



Standard Chartered Hong Kong SME Leading Business Index

Quarter 4, 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 817 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 50th survey of the Standard Chartered Hong Kong SME Leading Business Index was conducted from September to October 2024. Top management of 817 SMEs were surveyed to gauge their views on the outlook of the overall business environment in Q4 2024 and to explore the objectives and challenges faced by Hong Kong SMEs in “Environmental, Social and Governance” (ESG).

Key Findings

The Q4 2024 “Standard Chartered SME Index” increased by 3.2 to 45.7 from the previous quarter, returning to the level in Q3 2023. Key findings of the survey are as follows:

- ⊕ Three of the five component sub-indices showed significant growth, including “Profit Margin” (41.9, +6.8), “Global Economy” (36.2, +6.7) and “Business Condition” (44.3, +4.9), and rebounded the level recorded in Q2 2024;
- ⊕ In terms of the 11 industry indices, except for “Professional and Business Services” (43.7, -2.3) and “Construction” (43.5, -1.5) recording slight declines, the remaining 9 industries experienced a rebound in growth. Among them, “Accommodation and Food Services” (49.0, +9.4), “Real Estate” (44.2, +6.9), “Information and Communications” (53.0, +5.1) and “Transportation, Storage and Courier Services” (44.5, +5.1) had the most significant increases;
- ⊕ In terms of overall investment trends, 93% of surveyed SMEs indicated they would maintain or increase investment this quarter, a slight increase from the previous quarter. The areas that most SMEs expected to maintain or increase investment included “IT Systems”, “Training Related to E-commerce or Digital Technology”, “Overall Staff Training”, “Research and Development”, “Facilities and Equipment”, and “Online Marketing Promotion”;
- ⊕ In terms of overall investment trends, 93% of surveyed SMEs indicated they would maintain or increase investment this quarter, a slight increase from the previous quarter. The areas that most SMEs expected to maintain or increase investment included “IT Systems”, “Training Related to E-commerce or Digital Technology”, “Overall Staff Training”, “Research and Development”, “Facilities and Equipment”, and “Online Marketing Promotion”;
- ⊕ In terms of the changes in cost components, SMEs anticipate a slowdown in cost increment. Only 50% of local SMEs expect the cost of raw materials to increase, a drop of 7 percentage points compared to the previous quarter. Additionally, the proportion of SMEs expecting an increase in staff salary has continued to decrease since Q2 2024, falling to 19% this quarter, fell by 8 percentage points from the previous quarter. On the other hand, most SMEs consider maintaining stable prices of their products, while only 16% of them planned to increase the prices of goods and services, a decrease of 3 percentage points from the previous quarter.



Key Findings (cont.)

✚ The thematic survey of this quarter investigated the objectives and challenges faced by Hong Kong SMEs in “Environmental, Social and Governance” (ESG):

- The survey results showed that in the past two years, the awareness of ESG amongst local SMEs has increased significantly, more than doubling compared to Q1 2022 (38%, +22 percentage points). Most surveyed SMEs would identify ESG as “Environmental Protection” (94%), followed by “Social Responsibility” (75%), “Corporate Governance” (45%), and “Care for Employees” (37%), highlighting a greater focus of “Environmental” aspect among three areas of ESG (“Environment”, “Social”, “Governance”);
- In terms of the level of attention towards ESG, more than ninety percent (97%) of surveyed SMEs expressed it has either increased or remained unchanged compared to the previous year, particularly in the “Social and Personal Service”, “Finance and Insurance ” and “Import/Export Trade and Wholesale”, which indicates a global trend towards a green economic transformation;
- As for the areas of concern, over seventy percent (71%) of SMEs surveyed were concerned about at least one of the areas under ESG, namely “Resources and Recycling” (38%), “Occupational Health and Safety” (33%), “Consumer Protection and Product Responsibility” (29%), “Carbon Reduction and Climate Change” (24%) and “Business Ethics and Whistleblowing” (24%);
- However, the survey results showed that only around ten percent (9%) of SMEs surveyed have set ESG objectives, mainly focusing on “Reducing Carbon Emissions” (65%), “Reducing Energy/Resource Consumption” (63%) and “Promoting Social Responsibility” (48%);
- In addition, among SMEs that have set ESG objectives, 76% said that they will share these goals with stakeholders, with over half of them (51%) will share externally through “Company Report” (32%), “Company Website” (30%) and “Social Media” (17%). Nearly forty percent (37%) of SMEs will opt to share their ESG objectives with their employees internally through intranet;
- About half (46%) would review the gap between their ESG practices and industry standards, taking measures such as “Completing ESG Assessments” (23%), “Participating in Awards” (21%), “Signing Charters” (20%) and “Obtaining External Certifications” (20%);
- Regarding the benefits of implementing ESG, all (100%) SMEs that have set ESG objectives believe that this can bring benefits to the company, which includes “Enhancing the Company/Brand Image”, “Complying with Government/Regulatory Requirements”, “Enhancing the Company’s Competitiveness”, “Meeting Current Customer Expectations” and “Reducing Operation Costs”;
- On the contrary, 91% of surveyed SMEs stated that they have yet to set ESG objectives. The main reasons include “Lack of Request from Customers” (42%), “Prioritising Business Objectives” (34%), “Lack of Expertise” (34%) and “Concerns on Increase Costs” (30%);
- Meanwhile, over ninety percent (96%) of surveyed SMEs indicated that they encountered challenges when implementing ESG initiatives, primarily because of “Insufficient Manpower or Funding” (59%), “Employees Lack Adequate Knowledge/Do Not Know How to Start” (56%), “Lack of Clear Guidelines” (45%), “Unaware of Available Innovative Technologies” (32%), and “Adjustments to the Ever-changing Market Standards” (31%).



Standard Chartered SME Index

Q4 2024

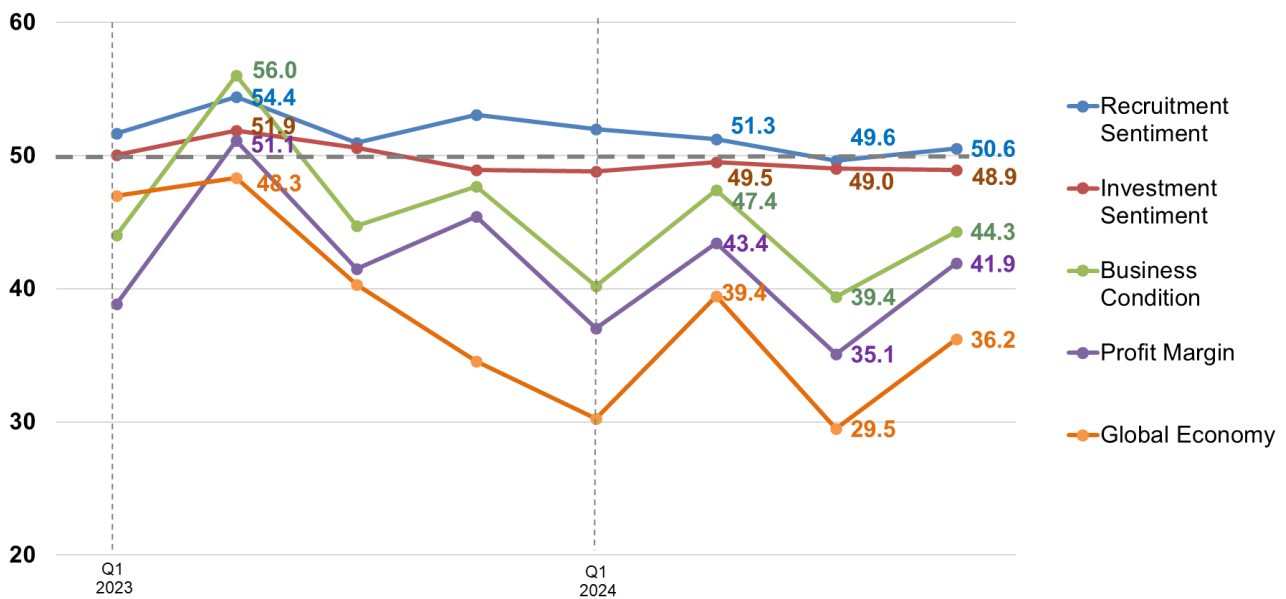
45.7



The Q4 2024 Overall Index increased by 3.2 to 45.7 from the previous quarter, returning to the level in Q3 2023.

“Business Condition”, “Profit Margin” and “Global Economy” rebounded to the level recorded in Q2 2024. “Recruitment Sentiment” recorded a slight increase, while “Investment Sentiment” remains near to the 50 neutral line.

Five Component Sub-Indices of Overall Index

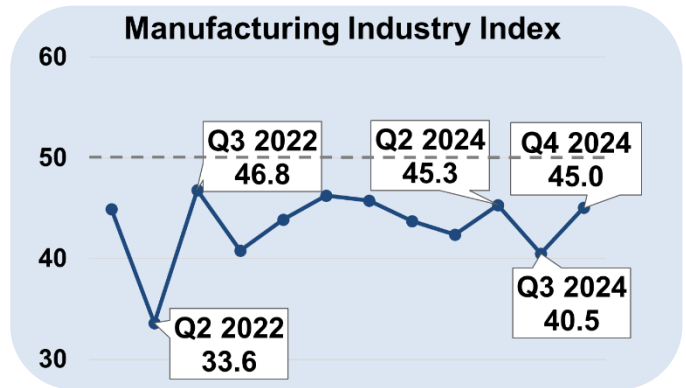


The 3 Key Industry Indices

Manufacturing Industry 45.0



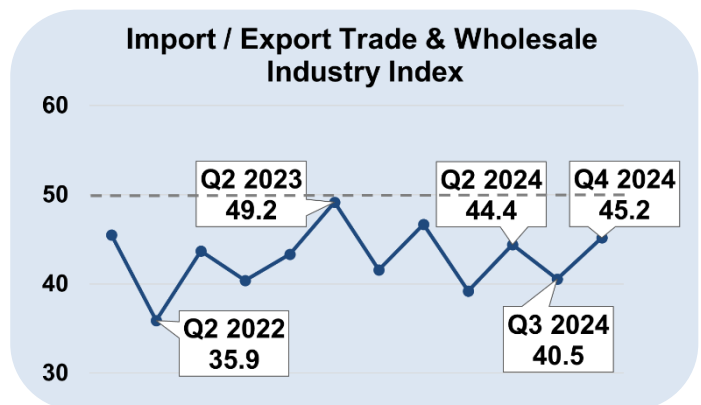
The Manufacturing Industry index recorded a rebound in this quarter, returning to the levels recorded in Q2 2024. “Business Condition”, “Profit Margin” and “Global Economy” have increased in this quarter, with “Profit Margin” surpassing the levels observed in Q2 2024, which was the highest level in 2024.



Component Indices	Index	Compared to last quarter	Compared to same period of last year
Recruitment Sentiment	51.0	Up	Up
Investment Sentiment	49.0	Down	Down
Business Condition	43.6	Up	Up
Profit Margin	40.1	Up	Down
Global Economy	33.2	Up	Up

Import / Export Trade and Wholesale Industry 45.2

Industry index of Import / Export Trade & Wholesale Industry saw an increase, surpassing the levels in Q2 2024. The increment in “Profit Margin” was the strongest, rising by 10.1 from the previous quarter to 41.1, marking the highest level in 2024. This trend was similar to the previous year and has returned to the level seen in Q3 2023.



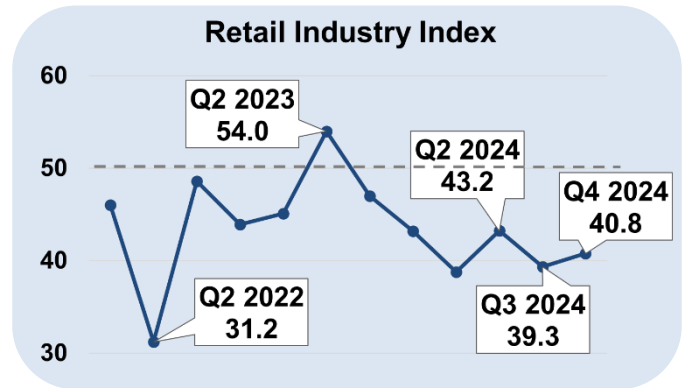
Component Indices	Index	Compared to last quarter	Compared to same period of last year
Recruitment Sentiment	51.3	Up	Down
Investment Sentiment	49.2	Up	Up
Business Condition	40.3	Up	Down
Profit Margin	41.1	Up	Down
Global Economy	38.1	Up	Up



The 3 Key Industry Indices

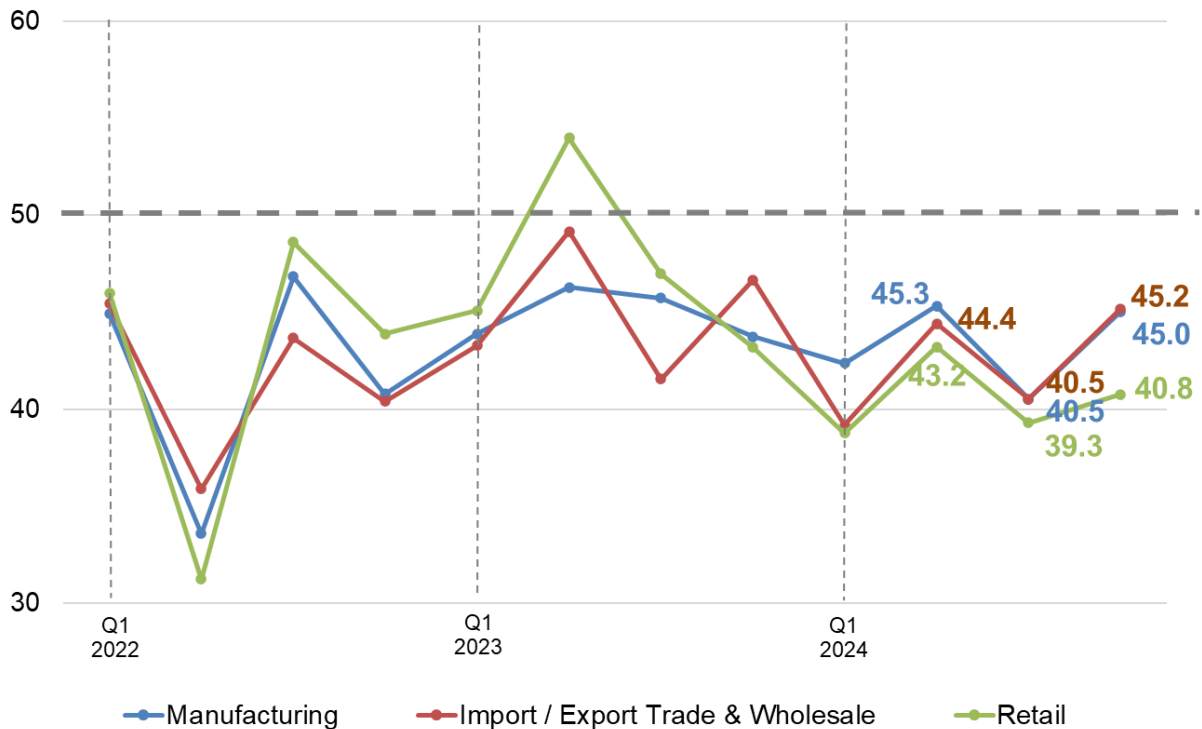
Retail Industry 40.8

The Retail Industry index saw a slight quarter-on-quarter increase, rising by 1.5 to 40.8 when compared to the previous quarter. “Global Economy” continued to decline, down by 2.2 to 23.4 this quarter, approaching the level observed in Q1 2024 (24.4).



Component Indices	Index	Compared to last quarter	Compared to same period of last year
Recruitment Sentiment	48.7	Up	Down
Investment Sentiment	46.2	Down	Up
Business Condition	39.2	Up	Down
Profit Margin	34.2	Up	Down
Global Economy	23.4	Down	Down

3 Key-Industry Indices



Industry Index

In terms of the 11 industry indices, except for “Professional and Business Services” (43.7, -2.3) and “Construction” (43.5, -1.5) recording slight declines, the remaining nine industries experienced a rebound in growth. Among them, “Accommodation and Food Services” (49.0, +9.4), “Real Estate” (44.2, +6.9), “Information and Communications” (53.0, +5.1) and “Transportation, Storage and Courier Services” (44.5, +5.1) had the most significant increases.



Market Prospects

In terms of overall investment trends, 93% of surveyed SMEs indicated they would maintain or increase investment this quarter, a slight increase from the previous quarter. Notably, "Import / Export Trade and Wholesale", "Transportation, Storage and Courier Services" and "Information and Communications" showed a significant increase in this quarter.



The areas that most SMEs expected to maintain or increase investment included "IT System", "Training Related to E-commerce or Digital Technology", "Overall Staff Training", "Research and Development", "Facilities and Equipment", and "Online Marketing Promotion".

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

IT System

Training Related to E-commerce or Digital Technology

Overall Staff Training

Research and Development

Facilities and Equipment

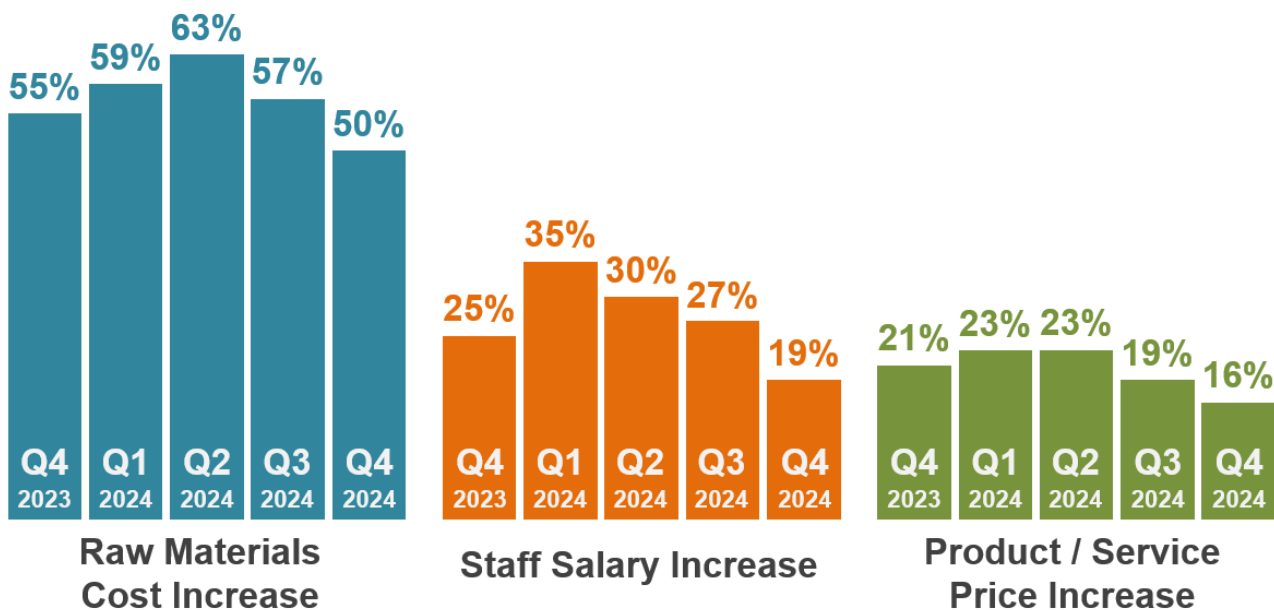
Online Marketing Promotion



Market Prospects

In terms of the changes in cost components, SMEs anticipate a slowdown in cost increment. Only 50% of local SMEs expect the cost of raw materials to increase, a drop of 7 percentage points compared to the previous quarter. Additionally, the proportion of SMEs expecting an increase in staff salary has continued to decrease since Q2 2024, falling to 19% this quarter, fell by 8 percentage points to the previous quarter. On the other hand, most SMEs consider maintaining stable prices of their products, while only 16% of them planned to increase the prices of goods and services, a decrease of 3 percentage points from the previous quarter.

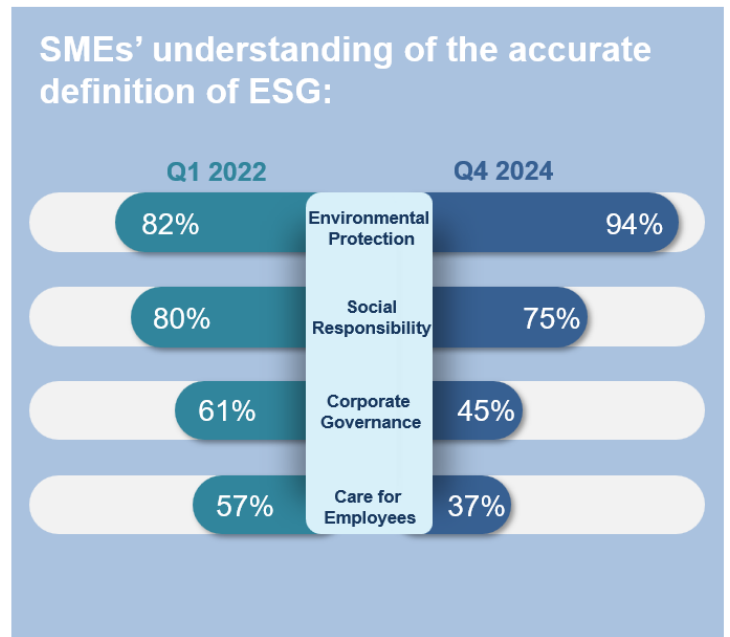
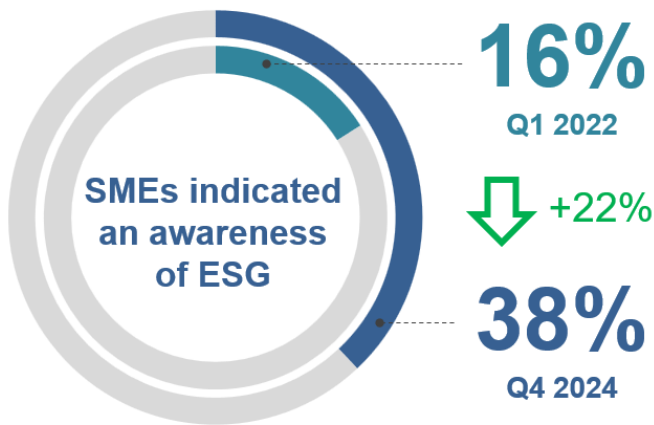
Proportion of surveyed SMEs:



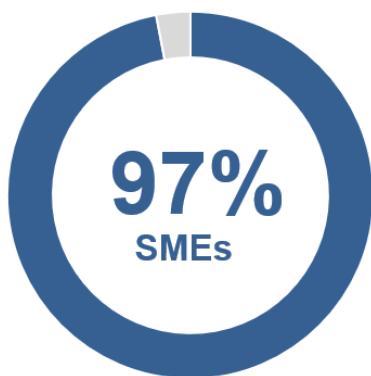
Featured Topic

The objectives and challenges faced by Hong Kong SMEs in “Environmental, Social and Governance” (ESG)

The thematic survey of this quarter investigated the objectives and challenges faced by Hong Kong SMEs in “Environmental, Social and Governance” (ESG). The survey results showed that in the past two years, the awareness of ESG amongst local SMEs has increased significantly, more than doubling compared to Q1 2022 (38%, +22 percentage points). Most surveyed SMEs would identify ESG as “Environmental Protection” (94%), followed by “Social Responsibility” (75%), “Corporate Governance” (45%), and “Care for Employees” (37%), highlighting a greater focus of “Environmental” aspect among three areas of ESG (“Environment”, “Social”, “Governance”).



In terms of the level of attention towards ESG, more than ninety percent (97%) of surveyed SMEs expressed it has either increased or remained unchanged compared to the previous year, particularly in the “Social and Personal Service”, “Finance and Insurance” and “Import/Export Trade and Wholesale”, which indicates a global trend towards a green economic transformation.



Attention to ESG has either increased or remained unchanged compared to the previous year

Industries with higher levels of attention to ESG:

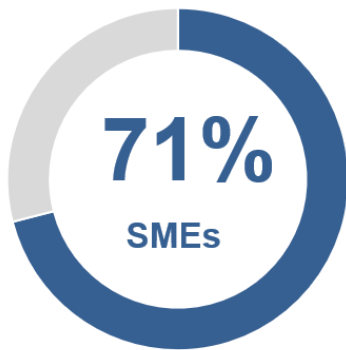
- Social and Personal Services**
- Financing and Insurance**
- Import / Export Trade and Wholesale**



Featured Topic

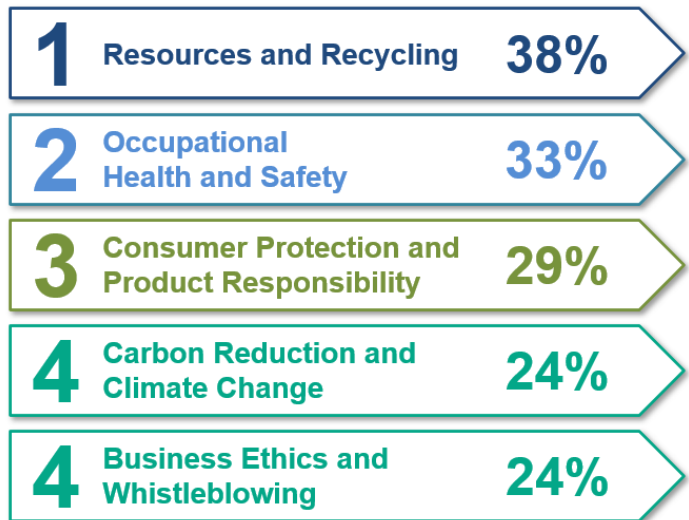
The objectives and challenges faced by Hong Kong SMEs in “Environmental, Social and Governance” (ESG)

As for the areas of concern, over seventy percent (71%) of SMEs surveyed were concerned about at least one of the areas under ESG, namely “Resources and Recycling” (38%), “Occupational Health and Safety” (33%), “Consumer Protection and Product Responsibility” (29%), “Carbon Reduction and Climate Change” (24%) and “Business Ethics and Whistleblowing” (24%).



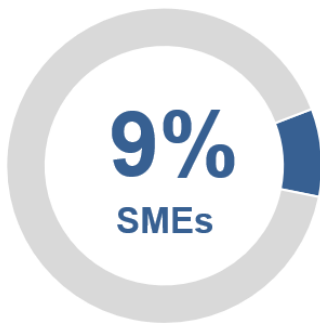
Indicated that they were concerned about at least one aspect of ESG

Primary areas of concern:

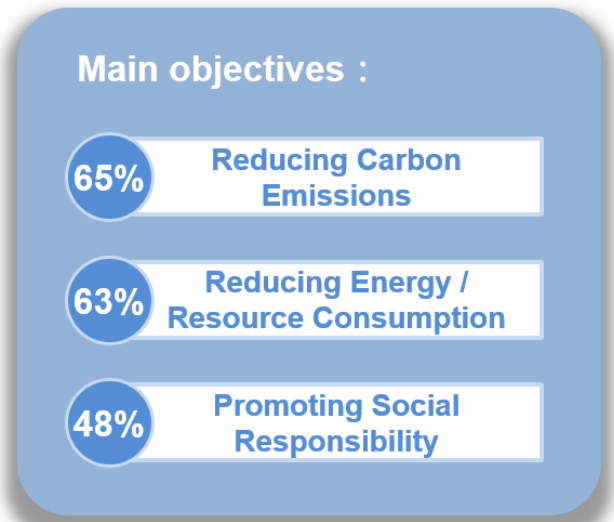


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However, the survey results showed that only around ten percent (9%) of SMEs surveyed have set ESG objectives, mainly focusing on “Reducing Carbon Emissions” (65%), “Reducing Energy/Resource Consumption” (63%) and “Promoting Social Responsibility” (48%).



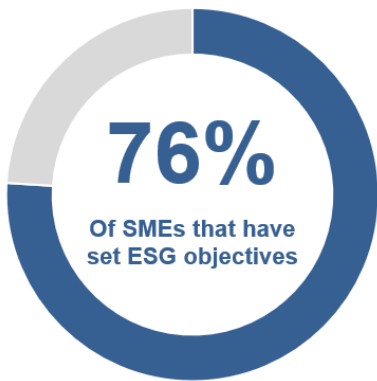
Have set ESG objectives



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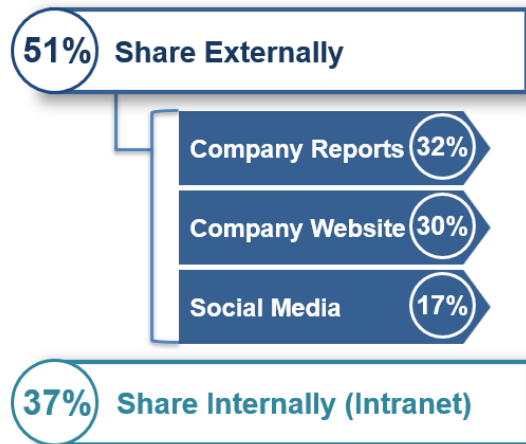
The objectives and challenges faced by Hong Kong SMEs in “Environmental, Social and Governance” (ESG)

In addition, among SMEs that have set ESG objectives, 76% said that they will share these goals with stakeholders, with over half of them (51%) will share externally through “Company Reports” (32%), “Company Website” (30%) and “Social Media” (17%). Nearly forty percent (37%) of SMEs will opt to share their ESG objectives with their employees internally through intranet.



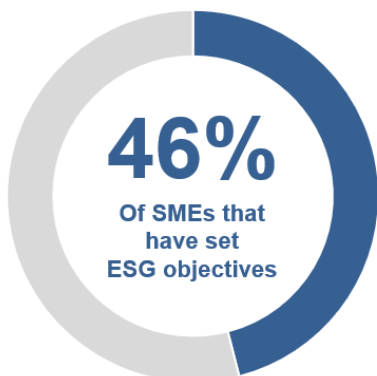
Indicated that they would share ESG objectives with stakeholders

Channels for SMEs to share ESG objectives:



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About half (46%) would review the gap between their ESG practices and industry standards, taking measures such as “Completing ESG Assessments” (23%), “Participating in Awards” (21%), “Signing Charters” (20%) and “Obtaining External Certifications” (20%).



Indicated that they would review the gap between their ESG practices with industry standards

SMEs’ actions taken to review the gap between their ESG practices with industry standards:



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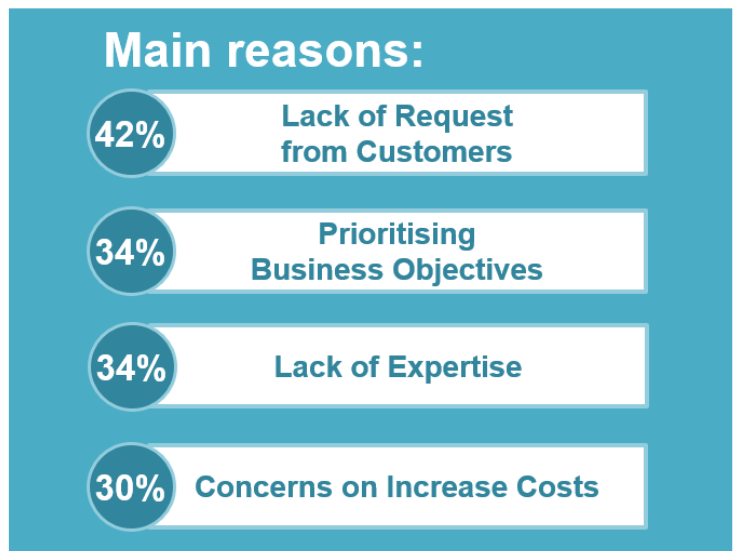
The objectives and challenges faced by Hong Kong SMEs in “Environmental, Social and Governance” (ESG)

Regarding the benefits of implementing ESG, all (100%) SMEs that have set ESG objectives believe that this can bring benefits to the company, which includes “Enhancing the Company/Brand Image”, “Complying with Government/Regulatory Requirements”, “Enhancing the Company’s Competitiveness”, “Meeting Current Customer Expectations” and “Reducing Operation Costs”.



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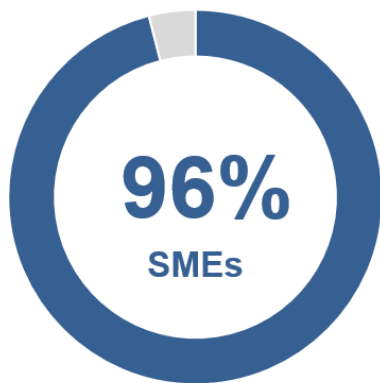
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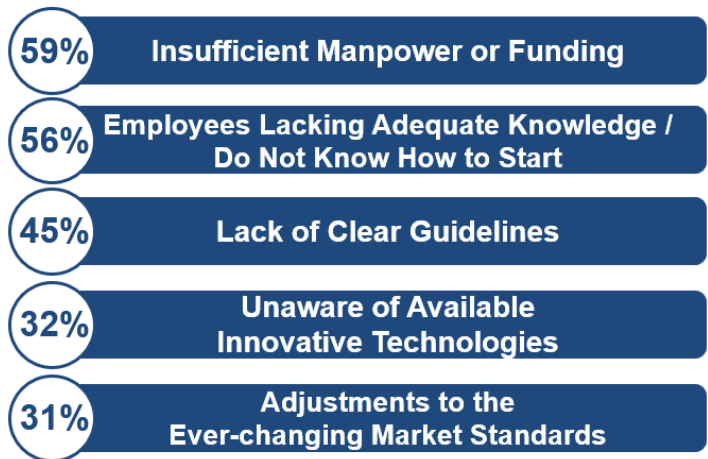
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Meanwhile, over ninety percent (96%) of surveyed SMEs indicated that they encountered challenges when implementing ESG initiatives, primarily because of “Insufficient Manpower or Funding” (59%), “Employees Lack Adequate Knowledge/Do Not Know How to Start” (56%), “Lack of Clear Guidelines” (45%), “Unaware of Available Innovative Technologies” (32%), and “Adjustments to the Ever-changing Market Standards” (31%).



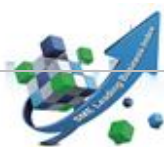
Indicated that they encountered challenges in implementing ESG

The challenges most SMEs encounter when implementing ESG:



Appendix

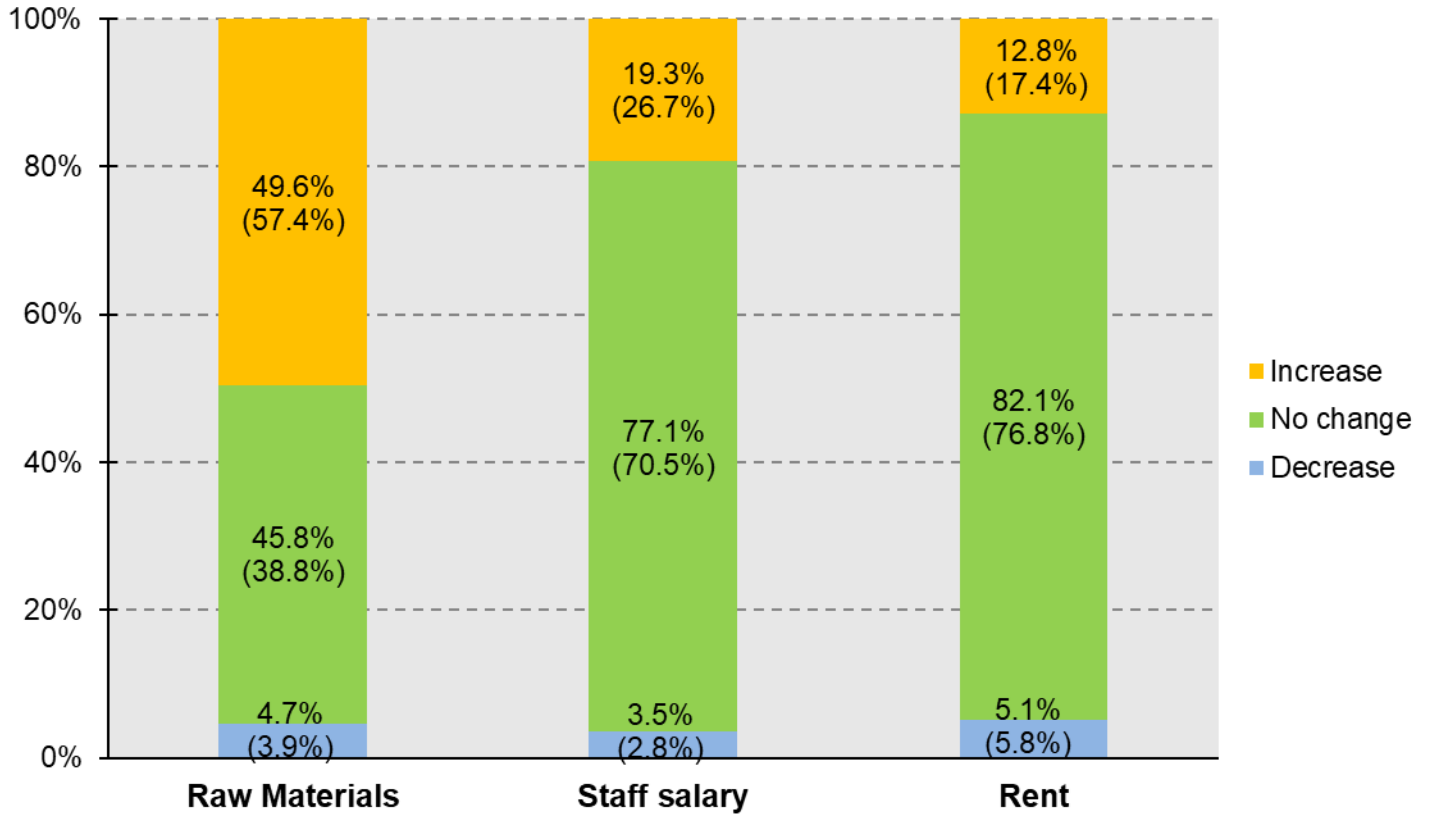
Component Sub-Indices of the 3 Key Industry Indices



Appendix

Change of Major Cost Components

**Change of major cost components
(Last quarter figures in bracket)**



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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