

GBA – Survey shows delayed boost from policy pivot

- Our GBA indices extended their YTD fall in Q4, led by destocking pressure and weaker financing appetite
- Expectations yet to fully reflect reopening efforts; manufacturers underperformed, credit index improved
- We took a closer look at recent changes in short- and long-term policy and market expectations

Accelerated reopening has to matter, right?

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), shows that the current performance of ‘business confidence’ weakened for a sixth straight quarter in Q4, dipping below 40 for the first time in 10 quarters to 39.5 from 41.3 in Q3 (Figures 1 and 2). Destocking and reduced financing appetite were the main drags, matching the broad-based softness in recent macro data. Furthermore, the expectations indices have yet to fully capture China’s recent COVID relaxation efforts, which only started halfway through the survey period; any boost from rising reopening hopes were also quickly overshadowed by the onset of the first COVID exit wave. However, this also means plenty of room for GBA sentiment to play catch-up in H1-2023, assuming the impact of future COVID waves will diminish over time. Meanwhile, we take comfort from the fact that monetary conditions remain accommodative; borrowing costs are expected to fall further in the coming quarter, while respondents’ cash flow positions are also set to improve.

‘Manufacturing and trading’ saw the worst expectations reading among industries; retailers and tech respondents, in contrast, improved q/q – a sign of policy support quietly seeping through. By city, Hong Kong outperformed again by having the highest expectations print, benefitting from improved hopes of border reopening with the mainland; Guangzhou, on the other hand, saw extensive COVID disruptions hurting respondents’ sentiment. Our thematic questions dug deeper into how policy and market expectations have changed following the 20th Party Congress and the COVID policy pivot.

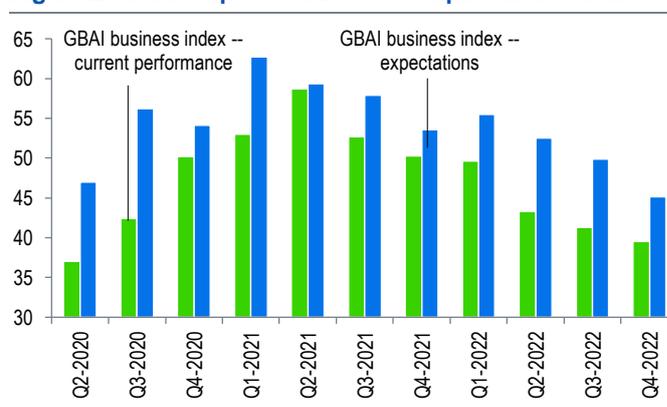
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Figure 1: GBAI business index and its sub-components

	Current performance			Expectations		
	Q4-2022	Q3-2022	Q2-2022	Q4-2022	Q3-2022	Q2-2022
Business index	39.5	41.3	43.3	45.1	49.9	52.5
1. Production/sales	38.4	37.8	40.4	45.1	49.5	55.1
2. New orders	36.9	39.1	42.2	47.6	50.9	56.3
3. Capacity utilisation	42.0	41.3	43.4	47.1	51.5	51.5
4. Raw material inventory	31.8	41.4	40.7	36.8	46.0	46.9
5. Prices of finished goods/services	52.2	50.8	54.8	52.1	55.1	57.8
6. Fixed asset investment	43.8	44.2	46.3	47.7	49.0	53.6
7. Financing scale	30.9	38.1	39.7	35.6	47.1	46.2
8. Profit	40.1	37.5	38.8	48.7	50.5	52.8

Source: HKTDC, Standard Chartered Research

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



Source: HKTDC, Standard Chartered Research

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Detailed findings of the GBAI survey for Q4-2022

Recent reopening efforts take time to translate into better GBA business sentiment

The survey period of our Q4 GBAI – late October to early December – was an eventful one. Building on the expectations that changes are in store following the conclusion of the 20th Party Congress in October, China subsequently kickstarted its COVID and housing policy pivot on 11 November, all the while dealing with a resurgence in daily COVID cases, plus lingering social and production disruptions. At the same time, external headwinds continued to intensify as major western markets faced rising recessionary risks, prompting GBA companies to run down their inventory in anticipation of weaker orders.

The result was the GBAI confirming a further softening in current business activity, which in turn dragged expectations down for a third straight quarter. The steeper q/q drop in Guangzhou's sub-index was illustrative of how the severity of COVID disruptions remains the primary determinant of a city's short-term recovery ceiling, while weak GBAI scores for 'manufacturing and trading' (and, by city, the more export-oriented Dongguan) matched weak official macro data recently, including industrial production, exports, and even fixed-asset investment.

All this, however, should not be mistaken for a lack of effort and support on the policy front; our credit sub-indices confirmed a continued easing in borrowing costs and an improvement in respondents' cash flow. More importantly, we believe the boost to GBA sentiment from the recent COVID policy pivot is merely delayed, and is set to be unleashed (alongside increased household savings and accumulated pent-up demand over the past three years) once the early waves of COVID resurgence from accelerated reopening start to fade, possibly in Q2-2023.

Current business conditions remain challenging

- **Current performance index continued to fall in Q4:** The GBAI current performance index for business activity plunged below 40 for the first time in 10 quarters, to 39.5 in Q4 from 41.3 in Q3 (Figures 1 and 2). This marks a sixth straight quarterly drop and the fourth straight sub-50 print, indicating a still-challenging business environment across the region. The latest results matched recent macro data for the whole nation, which *reflected a sharp slowdown in growth in November amid surging COVID infections and weaker external demand*. More specifically, we saw either slowing expansion or widening contractions across exports (-8.7% y/y versus -0.3% prior), retail sales (-5.9% versus -0.5%), industrial production (+2.2% versus +5%), manufacturing investment (+6.2% versus +6.9%) and housing floor space sold (-32.5% versus -23.8%). It was therefore no surprise that the GBA was not immune to this nationwide slowdown.

On the face of it, the latest GBAI (-4.4% q/q) kept pace with the prior drop (-4.6% in Q3); it could even be argued that the drop this time was worse due to the lower base. That said, one can take comfort from the fact that the decline in the headline GBAI was less broad-based this time – four sub-indices fell q/q versus seven (out of eight) sub-indices prior. We saw small q/q improvements in production/sales (+1.6% q/q), capacity utilisation (+1.7%), prices of finished goods/services (+2.8%), and profits (+6.9%); however, they were more than offset by steep drops in raw material inventory (-23.2%) and financial scale (-18.9%). Both of these underperforming sub-indices are good leading indicators of the business outlook over the coming quarter – the contraction in raw material inventory is a strong sign of weakening confidence in the orders outlook, and a shrinkage in financial scale means little urgency to expand business (be it in terms of working capital or capital investment) any time soon.

On the Ground

Reality weighed on the latest expectations index, which has yet to fully capture the recently improved reopening prospects

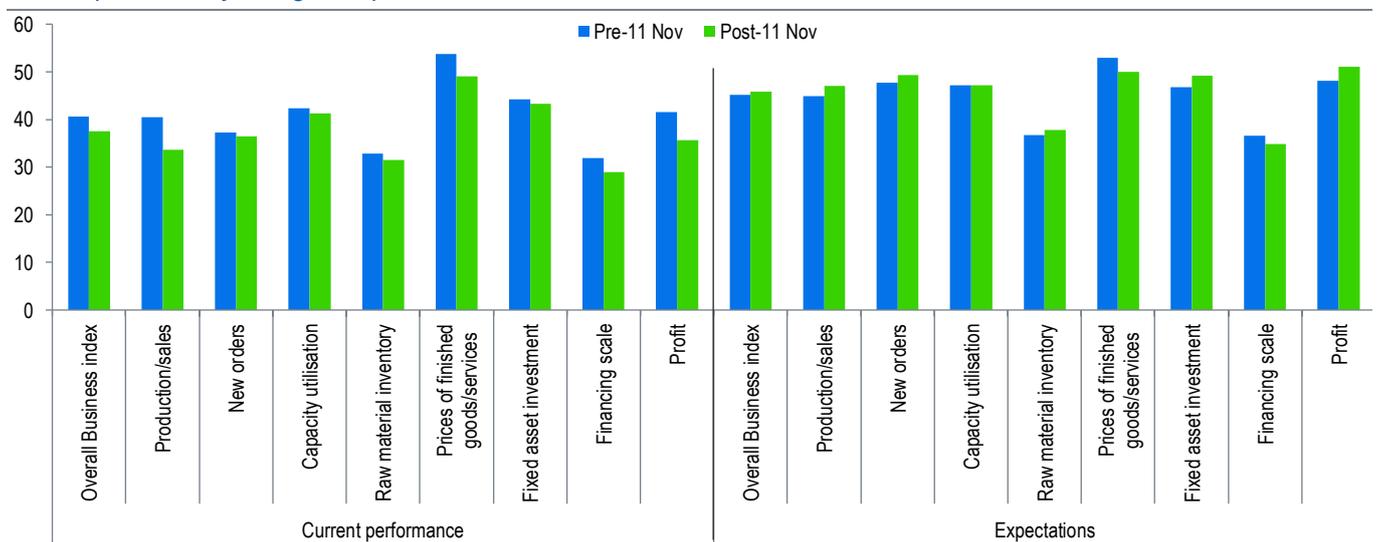
- Expectations indices still not looking up:** The GBAI expectations index for business activity deteriorated for a third straight quarter (or the sixth of the past seven quarters) after falling a hair below the 50 neutral mark in Q3, to 45.1 in Q4. Echoing the above-mentioned more forward-looking parts of the current activity index, respondents in general believed business conditions will worsen in the coming quarter, for both external and domestic reasons. Externally, short-term destocking pressure will likely remain evident; we believe the global economy is set to slow down further in H1-2023 before rebounding, as the lagged impact from high inflation and central bank tightening continue to bite. Domestically, we expect more COVID- and housing-related drags to linger in early 2023, despite recent policy relaxation on both fronts (more on this below). The result was that all eight of the expectations sub-indices fell q/q (by an overall -9.6%), again led by raw material inventory (-20%) and financing scale (-24.4%).

This cautious outlook echoes what we saw on the national level, with [our headline China SME Index](#) easing a fourth straight month to 49.2 in November from 49.9 in October, as both manufacturing and non-manufacturing output continued to contract. However, [we maintain our above-consensus China GDP growth forecast of 5.8% in 2023](#) (versus an estimated 3.0% growth in 2022). We believe the recent policy shifts aimed at reopening from COVID and supporting the property market will be conducive to unshackling China's pent-up demand and household savings built up in recent years. Consumption is therefore likely to drive a strong catch-up play in H2-2023.

- Gauging the boost from recent policy pivots:** China's latest reopening efforts and housing market support measures had little immediate impact on our Q4 GBAI expectations indices. However, this is likely primarily due to the timing of our survey; the first wave of policy relaxations came on 11 November, which was the midpoint of our survey period (late October to early December). More specifically, a majority 56% of our total 1,023 responses were collected prior to 11 November. Moreover, any boost to reopening expectations during the early weeks after the announcements were likely tempered/overshadowed by worries about rising COVID cases and the reported rise in social incidents. It was only

Figure 3: GBAI for business activity, all respondents

% of respondents, by timing of responses collected



Source: HKTDC, Standard Chartered Research



On the Ground

until more recently (and mostly after our survey period) that we saw faster- and broader-than-expected policy implementation, and the market started to be more convinced of China's commitment to a speedy reopening.

Post-11 November improvement in expectations was subtle at best

A further breakdown supports this view, that there was no evident improvement in GBA sentiment on comparing pre- and post-11 November responses. In fact, the post-11 November current performance index for business activity (37.5) was worse than that pre-11 November (40.6), reflecting worsening COVID disruptions as well as rising drags from external headwinds (Figure 3). In particular, the 6.8pts difference in the pre- and post-11 November sub-indices for 'production/sales' current performance – which saw the biggest drop among all eight sub-components – was probably a reflection of production disruptions, like the ones in Zhengzhou, due to COVID resurgence and/or weakened orders. This in turn likely capped post-11 November expectations, which barely rose to 45.8 from 45.1 pre-11 November. But even then, five of our eight GBAI expectations sub-components managed to rise after 11 November, only to be offset by weaker 'prices of finished goods/services' (which was not the most worrying/worst component to underperform). There is also this silver lining that any boost from COVID relaxation is merely delayed and that reopening expectations will become more entrenched in H1-2023.

Borrowing costs have been coming down

- **Easing financial conditions a bright spot:** The current performance index for credit rose a second straight quarter to 48.6 in Q4 from 47.2 in Q3 (Figure 4). While this was still below 50 (or Q1's 49.1), we continue to take comfort from clear evidence of (1) falling borrowing costs, as shown by the rise in both the bank and non-bank financial cost sub-indices; and (2) a surprise improvement in current cash flow positions for a second straight quarter, despite worsening confidence towards the local and global growth outlook (although one can still argue that both 'surplus cash' and 'receivables turnover' remained well below the 50 neutral mark). In any case, our latest survey results continued to show weak appetite for banks to lend (45.6 versus 46.4 prior).

Credit expectations were also on the mend, with the corresponding headline index returning above the 50 neutral mark to 50.6 from 48.8 prior. Again, falling borrowing costs is the key driver, while surplus cash is expected to improve and receivables turnover to stop contracting. We believe monetary policy is likely to remain supportive near-term to curb downside risks to growth. This is especially true in the early months of 2023, as headroom for fresh fiscal stimulus could be limited until the new budget is passed next March. Until then, monetary policy

Surplus cash and receivables turnover may start to improve, despite challenging macro backdrop

Figure 4: Clear easing in credit conditions underway

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

	Current performance			Expectations		
	Q4-2022	Q3-2022	Q2-2022	Q4-2022	Q3-2022	Q2-2022
Credit Index	48.6	47.2	46.7	50.6	48.8	51.7
1. Bank financing cost *	52.2	51.7	52.4	52.5	47.9	49.1
2. Non-bank financing cost *	53.8	50.0	53.3	52.6	48.9	51.5
3. Banks' attitude towards lending	45.6	46.4	46.2	46.9	48.0	51.0
4. Surplus cash	44.5	43.9	39.3	51.3	50.7	53.3
5. Receivables turnover	46.9	44.0	42.1	49.9	48.4	53.3

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

On the Ground

will have to bear the burden by boosting credit growth and keeping liquidity ample, in our view. *We expect a 10bps cut in the medium-term lending facility (MLF) rate in Q1-2023 and a 25bps cut in the reserve requirement ratio (RRR) in Q2* due to near-term economic weakness. We then expect the People's Bank of China (PBoC) to keep policy rates and the RRR unchanged for the rest of 2023 given an expected growth rebound in H2 and a possible rise in inflation.

Externally oriented industries should brace for a weak start to 2023

- Manufacturers had the weakest expectations:** 'Manufacturing and trading', 'professional services' and 'financial services' saw q/q drops in their current performance and expectations indices (Figure 5). In particular, manufacturers and professional services providers were the only ones with sub-40 readings for current performance, while 'financial services' corrected from much stronger levels, having outperformed in Q3. 'Manufacturing and trading' also saw the largest q/q drop in expectations, to 44.3 (lowest among industries) from 50.4 in Q3. Manufacturers' underperformance is a timely reminder of the region's vulnerability towards softening external demand, which we believe could persist into 2023 as the US and euro area flirt with recession. Industrial production could also face lingering COVID disruptions in the short term, plus further drags from a weak housing market before significant policy easing comes through.

'Retail and wholesale' appeared much more resilient in comparison, rising a modest 0.9pts and 1.1pts q/q for current performance and expectations, respectively. 'Innovation and technology' rose even stronger, by 2.9pts and 3.8pts, respectively. The lift to retailer expectations post-11 November was particularly evident, contrasting with the drop among tech respondents, which we believe was more to do with the small sample size rather than a deterioration in business conditions (Figure 9). If anything, we believe both retailers and tech respondents appear best positioned for 2023 based on the outcome of the recently concluded Central Economic Work Conference (CEWC).

Figure 5: GBAI business sub-indices by sector

Business activity	Current performance			Expectations		
	Q4-2022	Q3-2022	Q2-2022	Q4-2022	Q3-2022	Q2-2022
Manufacturing and trading	39.0	41.2	44.1	44.3	50.4	52.9
Retail and wholesale	42.2	41.3	37.7	48.8	47.7	51.1
Financial services	45.4	47.3	39.4	50.5	51.5	42.4
Professional services	38.5	42.3	45.0	46.1	47.0	49.9
Innovation and technology	42.5	39.6	50.3	49.8	46.0	61.3

Source: HKTDC, Standard Chartered Research

Figure 6: GBAI credit sub-indices by sector

Credit	Current performance			Expectations		
	Q4-2022	Q3-2022	Q2-2022	Q4-2022	Q3-2022	Q2-2022
Manufacturing and trading	48.5	47.5	47.1	50.7	49.2	52.2
Retail and wholesale	49.0	46.5	44.3	49.9	47.4	49.2
Financial services	46.9	45.2	42.9	52.4	46.9	46.5
Professional services	49.1	43.9	44.5	49.3	43.9	47.8
Innovation and technology	53.1	47.1	49.6	54.8	46.8	53.0

Source: HKTDC, Standard Chartered Research



On the Ground

The CEWC called for an “overall improvement” of the economy and “reasonable growth” in 2023, starting with efforts to improve expectations and boost confidence; to achieve that, priority will be placed on “resuming and expanding consumption” by increasing household income, and supporting the consumption of housing services, new energy vehicles and old-age care services. The CEWC also called for the “development of digital economy, normalisation of regulation and greater support of the internet platform enterprises”. Other than reiterating support for private businesses and encouraging their expansion, the CEWC’s statement also sounded more positive about the role of internet platforms, a clear sign that the regulatory storms that damaged market sentiment in recent years are giving way to normalised regulation – a welcome reversal for our tech respondents, which saw *the biggest q/q drops in our last GBAI report*.

Guangzhou saw the worst COVID disruptions among the core GBA cities

- **Hong Kong outperformed among core GBA cities:** All three of our GBA core cities saw q/q drops in their current performance index, as they faced the same confluence of domestic and external uncertainties; but Guangzhou’s drop was particularly large (-7pts versus -0.8pts for Hong Kong and -0.7pts for Shenzhen), giving up its previous gains (having outperformed in Q3). More important, however, is the fact that Guangzhou has faced greater COVID disruptions (from district-level lockdowns to factory shutdowns) compared with other GBA cities, as indicated by its weak city-level mobility indicators like below-normal levels of traffic delay (Figure 7).

Hong Kong, in contrast, having started reopening earlier, shared fewer of its mainland counterparts’ COVID disruption downsides, while benefiting from rising prospects of border reopening with the mainland following policy relaxations. Hong Kong’s expectations index performed even better, rising a second straight quarter to 48.4 from 46.3 prior; it was also the only city sub-index improving q/q, contrasting with Guangzhou’s -8.9pts drop.

Figure 7: GBAI business sub-indices by city

Business activity	Current performance			Expectations		
	Q4-2022	Q3-2022	Q2-2022	Q4-2022	Q3-2022	Q2-2022
Hong Kong	41.7	42.5	39.7	48.4	46.3	43.3
Guangzhou	37.6	44.6	43.7	43.1	52.0	52.1
Shenzhen	38.8	39.5	42.5	47.1	50.8	54.6
Foshan	43.9	39.8	44.9	44.2	50.1	51.0
Dongguan	34.5	41.7	47.9	37.1	45.5	55.0
Macau and other cities	41.9	42.5	46.2	42.8	51.8	57.2

Source: HKTDC, Standard Chartered Research

Figure 8: GBAI credit sub-indices by city

Credit	Current performance			Expectations		
	Q4-2022	Q3-2022	Q2-2022	Q4-2022	Q3-2022	Q2-2022
Hong Kong	45.9	46.4	42.1	48.4	47.2	45.5
Guangzhou	47.6	46.1	45.7	49.1	48.2	49.4
Shenzhen	50.7	47.9	47.9	54.4	49.3	54.7
Foshan	47.5	46.6	44.7	49.2	48.6	49.0
Dongguan	48.3	46.4	47.9	46.5	48.2	51.4
Macau and other cities	47.3	48.2	49.7	47.0	50.1	53.7

Source: HKTDC, Standard Chartered Research



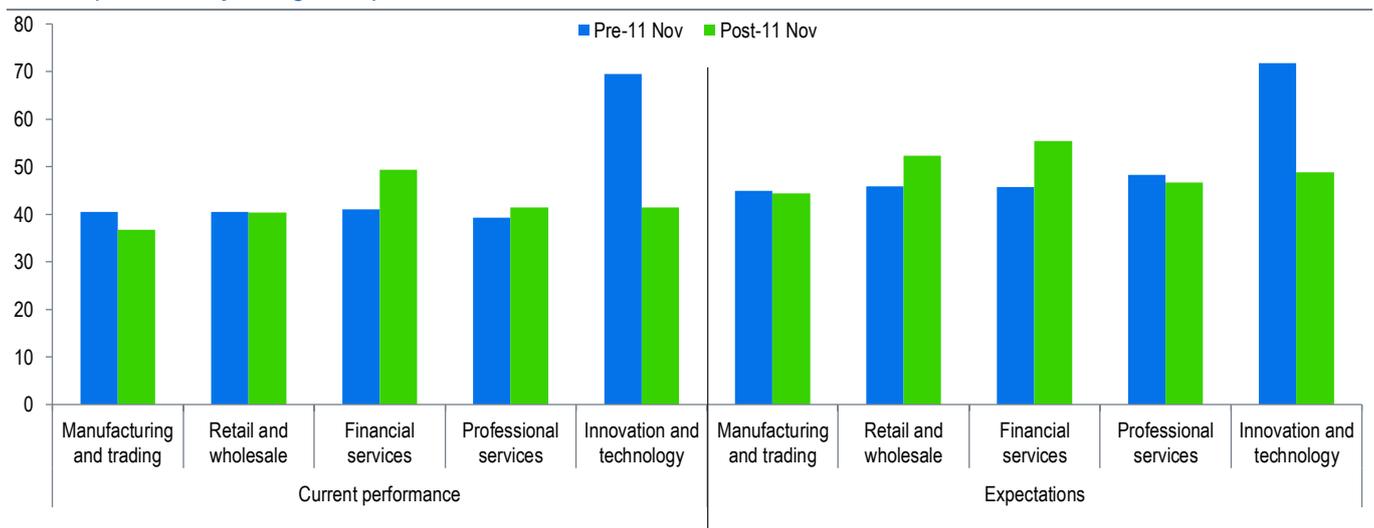
On the Ground

Finally, a quick look at the pre- and post-11 November breakdown showed that Hong Kong continued its improving trend over the course of our survey period, while Guangzhou headed in the opposite direction for both gauges of current performance and expectations (Figure 10). Shenzhen, in comparison, held up reasonably well in terms of expectations, despite reporting weaker current performance post-11 November. However, we are hesitant to read too much into Dongguan's post-11 November rebound, given its much smaller sample size versus the core cities.

In all, we believe Hong Kong's post-11 November outperformance is a good guide of how other GBA cities will eventually benefit from improved reopening prospects once their own initial waves of COVID resurgence subside.

Figure 9: GBAI for business activity, by industry

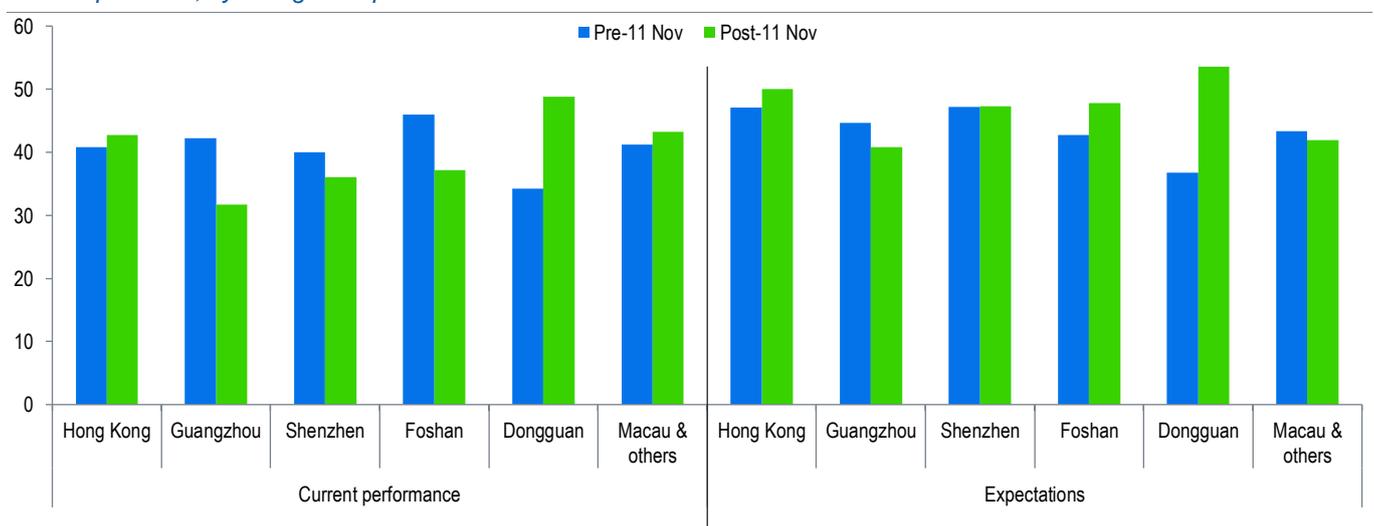
% of respondents, by timing of responses collected



Source: HKTDC, Standard Chartered Research

Figure 10: GBAI for business activity, by city

% of respondents, by timing of responses collected



Source: HKTDC, Standard Chartered Research



Key takeaways from our thematic questions

Our thematic questions dug deeper into gauging potential shifts in 2023 business expectations across the GBA region following the recent series of major political events and policy announcements, including the 20th Party Congress in October, and the COVID and housing policy pivots since November.

COVID policy determines recovery ceiling

We asked our respondents about the biggest macro and market risks to their business in 2023; unsurprisingly, 'more COVID-related disruption' topped the list, garnering 57% of the votes (Figure 11). This was more than double the votes for second place (which was 'intense competition within industry' at 28%), further supporting China's newfound urgency to start exiting from zero-COVID with [the 20 measures announced on 11 November to improve COVID control](#). That has since proven to be a game changer, as China finally walks the reopening walk.

Despite the policy pivot, reopening expectations have been tempered by rising COVID cases in the mainland, with consumers and workers homebound and medical facilities swamped: the number of votes for COVID disruption (64%), intense competition within industry (33%) and worsening real-estate market downturn (26%) was materially higher in the post-11 November responses.

Only around a quarter of respondents expected significant loosening in COVID controls in GBA cities sometime in 2023 (Figure 12), further evidence of respondents' general scepticism towards reopening. For comparison, 27% saw stringent COVID measures becoming the norm, and a remaining majority 48% chose 'difficult to say', suggesting plenty of room for sentiment to rebound in the coming quarters.

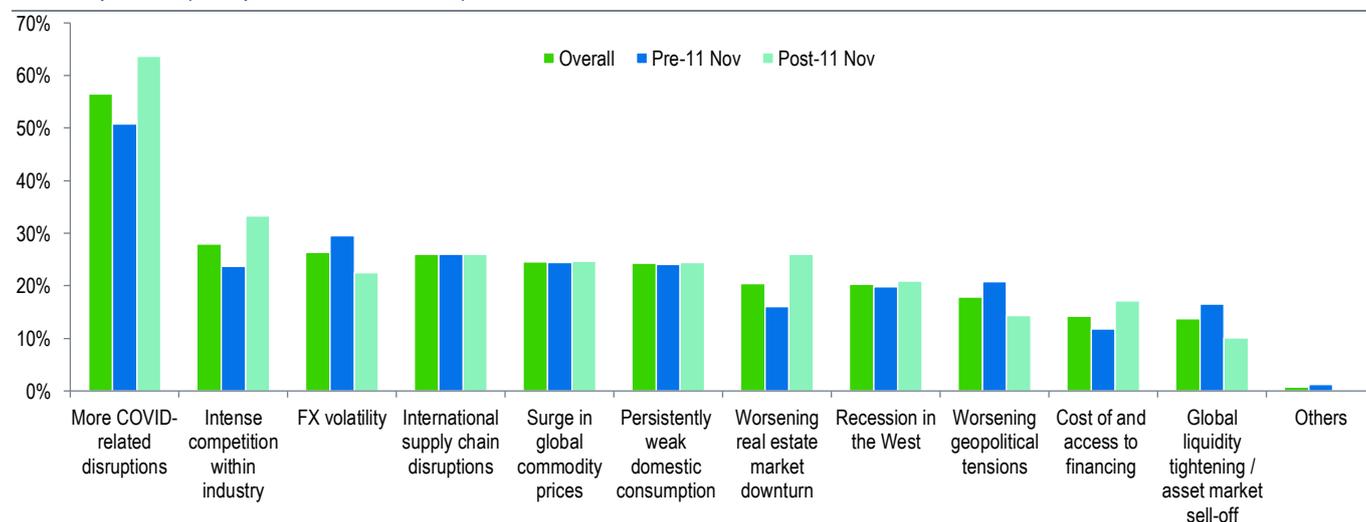
Economic response trailing financial markets

Among the list of 2023 challenges, FX volatility fell from the second most voted challenge (30%) pre-11 November all the way down to seventh place (23%) post-11 November. This echoed the more immediate and favourable financial market response following the policy pivots compared with the more cautious economic responses. The consensus among our respondents was still for their 2023 business

Addressing GBA businesses' top concern should boost sentiment over time

Figure 11: What are the biggest macro and market risks to respondents' business in 2023?

% of responses (multiple answers allowed)



Source: HKTDC, Standard Chartered Research



On the Ground

outlook to be better than 2022 (a total 22% saying at least slightly better, versus 13% saying at least slightly worse). We saw an over 10ppt increase in 'largely the same' votes on comparing pre- and post-11 November responses, and that came at the expense of both 'better' and 'worse' votes, meaning little net change (Figure 13). We would likely see more positive responses if respondents were asked the same questions after this prevailing first COVID wave.

Majority of respondents expect USD-CNY to trade between 6.80-7.20 for much of 2023

Unfazed CNY confidence

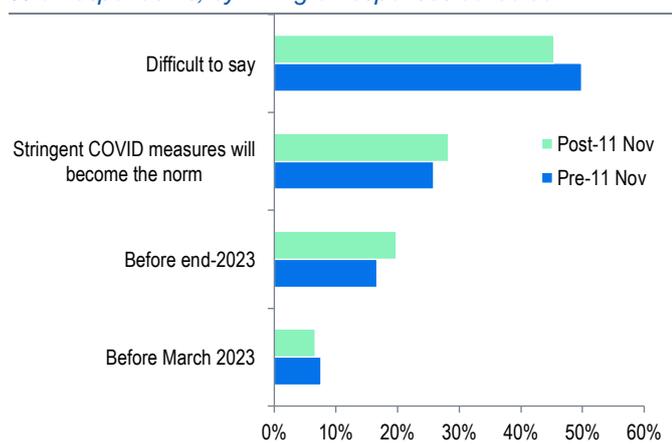
Speaking of FX, USD-CNY fell from over 7.30 in early November to below 7.00 by early December, and has stayed there since. Before that, the Chinese yuan (CNY) weakened by almost 9% against the USD from July-October, or -13% in 10M-2022. Almost 12% of respondents saw a negative impact on their business from the prior bouts of CNY weakness, versus just over 6% seeing a positive impact (Figure 14). With a majority of over 80% reporting a neutral impact, CNY volatility might not be the biggest FX concern compared with other major trading currencies. When asked where they see USD-CNY by early-2023, mid-2023 and end-2023, most respondents (at 73%, 73% and 71%, respectively) saw the pair trading within a close range of 6.80-7.20 over the course of 2023 (Figure 15). We share this view, forecasting USD-CNY to end 2023 at 6.95. The risk is to the upside for USD-CNY in the short term, before the US Fed is done hiking and China growth bottoms out; but as the year progresses, risk should shift to the downside, supported by better growth, less dovish monetary policy and a solid balance-of-payments position.

Short- versus long-term policy outlook

Finally, we looked at how respondents' outlook towards policy directions has changed in recent months (Figure 16). On a net response basis (those choosing 'improved' minus 'worsened'), 'GBA development' got the most positive votes (22%), followed by 'green development' (17%), 'innovation' (12%) and financial opening (10%). However, this was of little surprise, with the importance of developing home-grown technology and promoting green and low-carbon industries featuring prominently in President Xi Jinping's Report at the opening session of the 20th Party Congress. Education and an increased talent pool were emphasised in the report, as part of the strategy to develop home-grown technology; and we have long highlighted

Figure 12: When do respondents see a significant loosening in COVID controls among the mainland GBA cities following the 20th Party Congress?

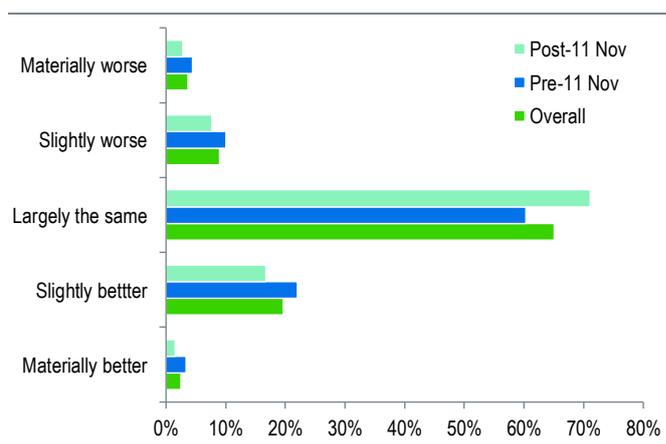
% of respondents, by timing of responses collected



Source: HKTDC, Standard Chartered Research

Figure 13: How do respondents see 2023's outlook for their business versus 2022?

% of respondents, by timing of responses collected



Source: HKTDC, Standard Chartered Research



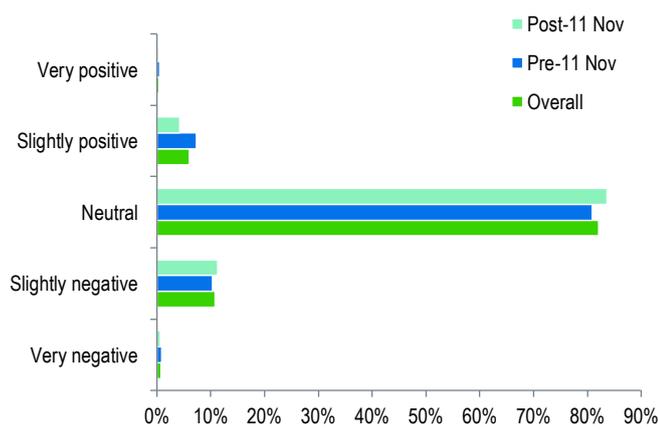
On the Ground

the GBA's importance in spearheading China's innovation, consumption, and talent attraction drives – and all in turn being front-and-centre for Xi's vision of a modernised China as a great world power by the middle of the century.

On the other end of the spectrum, 'real estate market support' and 'Sino-US relations' had net negative responses, at -5.9% and -5.2%, respectively. These two areas, together with 'monetary policy easing', had the most 'not sure' votes (at 35%, 37% and 36%, respectively), suggesting that the headroom for a short-term policy boost and leeway for immediate geopolitical reconciliation appear to be in greater doubt than the effectiveness of longer-term transformative policy initiatives.

Figure 14: How has the recent bout of Renminbi weakness affected respondents' business?

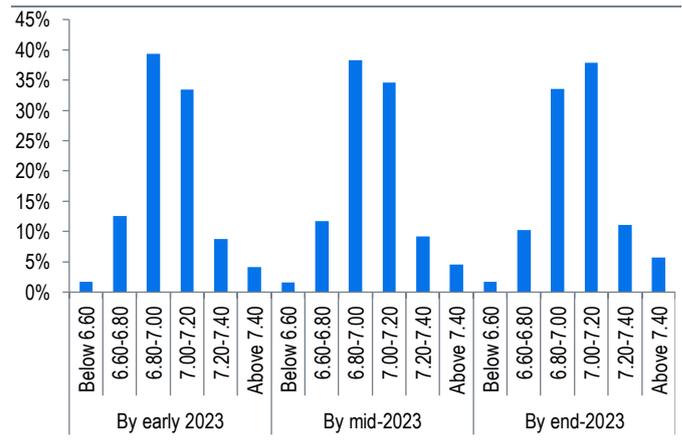
% of respondents, by timing of responses collected



Source: HKTDC, Standard Chartered Research

Figure 15: Where do respondents see USD-CNY by early-2023, mid-2023 and end-2023?

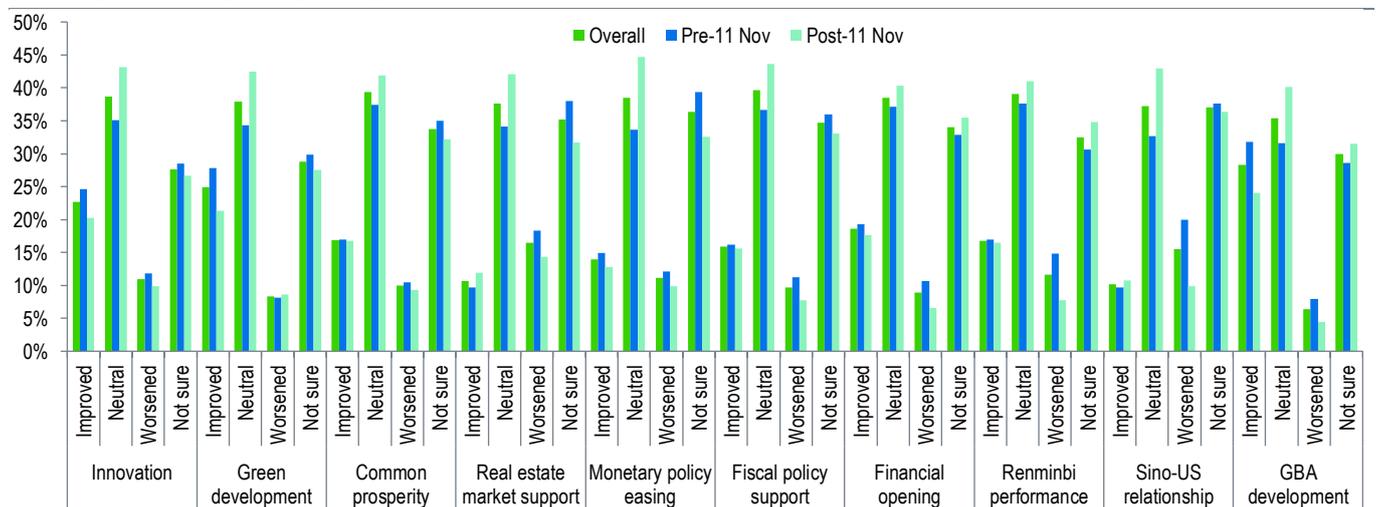
% of respondents



Source: HKTDC, Standard Chartered Research

Figure 16: How has respondents' outlook towards the following areas changed after October?

% of respondents, by timing of responses collected



Source: HKTDC, Standard Chartered Research



On the Ground

Appendix: How the GBAI works

The GBAI is a diffusion index based on responses from no less than 1,000 enterprises across 11 GBA cities and key industry sectors

The GBAI is compiled based on a quarterly survey conducted by the HKTDC in collaboration with Standard Chartered. Every quarter, no less than 1,000 enterprises in key business sectors across the GBA provide valuable feedback on a range of subjects, including their current business situation and credit conditions, and their outlooks on these subjects for the coming quarter. The GBAI also asks respondents thematic questions that help us understand what drives their business decisions and plans, and how this might shape the GBA's future.

Index calculation: The GBAI comprises two main business indices, one gauging 'current performance' (in this case Q4-2022), and the other looking at 'expectations' (Q1-2023). Each index is calculated as an average of eight sub-indices that reflect different aspects of business activity, as outlined in Figure 1. Respondents indicate the corresponding changes, actual or expected, in three ways: up, same or down; a diffusion index is then calculated using the following formula:

$$\text{Up\%} \times 100 + \text{Same\%} \times 50 + \text{Down\%} \times 0$$

An index reading above 50.0 means that respondents are generally optimistic about the business environment in the coming quarter, while a reading below 50.0 indicates predominantly pessimistic sentiment. A reading of 50 is neutral.

The two credit indices are calculated in the same way, but with five of their own sub-components that focus on measuring the costs and ease of obtaining credit, and respondents' willingness and/or eagerness to do so (Figure 4).

Figure 17: GBAI

Number of respondents

By city		By industry	
	Targeted respondents		Targeted respondents
Hong Kong	200	Manufacturing and trading	500
Guangzhou	200	Retail and wholesale	200
Shenzhen	200	Financial services	125
Foshan	100	Professional services	125
Dongguan	100	Innovation and technology	50
Huizhou		Total	1,000
Zhongshan			
Jiangmen	200		
Zhuhai			
Zhaoqing			
Macau			
Total	1,000		

Source: HKTDC, Standard Chartered Research



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