

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. A tall, slender light pole stands on the right side of the road. The overall scene conveys a sense of a modern, well-maintained city environment.

Standard Chartered Hong Kong SME Leading Business Index

Quarter 2, 2024

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’ confidence on the recent business environment. HKPC’s professional team interviews no less than 800 local SMEs’ top management from the Manufacturing, Construction, Import / Export Trade and Wholesale, Retail, Transportation, Storage and Courier Services, Accommodation and Food Services, Information and Communications, Financing and Insurance, Professional and Business Services, Real Estate, as well as Social and Personal Services every quarter. The survey covers SMEs’ perception of their “Business Condition”, “Profit Margin”, “Investment Sentiment”, “Recruitment Sentiment”, and “Global Economy” in this quarter.

Methodology

Sample Distribution

Data were collected from 811 SMEs using publicly available SME directories and HKSAR Census database. The sample was 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 eleven categories namely: 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, and 11) Social and Personal Services.

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%

Respondents indicated the change of business sentiments in three ways: increase, no change 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 neutral level generally indicates optimistic business sentiment, while that below 50 neutral level indicates pessimistic business sentiment. A reading at 50 neutral level indicates neutral business sentiment.



Summary

The 48th survey of the Standard Chartered Hong Kong SME Leading Business Index was conducted in March 2024. Top management of 811 SMEs were surveyed to gauge their views on the outlook of the overall business environment in Q2 2024 and to explore their views in response to the measures in "The 2024-25 Budget".

Key Findings

The Q2 2024 "Standard Chartered SME Index" rebounded by 3.6 to 47.3 this quarter, up to the level in Q4 2023 (47.6). Key findings of the survey are as follows:

- ⊕ Of the five component sub-indices, except for "Recruitment Sentiment" which recorded a slight decline (51.3, -0.7), the remaining four rebounded to the level in Q4 2023, including "Global Economy" (39.4, +9.1), "Business Condition" (47.4, +7.2), "Profit Margin" (43.4, +6.3) and "Investment Sentiment" (49.5, +0.7), reflecting that local SMEs have become more optimistic on their business turnover this quarter. "Global Economy" stopped declining after three consecutive quarters of decline and rebounded this quarter, up to the level in the third quarter (Q3) of 2023 (40.3);
- ⊕ In terms of the 11 industry indices, "Information and Communications" (57.7) recorded the largest increment of 13.8, while "Real Estate" recorded an increment of more than 10 points (+11.2) to 52.3 this quarter. Both industries returned to the level above the 50 neutral line. On the contrary, three of the industries recorded declines. The largest drop was recorded for "Accommodation and Food Services" (42.6, -4.5), while "Financing and Insurance" (51.7, -1.3) and "Social and Personal Services" (50.7, -1.3) recorded slight declines;
- ⊕ In terms of overall investment trends, 92% of the surveyed SMEs indicated that they would maintain or increase investment this quarter, which is on par with the previous quarter. The areas that most SMEs expected to maintain or increase investment were "IT System", "Online/ Offline Marketing Promotion", "Research and Development", "Training Related to E-commerce or Digital Technology", "Overall Staff Training" and "Facilities and Equipment";
- ⊕ In terms of the changes in cost components, the proportion of local SMEs expecting raw materials cost to increase continued to rise, up by 4 percentage points to 63%. On the contrary, the proportion of SMEs expecting an increase in staff salary retreated by 5 percentage points to 30%. On the other hand, only 23% of SMEs planned to increase the price of their product or service, which is on par with the previous quarter, indicating that most SMEs continue to face cost pressure, but are unable to shift the pressure to the consumers.



Key Findings (cont.)

⊕ The thematic survey of this quarter explored the views of local SMEs in response to the measures in “The 2024-25 Budget” (“The Budget”):

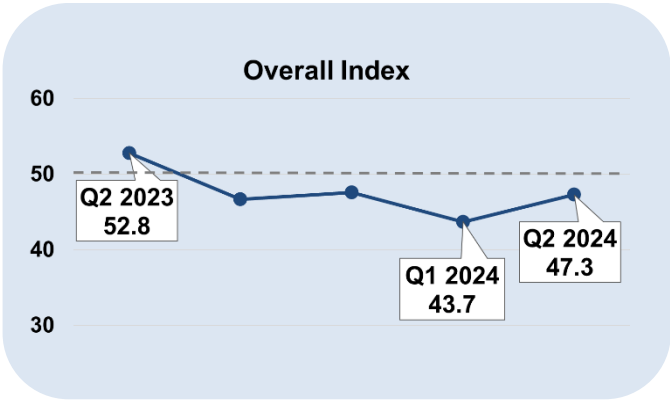
- The survey found 89% of SMEs expressed that at least one of the measures in “The Budget” could boost the overall economy. The top five measures that most SMEs believed can boost the overall economy were: “Offering loans / funding support to SMEs”, “Reduction of rates, salaries tax and profits tax”, “Revocation of harsh measures’ in the property market”, “Organising international conferences and exhibitions” and “Strengthen tourism development and organise events”. Looking at specific industries, the “Revocation of harsh measures’ in the property market” was the most beneficial for the “Real Estate” industry, while “Strengthening tourism development and organising events” was seen as the most helpful for the “Accommodation and Food Services” industry;
- The survey also found areas that SMEs needed support from the HKSAR Government included “Technology Support / Digital Transformation” (27%), “Financing” (25%), “Local business expansion” (24%), “Talent recruitment and training” (22%), “Marketing” (21%) and “Mainland / Overseas business expansion” (21%);
- In terms of Financing, 42% of the SMEs with financing needs in the past 12 months reported difficulties in borrowing or obtaining new funds, while nearly 50% reported fair and the remaining 12% reported easy;
- Nearly 80% of SMEs indicated that they were aware of at least one funding scheme provided by the Government, with the “SME Financing Guarantee Scheme”, “Technology Voucher Programme (TVP)”, “SME Export Marketing Fund (EMF)” and “BUD Fund” showed higher levels of awareness.



Standard Chartered SME Index

Q2 2024

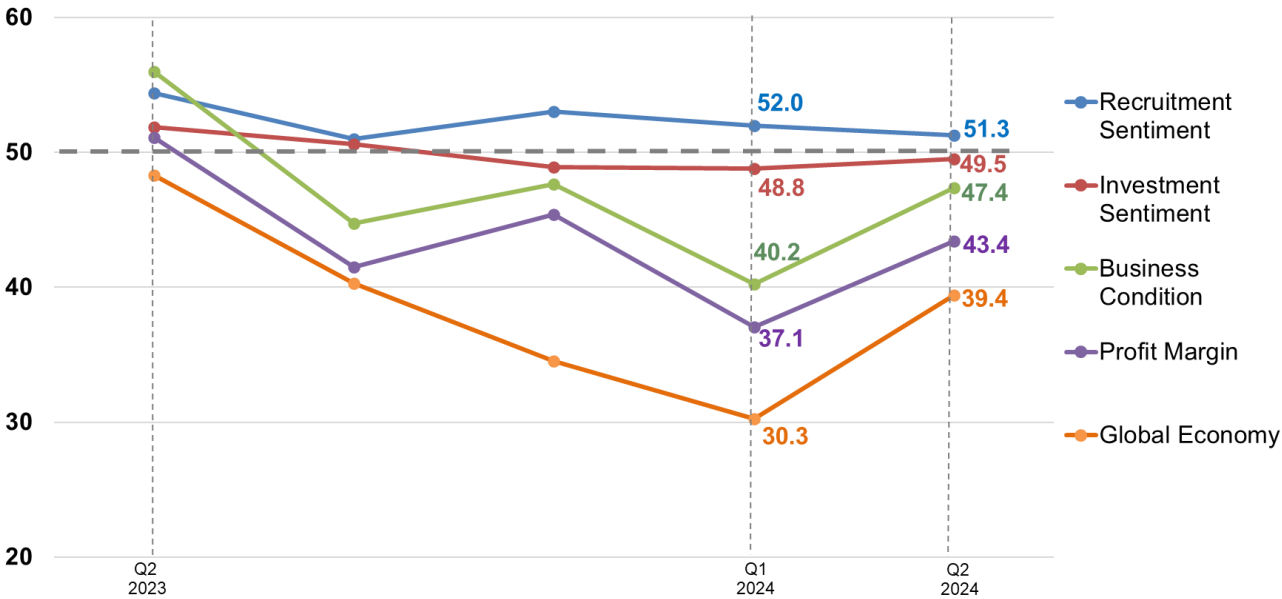
47.3



The Q2 2024 Overall Index rebounded by 3.6 to 47.3 this quarter and was up to the level in Q4 2023.

Except for “Recruitment Sentiment” which recorded a slight decline, all other component sub-indices rebounded this quarter and up to the level in Q4 2023, reflecting that SMEs have become more optimistic on their business turnover this quarter. Notably, “Global Economy” stopped declining after three consecutive quarters of decline and rebounded by 9.1 to 39.4 this quarter.

Five Component Sub-Indices of Overall Index

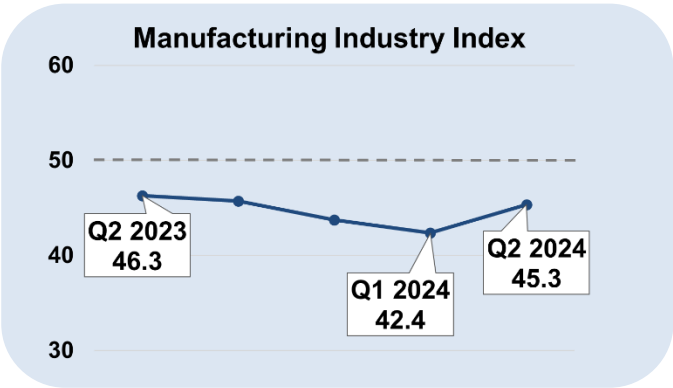


The 3 Key Industry Indices

Manufacturing Industry 45.3

The Manufacturing Industry index rebounded by 2.9 to 45.3 this quarter, returning to a similar level as Q2 2023. "Investment Sentiment", "Business Condition" and "Profit Margin" sub-indices increased this quarter, while "Global Economy" suffered a decline this quarter.

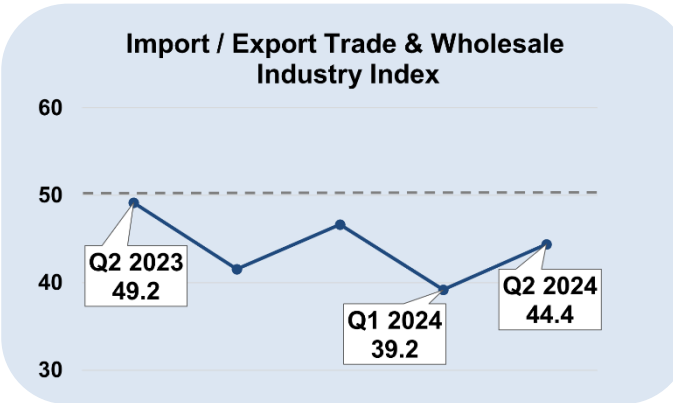
Component Indices	Index	Compared to last quarter	Compared to same period of last year
Recruitment Sentiment	49.0	Remain	Down
Investment Sentiment	52.6	Up	Up
Business Condition	45.9	Up	Up
Profit Margin	37.1	Up	Down
Global Economy	33.5	Down	Down



Import / Export Trade and Wholesale Industry 44.4

Industry index of Import / Export Trade & Wholesale Industry increased by 5.2 to 44.4 this quarter. Except for "Recruitment Sentiment" which was slightly down to 48.8, all other component sub-indices registered increments.

Component Indices	Index	Compared to last quarter	Compared to same period of last year
Recruitment Sentiment	48.8	Down	Down
Investment Sentiment	47.1	Up	Down
Business Condition	42.5	Up	Down
Profit Margin	39.2	Up	Down
Global Economy	41.3	Up	Down

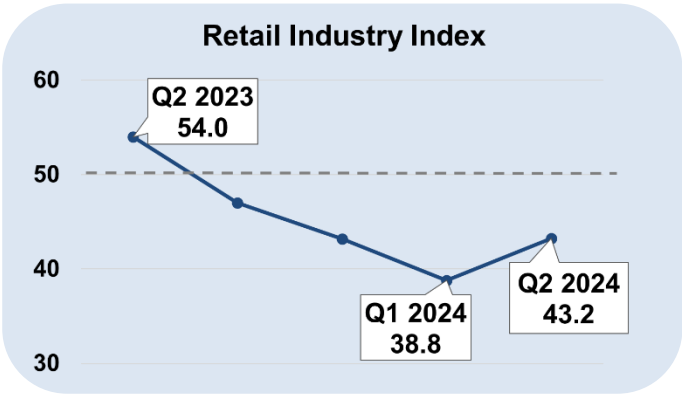


The 3 Key Industry Indices

Retail Industry 43.2

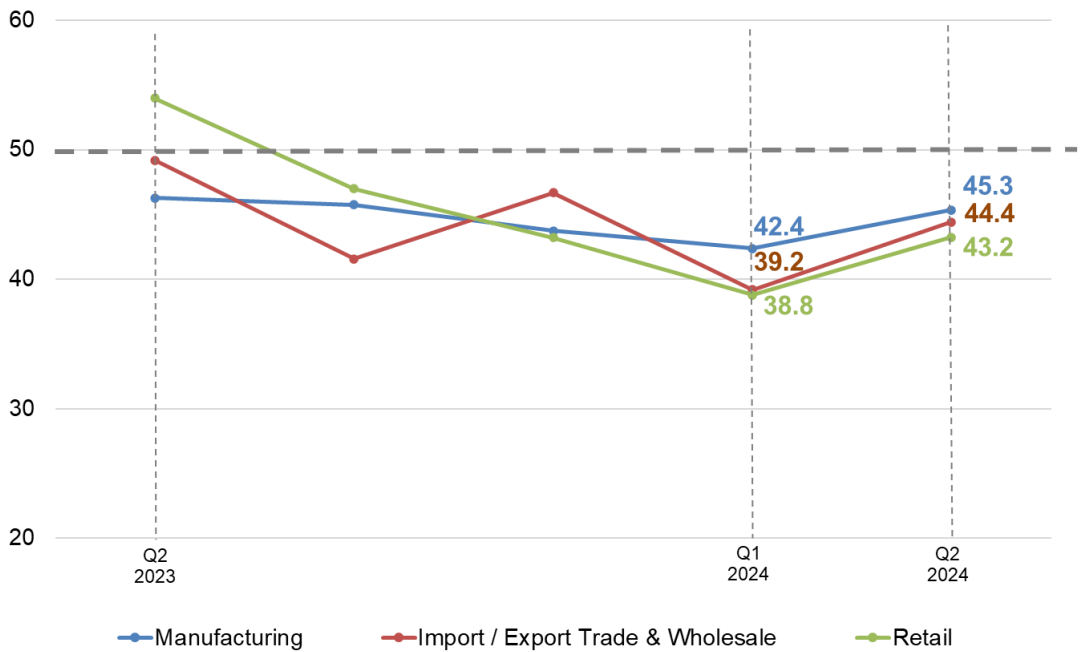
The Retail Industry index was up by 4.4 to 43.2 this quarter, returning to a similar level as Q4 2023. In particular, “Business Condition”, “Profit Margin” and “Global Economy” recorded uplifts of 13.6, 5.9 and 8.5 respectively.

Component Indices	Index	Compared to last quarter	Compared to same period of last year
Recruitment Sentiment	50.0	Remain	Down
Investment Sentiment	44.9	Down	Down
Business Condition	43.7	Up	Down
Profit Margin	37.3	Up	Down
Global Economy	32.9	Up	Down



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3 Key-Industry Indices



Industry Index

In terms of the industry indices, "Information and Communications" (57.7) recorded the largest increment of 13.8, while "Real Estate" recorded an increment of more than 10 points (+11.2) to 52.3 this quarter. Both industries returned to the level above the 50 neutral line. On the contrary, three of the industries recorded declines. The largest drop was recorded for "Accommodation and Food Services" (42.6, -4.5), while "Financing and Insurance" (51.7, -1.3) and "Social and Personal Services" (50.7, -1.3) recorded slight declines.



Market Prospects

In terms of overall investment trends, 92% of the surveyed SMEs indicated that they would maintain or increase investment this quarter, which is on par with the previous quarter.

92%

SMEs expected to maintain or increase on the overall investment

Top 5 Industries Expecting to Maintain or Increase on the Overall Investment		
1	Information and Communications	98%
2	Financing and Insurance	97%
2	Social and Personal Services	97%
3	Real Estate	96%
3	Construction	96%

The areas that most SMEs expected to maintain or increase investment were "IT System", "Online/ Offline Marketing Promotion", "Research and Development", "Training Related to E-commerce or Digital Technology", "Overall Staff Training" and "Facilities and Equipment". Among them, "Research and Development" and "Facilities and Equipment" showed significant growth in this quarter, reflecting that the SMEs are more willing to use technology to upgrade and transform, such as through smart production, to improve both production efficiency and product quality.

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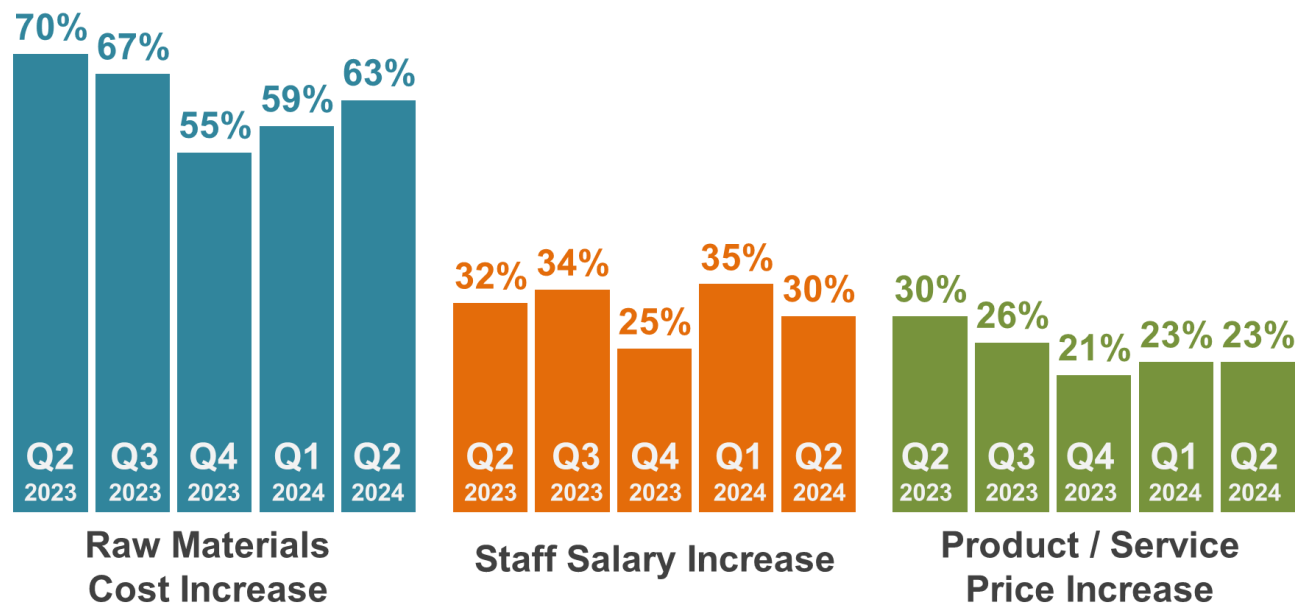
Most SMEs expected to maintain or increase investment in the following items:



Market Prospects

In terms of the changes in cost components, the proportion of local SMEs expecting raw materials cost to increase continued to rise, up by 4 percentage points to 63%. On the contrary, the proportion of SMEs expecting an increase in staff salary retreated by 5 percentage points to 30%. On the other hand, only 23% of SMEs planned to increase the price of their product or service, which is on par with the previous quarter, indicating that most SMEs continue to face cost pressure, but are unable to shift the pressure to the consumers.

Proportion of surveyed SMEs:



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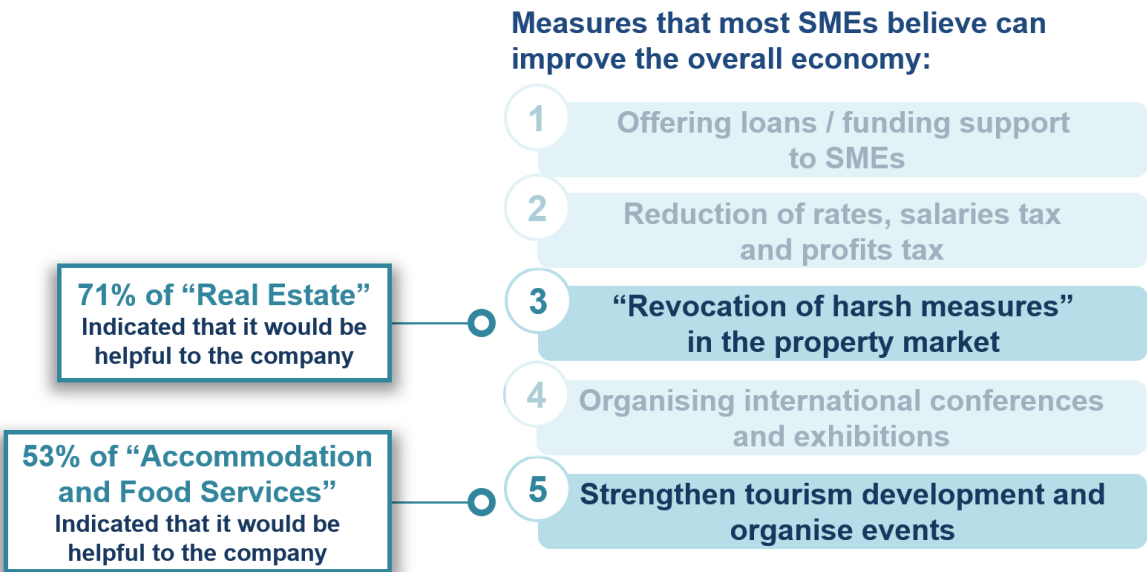
SMEs’ Views on the Measures in “The Budget”

The thematic survey of this quarter explored the views of local SMEs in response to the measures in “The 2024-25 Budget” (“The Budget”). The survey found 89% of SMEs expressed that at least one of the measures in “The Budget” could boost the overall economy. The top five measures that most SMEs believed can boost the overall economy were: “Offering loans / funding support to SMEs”, “Reduction of rates, salaries tax and profits tax”, “Revocation of harsh measures’ in the property market”, “Organising international conferences and exhibitions” and “Strengthen tourism development and organise events”.



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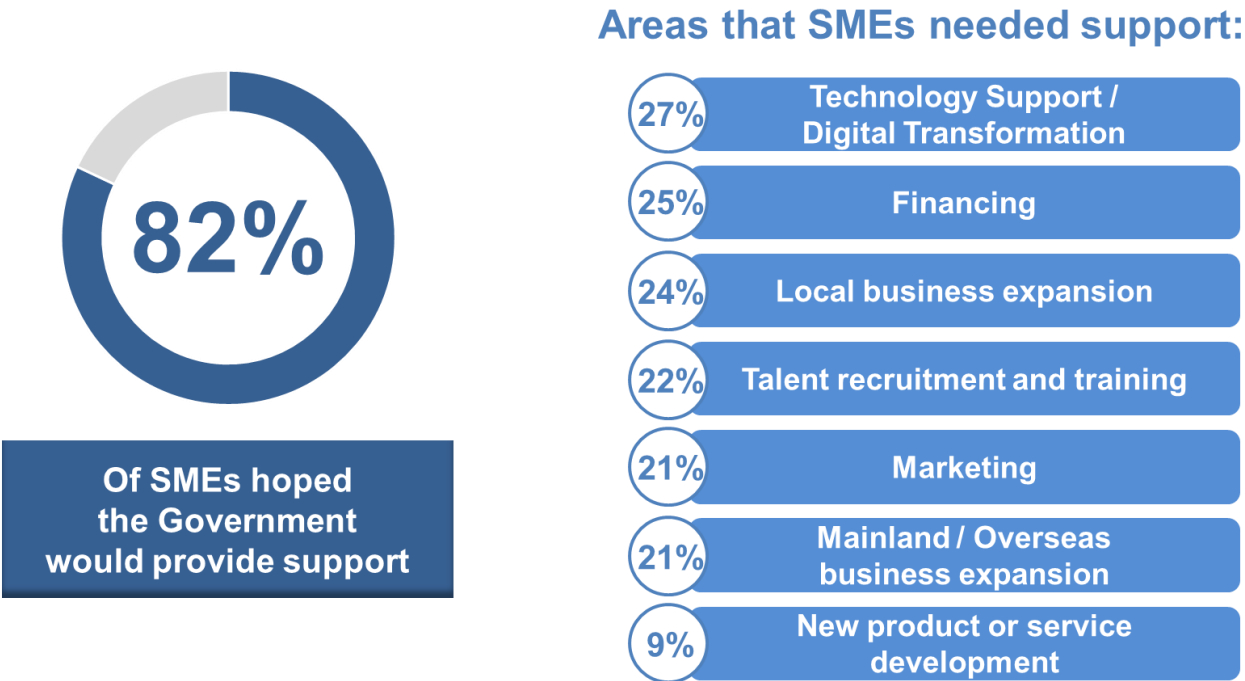
Looking at specific industries, the “Revocation of harsh measures’ in the property market” was the most beneficial for the “Real Estate” industry, while “Strengthening tourism development and organising events” was seen as the most helpful for the “Accommodation and Food Services” industry.



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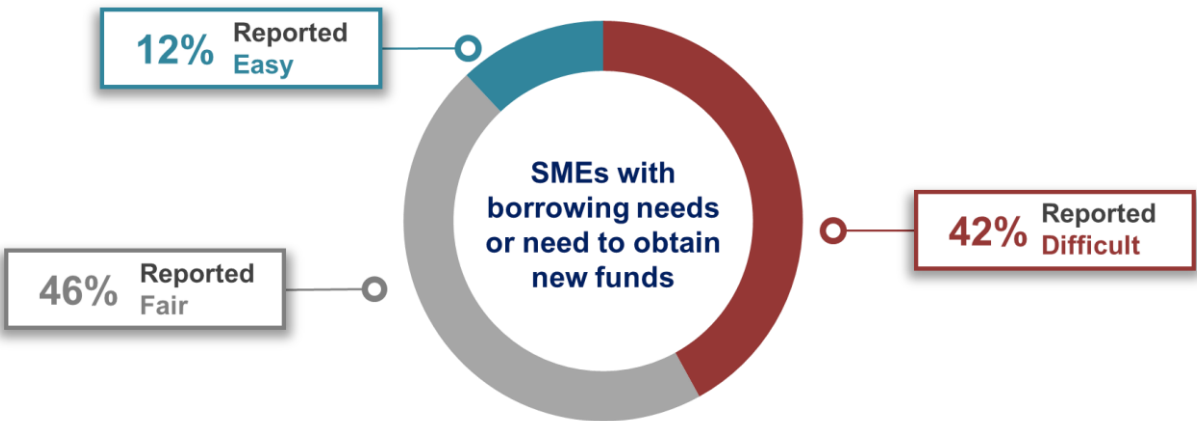
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The survey also found areas that SMEs needed support from the HKSAR Government included “Technology Support / Digital Transformation” (27%), “Financing” (25%), “Local business expansion” (24%), “Talent recruitment and training” (22%), “Marketing” (21%) and “Mainland / Overseas business expansion” (21%).



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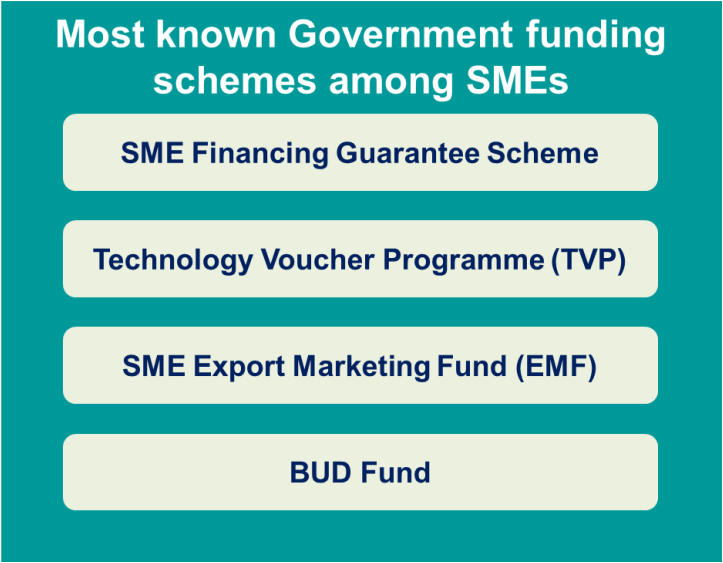
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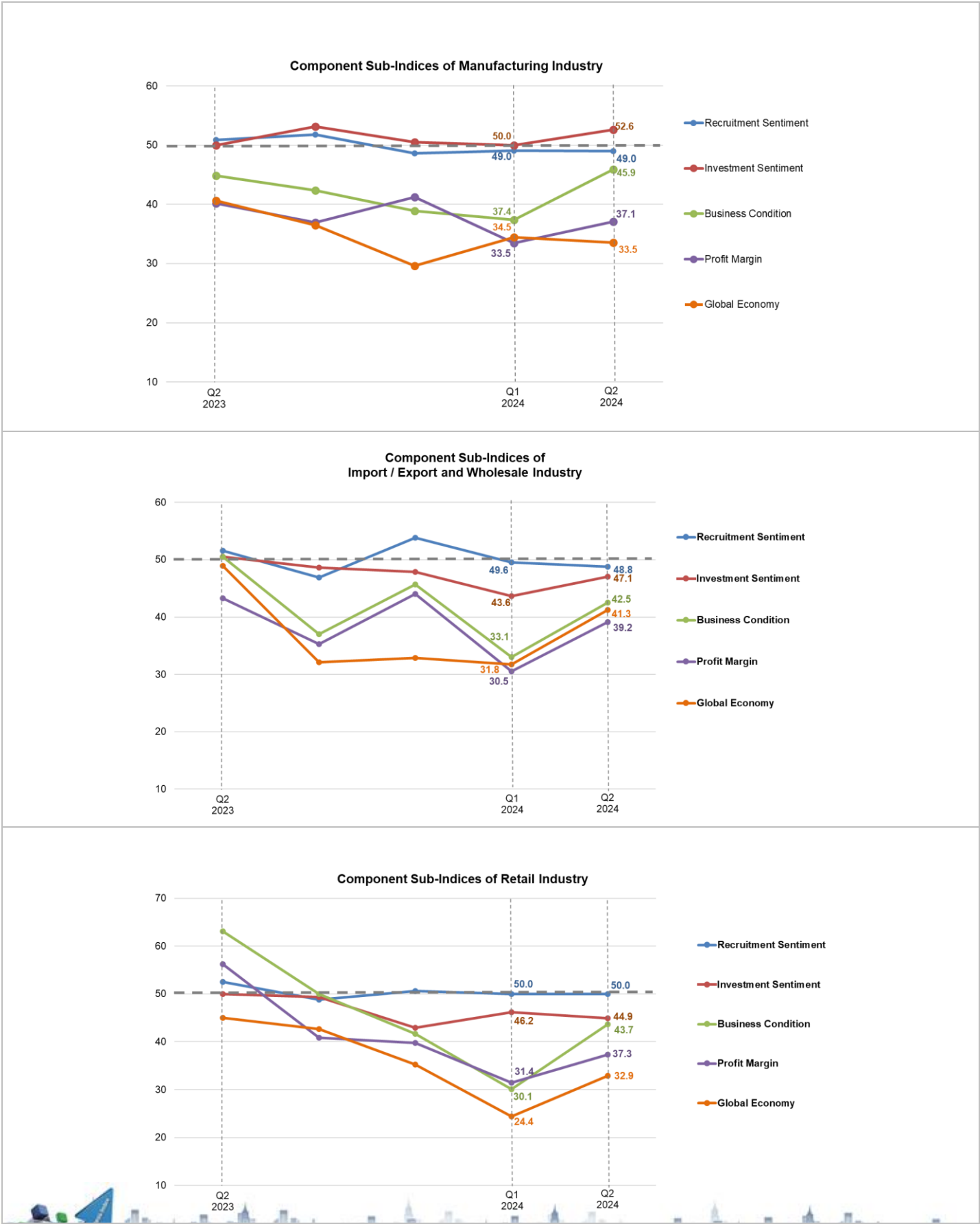
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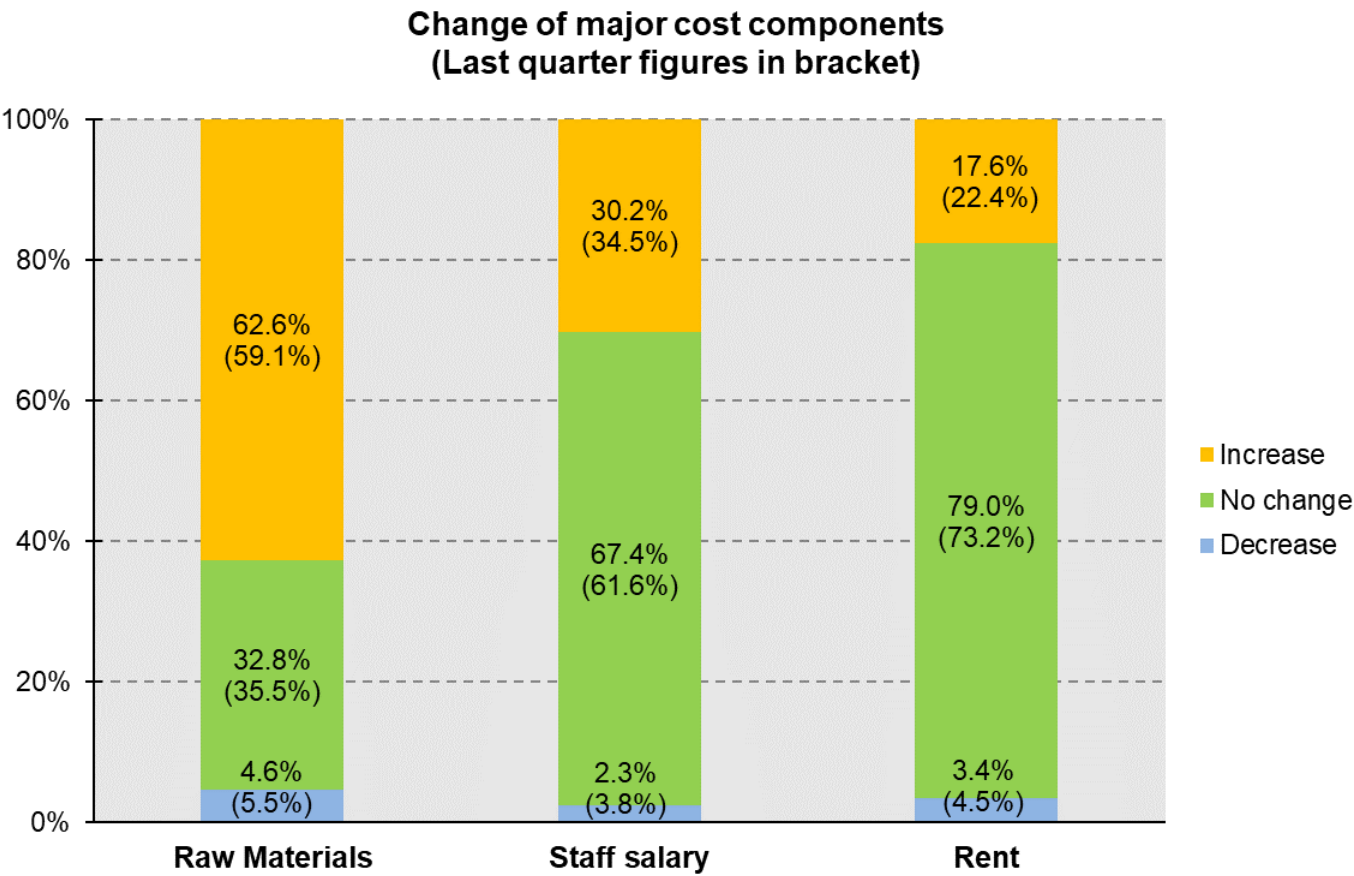
Appendix

Component Sub-Indices of the 3 Key Industry Indices



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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