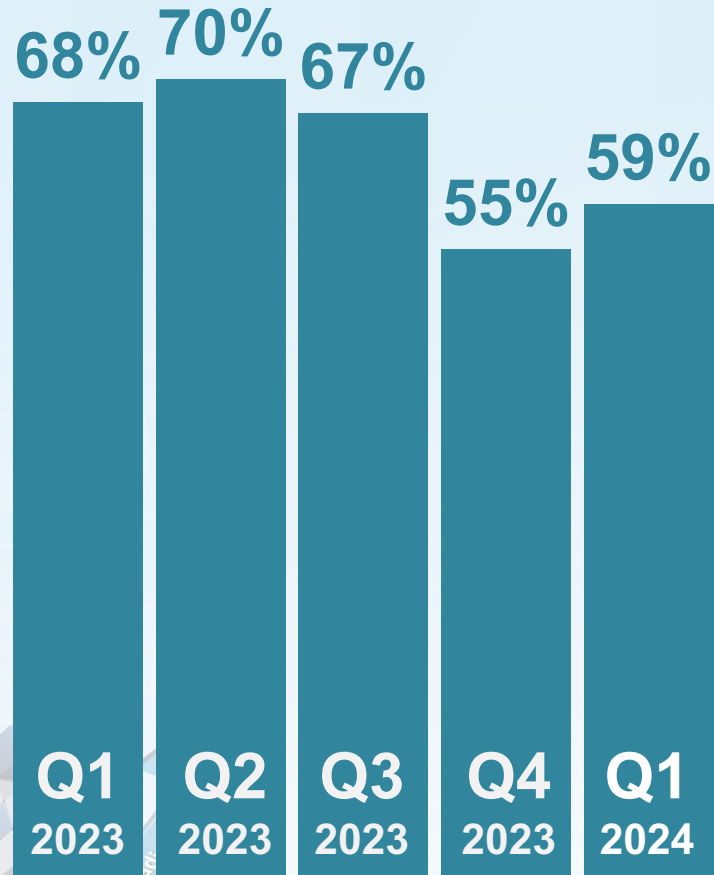
**Marketing Promotion
(Online / Offline)**

IT System

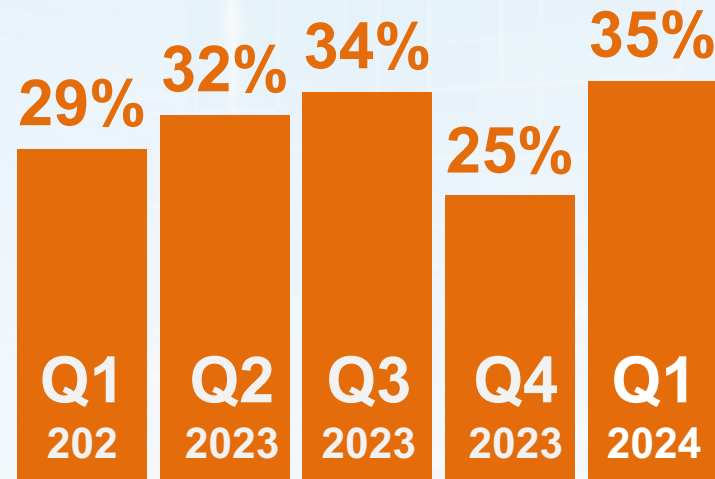


Expectation towards Increase on Raw Materials Cost, Staff Salary and Price Factors

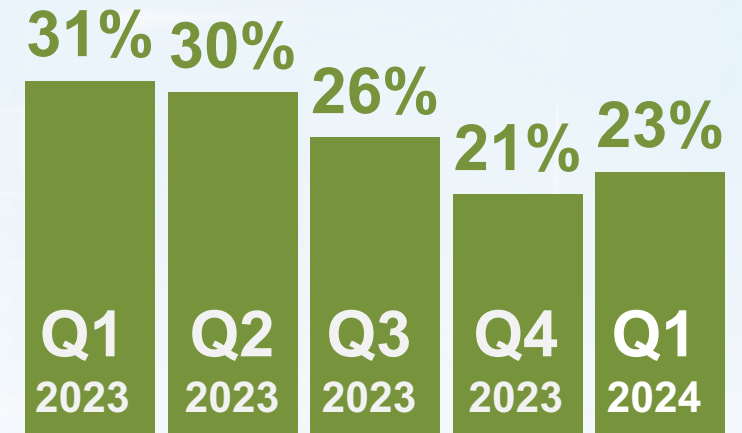
Proportion of surveyed SMEs:



Raw Materials Cost Increase



Staff Salary Increase



Product / Service Price Increase

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Thematic Topic

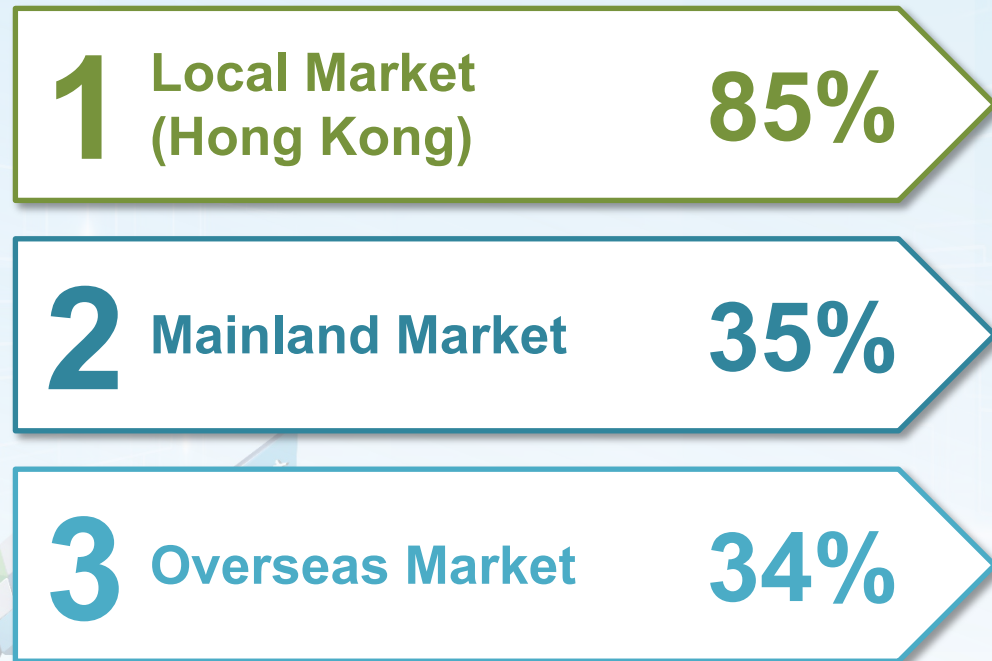
**Development of
E-commerce among
Hong Kong SMEs**



SMEs' Current Status of Selling Online

Among the SMEs that are currently selling online:

Market Distribution:



Difficulties and Challenges Encountered when Selling Online in the Mainland Market:

Lack of knowledge about the corresponding laws or regulations

Too many domestic brands in the Mainland market

Lack of relevant labour or talent

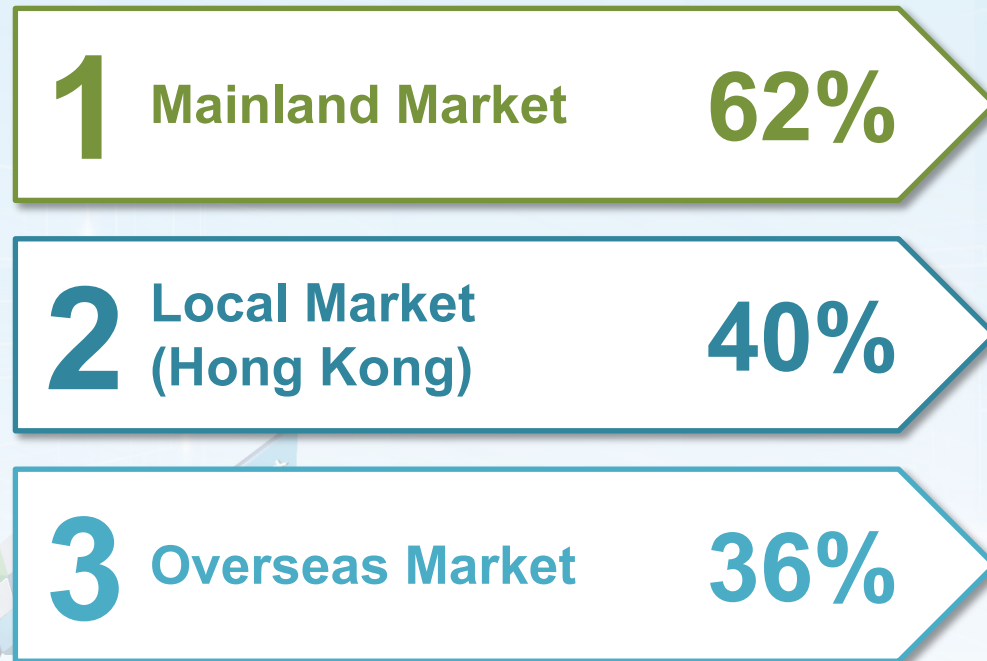
Lack of funding to develop online sales

Rapid change of consumers' preference

SMEs' Current Status of Developing Online Sales

Among the SMEs that consider developing online sales:

Market Distribution:



Expected Difficulties and Challenges when Selling Online in the Mainland Market:

Lack of knowledge about the corresponding laws or regulations

Too many domestic brands in the Mainland market

Lack of understanding about consumers' needs and preferences

Lack of relevant labour or talent

Concerns about cybersecurity in online transaction

Support Needed for Developing Online Sales in the Mainland

The following **supports** are considered most helpful for SMEs in developing online sales in the Mainland:

Funding Support

Providing funding support / Facilitating SMEs' financing

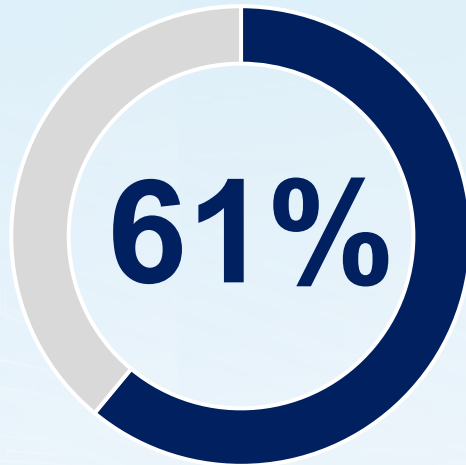
Industry Collaboration

Government or industry to support organising different online sales activities in the Mainland

Market Insights

Enhancing SMEs' knowledge in online sales in the Mainland / Providing solutions that facilitate online sales in the Mainland

Reasons behind SMEs' Decision Not to Sell Online



SMEs claimed that they are currently not selling / not consider selling online



Main considerations behind their decision not to sell online:

Business nature not suitable

Lack of relevant labour or talent

Lack of funding to develop online sales