

GBA – Survey reflects calm before tariff storm

- Q1 GBAI shows rebound in sentiment; respondents see better Q2 outlook before reciprocal tariff shock
- Credit conditions still tight on elevated financing costs; we see imminent rate cut to support sentiment
- We asked timely thematic questions on the impact of, and response to, consumption-boosting policies

If only they had known what was coming

Our GBA Business Confidence Index (GBAI), based on quarterly surveys of over 1,000 companies operating in the Guangdong-Hong Kong-Macau Greater Bay Area (GBA) and conducted in collaboration with the Hong Kong Trade Development Council (HKTDC), showed broad-based improvement in Q1-2025 (Figures 1 and 2). The headline index for current business performance rose to 53.5 from 50.7 prior, while the more forward-looking expectations index improved to 54.3 from 52.9 in Q4-2024. This showed that GBA companies weathered the initial rounds of US tariff hikes (10%+10%) well, in part thanks to the DeepSeek breakthrough lifting market sentiment as well as the rising prospect of more policy stimulus from China’s policy makers. However, respondents’ more-upbeat outlook in February-March (when the Q1 survey was conducted) likely did not prepare them for recent events, i.e., President Trump’s announcement of sweeping and sizeable reciprocal tariff hikes on China and most other countries. Our credit indices show that SMEs’ financing conditions worsened in Q1, echoing calls for more monetary easing in Q2.

Kelvin Lau
 +852 3843 0711
 Kelvin.KH.Lau@sc.com
 Senior Economist, Greater China and North Asia
 Standard Chartered Bank (HK) Limited

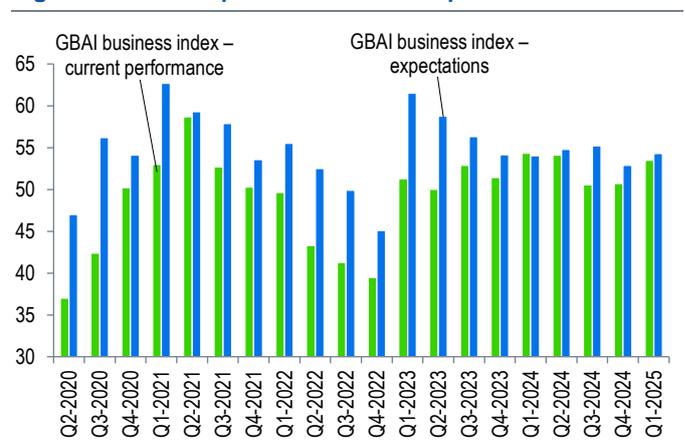
Shenzhen was the only city with lower Q1 headline scores, dragged down by the manufacturing and retail sector underperformance. By sector, innovation and technology regained the top spot. Our thematic questions focused on China’s accelerated push for more consumption-boosting policies. Trump’s tariff shock highlights the urgency for GBA businesses to continue to ride China’s shift towards a more consumption-driven China growth model. A majority 51% of respondents are tapping, or actively planning to tap, the mainland China consumer market.

Figure 1: GBAI business index and its sub-components

	Current performance			Expectations		
	Q1-2025	Q4-2024	Q3-2024	Q1-2025	Q4-2024	Q3-2024
Business index	53.5	50.7	50.6	54.3	52.9	55.2
1. Production/sales	52.9	55.1	52.1	57.1	58.4	58.5
2. New orders	52.6	50.0	51.5	54.6	53.3	58.0
3. Capacity utilisation	52.5	49.3	49.3	51.0	50.0	54.0
4. Raw material inventory	54.3	45.3	43.3	53.2	50.3	46.2
5. Prices of finished goods/services	59.0	55.3	57.4	56.5	54.9	59.9
6. Fixed asset investment	52.8	52.9	52.0	52.1	51.1	54.5
7. Financing scale	51.7	48.5	50.7	52.7	50.7	51.8
8. Profit	52.2	49.2	48.1	57.4	54.2	58.6

Source: HKTDC, Standard Chartered Research

Figure 2: ‘Current performance’ vs ‘expectations’ indices



Source: HKTDC, Standard Chartered Research

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A (probably very short) reprieve

GBA companies started 2025 on a more solid footing

Both our 'current performance' and 'expectations' sub-indices for business activity rebounded in Q1-2025 after a notable setback in H2-2024. Conducted between mid-February and mid-March, the latest survey likely captured the steepest part of the tech-driven rally in the local stock market, as DeepSeek's artificial intelligence breakthrough revived investor interest and IPO activity. Rising hopes of more policy support for China's economy around the 'Two Sessions' meeting in early March may also have boosted local sentiment. Such positive developments appear to have offset the first two rounds of US tariff hikes on China (10%+10%) following Trump's inauguration, as well as the uncertainty around his tariff policies on other economies in the run-up to the 2 April announcement of reciprocal tariffs.

With the benefit of hindsight, the improvement in our Q1 expectations indices now looks optimistic, considering how much bigger the 'Liberation Day' shock turned out to be. Our next GBAI survey, to be conducted in May-June, should provide a better view of respondents' readiness to live with high tariffs.

In our Q4-2024 report, we thought credit conditions would again become a tailwind after monetary policy signalling shifted to a 'moderately loose' stance. However, this did not materialise in Q1, as reflected by the sub-50 prints of our latest credit sub-indices, weighed down by elevated bank financing costs. The likelihood of cuts to the reserve requirement ratio (RRR) and/or policy rate (7D reverse repo rate) in April has materially increased in the past week, in our view, given the urgency to stabilise market sentiment following the Trump-induced sell-off.

We list below the detailed Q1-2025 survey findings:

Index components mostly improved q/q

- **Broad-based rebound in current performance:** Our GBAI 'current performance' index for business activity rose to 53.5 in Q1 – the highest since Q2-2024 – from 50.7 in Q4. While still falling short of the 54.2 average in H1-2024, the broad-based nature of the latest improvement is encouraging. Six of the eight index components rose q/q, and all previous sub-50 underperformers rallied back above the neutral mark, namely 'capacity utilisation' (+3.2pts), 'raw material inventory' (+9.0pts), 'financing scale' (+3.2pts) and 'profits' (+3.1pts). 'Production/sales' diverged, dropping by 2.2pts (as did 'fixed asset investment', which was down a mere 0.1pts), but this was a correction from an elevated Q4 level of 55.1 (possibly boosted by front-loaded orders ahead of US tariff hikes). Among the three best proxies for short-term business performance, 'production/sales' at 52.9 compared favourably with 'new orders' (52.6) and 'profits' (52.2); all this is consistent with another quarter of modest GDP expansion in Q1 following a +0.8% q/q rise in Q4.
- **Expectations reversed the Q4 dip:** The GBAI 'expectations' index for business activity improved in tandem with its 'current performance' counterpart, to 54.3 in Q1 from 52.9 in Q4. While still falling short of Q3's 55.2, the latest print was comparable with the 54.4 average for H1-2024. Encouragingly, seven of eight expectation sub-indices rose q/q, led by a 3.1pt increase in 'profits' and a 2.8pt increase in 'raw material inventory' (we think the latter is due to – for the second straight quarter – businesses front-loading purchases ahead of likely US tariff hikes). 'Production/sales' was again the exception with a 1.3pt drop, but its 57.1 print remained one of the highest among the components, with 'profits' (57.4), 'finished goods/services prices' (56.5) and 'new orders' (54.6) rounding out the top spots. It appears that a stabilising China story (alongside a more active stock



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market) helped businesses weather an uncertain tariff outlook last quarter; next quarter's GBAI should offer a clearer picture of the tariff impact, capturing the seemingly more damaging fallout from Trump's reciprocal tariffs.

Improved cash flows helped offset still-high financing costs

- Credit conditions stay tight on elevated bank financing costs:** The current performance index for credit rose to 48.8 in Q1 from 48.0 in Q4 (Figure 3). This welcome rebound was mainly driven by better 'surplus cash' (+3.5pts) and 'receivables turnover' (+2.7pt) – our two cash flow gauges that also tend to be good growth proxies, as they correlate closely with the business activity GBAs. Unfortunately, we did not see a corresponding improvement in 'bank financing cost' (-3.5pts, a lower print meaning higher financing costs), despite the perceived shift to 'moderately loose' monetary policy from a long-standing 'prudent' stance at the Central Economic Work Conference last December. If anything, banking-sector liquidity appeared to have tightened during the survey period, possibly a conscious policy choice to pre-empt currency volatility in case of a tariff shock. We believe this means more room for policy makers to ease monetary conditions in the coming quarters once the risk of CNY depreciation eases.

Based on our 'expectations' indices for credit, our GBA respondents do not expect much relief from banks any time soon – the sub-indices for expected 'bank financing costs' fell to 45.4 in Q1 from 46.7 prior, and expected 'banks' attitude towards lending' to 48.6 from 50.9 over the same period. Such drags offset expectations of improving surplus cash (+2.8pts) and receivables turnover (+1.1pts) and the headline expectations print for credit dipped below 50.0 for the first time in 10 quarters to 49.7 in Q1. That said, things have changed since 2 April: we expect RRR and/or policy rate cuts this month, with more to come in H2, alongside fresh fiscal stimulus.

- Industry sub-indices reverting to mean:** Financial services fell back to 54.0 for 'current performance' and 53.6 for 'expectations' (the latter being lowest among industries) in Q1, having surged to 57.9 and 57.6 in Q4, respectively (both being the highest among our five industry sub-indices); see Figure 4. This matches banks' cautious lending attitude mentioned above, but also still-soft loan growth to households and corporates YTD, according to official data. While total social financing was strong in the first two months of the year, this was largely due to front-loading of government bond issuance, which fuelled the strongest pace of fiscal spending compared with the same period over the last five years (see [China – A good start to 2025](#)). That said, new medium- and long-term loans to both households and corporates were weaker in 2M-2025 compared with a year ago.

Figure 3: Cash-flow-related sub-indices improved in Q1

Five sub-components of our GBAI credit indices – current vs expectations

Bank financing costs worsened in Q1 despite policy signaling a shift towards easing

	Current performance			Expectations		
	Q1-2025	Q4-2024	Q3-2024	Q1-2025	Q4-2024	Q3-2024
Credit index	48.8	48.0	49.2	49.7	50.0	50.9
1. Bank financing cost *	42.5	46.0	48.0	45.4	46.7	48.9
2. Non-bank financing cost *	51.1	50.3	50.4	51.6	53.4	51.7
3. Banks' attitude towards lending	51.9	51.2	52.1	48.6	50.9	50.6
4. Surplus cash	48.3	44.8	47.8	53.7	50.9	52.8
5. Receivables turnover	50.3	47.6	47.6	49.1	48.0	50.7

* Index above 50 indicates lower cost; Source: HKTDC, Standard Chartered Research

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GBA yet to prove it can keep riding the new AI wave

'Innovation and technology', despite not improving on its Q4 scores, did recapture the 'current performance' and 'expectations' top spots from 'financial services' in Q1; other underperformers rallied to close their gap with it. We will monitor closely the response from our tech respondents in the coming quarters to gauge the GBA's overall ability to ride the wave of impending AI development following the DeepSeek breakthrough; so far this has been more of a Hangzhou/Yangtze River Delta story. The rebound in the current performance sub-index for manufacturers for a second straight quarter in Q1 likely reflected front-loaded orders ahead of tariff hikes. Meanwhile, the quick rebound in their 'expectations' score (+1.2pts, after a dip of the same magnitude in Q4), despite facing higher US tariffs, was a welcome relief. Also encouraging was our 'retail and wholesale' respondents clocking even higher GBAI scores than manufacturers, possibly reflecting the government's recent policy efforts to boost consumption (more on this in the thematic question section).

- Shenzhen the odd one out:** All our city sub-indices, be it 'current performance' or 'expectations', rose q/q, with Shenzhen being the notable exception (Figure 6). A further breakdown showed that Shenzhen's current performance index was dragged down by its 'retail and wholesale' (47.0) and 'manufacturing and trading' (49.1) scores, while other sectors continued to display signs of resilience (54.1 for 'financial services', 55.9 for professional services, and 56.6 for innovation and technology). For expectations, 'financial services' was the underperforming sector for Shenzhen, with the only sub-50 print (47.4). Hong Kong, in contrast, extended its rising 'current performance' streak to four straight quarters, to 53.5, also the first above-50 print in a year; its 'expectations' index jumped to 56.9 – bested only by Guangzhou – from 50.8 prior. Guangzhou's current and expectation prints stood at 60.3 and 58.0, respectively, the highest among cities.

Figure 4: GBAI business sub-indices by sector

Business activity	Current performance			Expectations		
	Q1-2025	Q4-2024	Q3-2024	Q1-2025	Q4-2024	Q3-2024
Manufacturing and trading	53.1	50.1	49.5	54.1	52.9	54.1
Retail and wholesale	55.4	51.9	55.8	55.6	51.5	58.6
Financial services	54.0	57.9	55.4	53.6	57.6	60.1
Professional services	55.7	51.1	53.8	55.8	47.1	58.7
Innovation and technology	56.3	56.3	52.6	55.8	57.3	69.7

Source: HKTDC, Standard Chartered Research

Figure 5: GBAI credit sub-indices by sector

Credit	Current performance			Expectations		
	Q1-2025	Q4-2024	Q3-2024	Q1-2025	Q4-2024	Q3-2024
Manufacturing and trading	48.8	47.5	49.0	49.6	50.2	51.3
Retail and wholesale	48.4	49.3	50.1	49.8	48.6	48.7
Financial services	47.4	53.8	49.2	47.7	54.8	51.3
Professional services	48.1	50.5	50.4	49.0	50.0	50.7
Innovation and technology	53.4	49.1	48.6	53.9	46.2	50.3

Source: HKTDC, Standard Chartered Research

Key takeaways from our thematic questions

Expectations are for more consumption-boosting policies now that the external trade outlook has deteriorated significantly

At the Central Economic Work Conference in December, the mainland government vowed to “vigorously boost consumption, improve investment efficiency, and expand domestic demand in an all-round way” this year. That, together with the decision in January to further expand the consumer goods trade-in programme to cover more home appliances and offer subsidies for the purchase of digital products, prompted us to focus Q1’s thematic questions on the impact of consumption-boosting policies on the region. Our survey concluded just days before the official press conference on 17 March when China authorities announced another holistic package of consumption-supporting policies (including via raising workers’ incomes, reducing the basic cost of living and creating more jobs). However, we believe our findings today can help shed some light on GBA businesses’ readiness to ride this ongoing shift towards a more consumption-driven China growth model to better weather the challenging global trade and political outlook.

Impact of the trade-in programme so far

Looking back at 2024, we asked our respondents how the early iterations of the consumer goods trade-in programme impacted their business. A combined 30% said the impact was materially or marginally positive, versus 66% saying no impact, and 4% reporting a negative impact (Figure 8). Among those that gave a positive response, 87% agreed with the statement that claimed the trade-in programme helped generate new demand; this bodes well for the recent policy decision to not only expand the trade-in programme in 2025, but also to broaden out the ways of boosting consumption with a more holistic package (Figure 9). A smaller – but still a majority – percentage of respondents also agreed with the statement that “the programme generated sales that substitute demand for other goods” (73%) and “the programme front-loaded consumption, eating into future spending” (62%).

A further breakdown showed that ‘manufacturing and trading’ (35%) had the highest share of positive responses to the initial question, while (rather surprisingly) ‘retail and

Figure 6: GBAI business sub-indices by city

Business activity	Current performance			Expectations		
	Q1-2025	Q4-2024	Q3-2024	Q1-2025	Q4-2024	Q3-2024
Hong Kong	53.5	48.7	47.3	56.9	50.8	58.8
Guangzhou	60.3	52.7	53.0	58.0	53.4	56.6
Shenzhen	49.2	50.0	50.4	52.5	53.8	55.7
Foshan	57.6	53.3	49.8	52.5	50.4	51.5
Dongguan	55.2	50.3	52.0	55.6	52.2	53.6
Macau and other cities	54.9	51.5	50.2	54.5	53.2	52.1

Source: HKTDC, Standard Chartered Research

Figure 7: GBAI credit sub-indices by city

Credit	Current performance			Expectations		
	Q1-2025	Q4-2024	Q3-2024	Q1-2025	Q4-2024	Q3-2024
Hong Kong	48.5	47.2	45.7	51.0	49.3	50.1
Guangzhou	51.4	48.4	49.5	52.6	48.5	49.7
Shenzhen	47.5	47.2	49.5	48.0	50.9	50.4
Foshan	49.5	49.3	50.6	49.6	47.0	51.9
Dongguan	49.9	48.3	50.1	51.2	50.9	54.3
Macau and other cities	49.5	50.0	49.7	49.4	50.3	52.0

Source: HKTDC, Standard Chartered Research



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wholesale' recorded the lowest share (23%). By city, Dongguan had the highest positive share at 37%, followed by Shenzhen (33%) and Guangzhou (31%). Unsurprisingly, Hong Kong came in last at 24% given that it was not part of the trade-in programme, but rather is only set to benefit indirectly via a likely ongoing recovery in mainland China visitor inflows and possibly a rebound in their per-head spending.

More consumption boosts welcomed

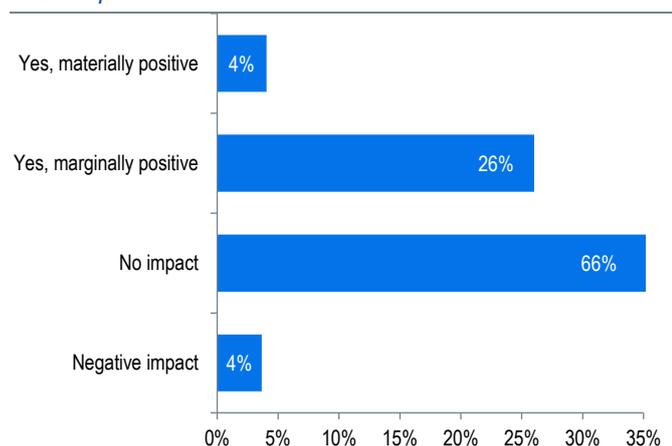
Looking ahead, 38% of respondents see a positive impact from the recently expanded consumer trade-in programme in 2025; another 48% see 'no impact', and a separate 11% said it was 'too early to tell'. Broadening the question to cover all consumption-boosting initiatives, the share of positive responses rose to 41%, versus 41% for 'no change', and 13% for 'too early to tell'. This uptick in positive responses, compared with 2024 actual data, along with the migration of some prior 'no change' into the wait-and-see bracket shows growing expectations of more policy-driven changes ahead. For this question, Guangzhou has the highest positive share of responses, followed by Foshan and Shenzhen. But industry, 'retail and wholesale' once again came in last for the expanded consumer trade-in programme (34%); 'innovation and technology' came in last at 31% when answering for all consumption-boosting initiatives.

Tapping the mainland consumer market

We then try to gauge how many respondents are walking the walk. When asked whether they had plans to expand their business in mainland China to better capture the economic benefits from the likely rise in policy efforts to boost domestic consumption, 12% said 'yes, and expansion is already underway'; another 24% said 'yes, but we are still at a planning stage' (Figure 11). Equally encouraging is that 16% said they have no expansion plans, but already have material exposure to the mainland market and are already very well-positioned to benefit from consumption-boosting policies. Altogether, a majority of 51% of respondents are already tapping or are actively planning to tap the mainland consumer market, versus 37% replying 'maybe, we are in wait-and-see mode', and a mere 12% saying 'no, mainland domestic market is not our business focus'. 'Shenzhen' and 'financial services' have the most favourable results across cities and sectors, respectively.

Figure 8: Did your company see any impact from the consumer goods trade-in programme in 2024?

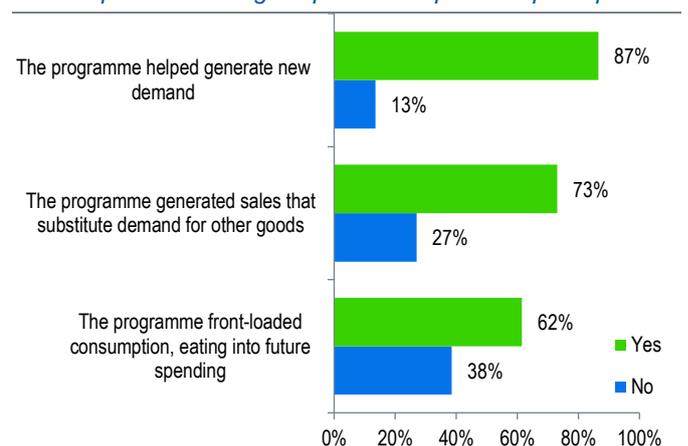
% of respondents



Source: HKTDC, Standard Chartered Research

Figure 9: Do you agree with the following statements regarding the impact of the trade-in programme?

% of respondents that gave positive response in prior question



Source: HKTDC, Standard Chartered Research



On the Ground

What's holding back China's transition?

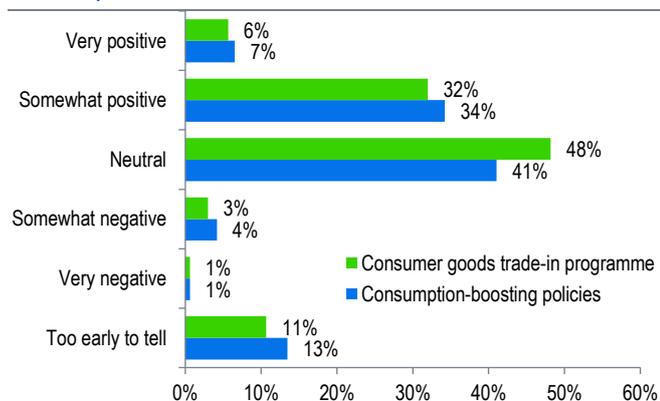
Our next question was on what respondents think are the biggest hurdles for China to transition to a consumption-oriented economy (Figure 12). Labour challenges topped the list, with 42% choosing 'lack of job security and weak wage growth expectations'. This is followed by 'entrenched deflationary expectations delaying spending' (29%), and 'negative wealth effect arising from subdued housing market' (16%). Only 14% chose 'insufficient social safety net leading to excessive household savings'; rightly or wrongly, respondents seem to see the cyclical headwinds as bigger challenges to China's transition to a consumption-growth model than structural ones.

What's next?

Finally, we asked respondents what else the government could do to expand the consumption-supportive measures. 45% of votes went to 'relax market access for private sector and foreign investment to help boost services consumption'; we think this is fitting for a region like the GBA which thrives on promoting economic opening and integration among its cities (Figure 13). Rounding out the top three spots are 'more direct transfers to lower-income groups/broaden the social safety net to cover more residents' (43%) and 'measures to boost job creation/income expectation' (42%). We see these as viable options to boost activity in the future.

Figure 10: How do you see your business impacted by these government policy support steps in 2025?

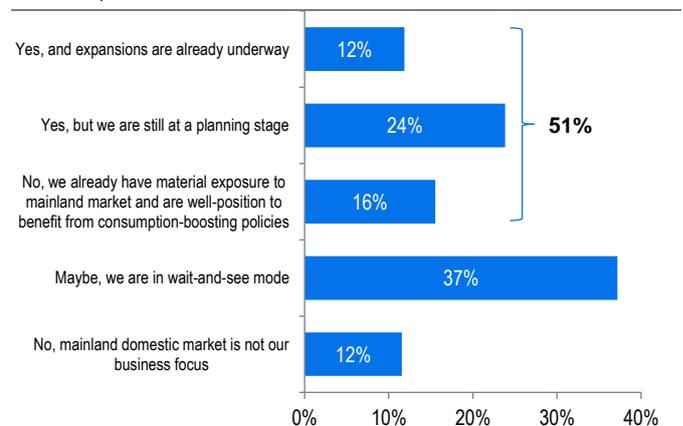
% of respondents



Source: HKTDC, Standard Chartered Research

Figure 11: Do you plan to expand your business in mainland China in view of policy boost to consumption?

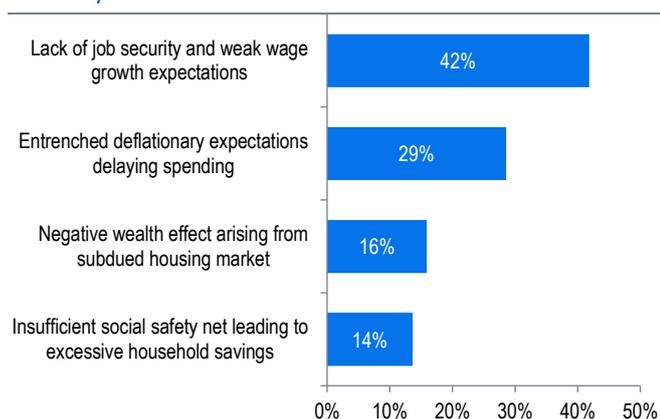
% of respondents



Source: HKTDC, Standard Chartered Research

Figure 12: What are the biggest hurdles for China to transition to a consumption-oriented economy?

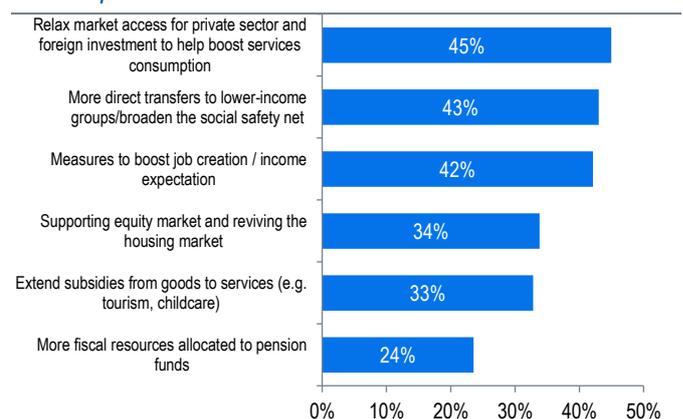
% of respondents



Source: HKTDC, Standard Chartered Research

Figure 13: What else can the government do to expand the consumption-supportive measures?

% of respondents



Source: HKTDC, Standard Chartered Research



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Document approved by
Shuang Ding
Head, GCNA, Economics Research, Regional Research

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