

Box 1.1

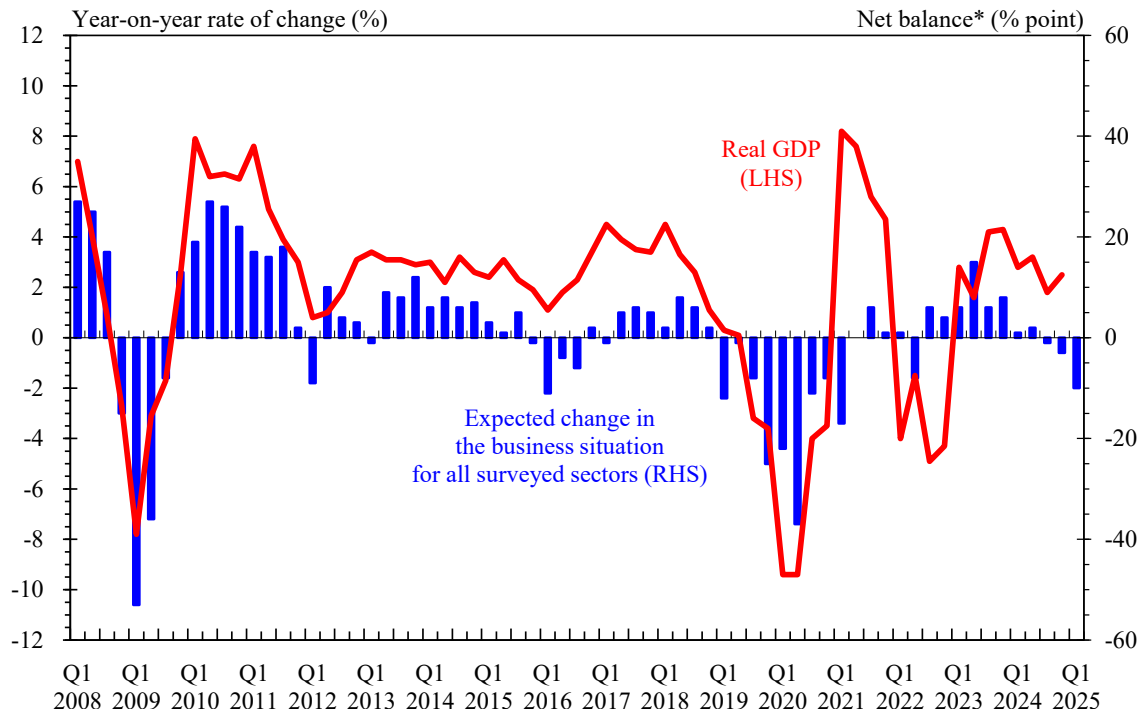
Business sentiment in Hong Kong

This box article gives a general overview of the prevailing business sentiment in Hong Kong, based on results from various surveys that are available in the public domain. Survey results suggested that business sentiment showed signs of improvements on entering the fourth quarter of 2024 before turning more cautious recently amid heightened external uncertainties.

According to the results of the Census and Statistics Department (C&SD)'s Quarterly Business Tendency Survey (QBTS)⁽¹⁾ conducted during 3 December 2024 to 7 January 2025, business sentiment among large enterprises in Hong Kong weakened in the first quarter of 2025 amid increased uncertainties in the external environment (*Chart 1*). The proportion of large enterprises expecting their business situation to improve in the first quarter of 2025 over the fourth quarter of 2024 was smaller than the proportion of those expecting the situation to worsen by 10 percentage points (i.e. a net balance of -10), following the net balance of -3 in the previous round.

Business sentiment of large enterprises weakened in most sectors (*Table 1*). The net balances for “construction”, “manufacturing”, “information and communications”, “import/export trade and wholesale”, “retail”, “transportation, storage and courier services” and “accommodation and food services” sectors fell by varying degrees within the negative zone. Those for “professional and business services” and “real estate” sectors fell into the negative zone. Meanwhile, the net balance for “financing and insurance” sector improved within the positive zone. Large enterprises' appetite for hiring also weakened (*Table 2*).

Chart 1 : Latest business sentiment of large enterprises weakened amid increased uncertainties in the external environment



Note : (*) Net balance indicates the direction of expected change in the business situation versus the preceding quarter. It refers to the difference in percentage points between the proportion of establishments choosing “better” over that choosing “worse”. A positive sign indicates a likely upward trend while a negative sign, a likely downward trend.

(1) The Quarterly Business Tendency Survey collected views from around 500-600 large establishments on their near-term business outlook. Respondents were asked to exclude seasonal influences in their responses.

Box 1.1 (Cont'd)

Table 1 : Business sentiment of large enterprises weakened in most sectors

QBTS: Expected changes in business situation						
	Net balance* (% point)					
	2023	2024				2025
	Q4	Q1	Q2	Q3	Q4	Q1
Manufacturing	-2	+2	+8	-2	-19	-22
Construction	+1	-9	-11	-16	-12	-14
Import/export trade and wholesale	+5	-9	-9	-1	-8	-15
Retail	+32	+3	-16	-16	-19	-31
Accommodation and food services	+33	+9	+7	+6	-3	-36
Transportation, storage and courier services	+11	+5	+4	-2	-1	-27
Information and communications	+9	-4	+1	-3	-5	-11
Financing and insurance	+10	+14	+19	+7	+2	+10
Real estate	+6	-6	+8	0	+6	-15
Professional and business services	+1	+1	-9	-3	+3	-8
All sectors above	+8	+1	+2	-1	-3	-10

Note : (*) Net balance indicates the direction of expected change in the business situation versus the preceding quarter. It refers to the difference in percentage points between the proportion of establishments choosing “better” over that choosing “worse”. A positive sign indicates a likely upward trend while a negative sign, a likely downward trend.

Table 2 : Hiring sentiment of large enterprises also weakened

QBTS: Expected changes in number of persons engaged						
	Net balance* (% point)					
	2023	2024				2025
	Q4	Q1	Q2	Q3	Q4	Q1
Manufacturing	+11	+13	+7	+13	+3	+4
Construction	+2	-8	+11	+3	-7	-12
Import/export trade and wholesale	+1	-1	+1	0	+4	-4
Retail	+14	+7	+6	+3	+2	0
Accommodation and food services	+23	+21	+11	+4	-7	-5
Transportation, storage and courier services	+8	+8	+9	+9	+10	-2
Information and communications	-2	-11	-15	-8	-4	-7
Financing and insurance	+10	+10	+12	+7	+5	+9
Real estate	+19	+10	+15	+9	+9	-1
Professional and business services	+6	+6	+5	-3	-3	-5
All sectors above	+9	+6	+7	+3	+1	-3

Note : (*) Net balance indicates the direction of expected change in the number of persons engaged versus the preceding quarter. It refers to the difference in percentage points between the proportion of establishments choosing “up” over that choosing “down”. A positive sign indicates a likely upward trend while a negative sign, a likely downward trend.

As for small and medium-sized enterprises (SMEs), C&SD compiles a set of diffusion indices on a monthly basis⁽²⁾ to gauge the general direction of change in their views on the business situation versus the preceding month. The overall index on the current situation increased to 43.9 in December 2024 before retreating somewhat to 43.1 in January 2025, though remaining higher than 41.6 in September 2024 (*Chart 2a*). During the period from September 2024 to January 2025, employment sentiment among SMEs saw some improvement, and credit conditions stayed accommodative. Meanwhile, the Standard Chartered Hong Kong SME Leading Business Index⁽³⁾ declined in the first quarter of 2025, though still higher than that in the third quarter.

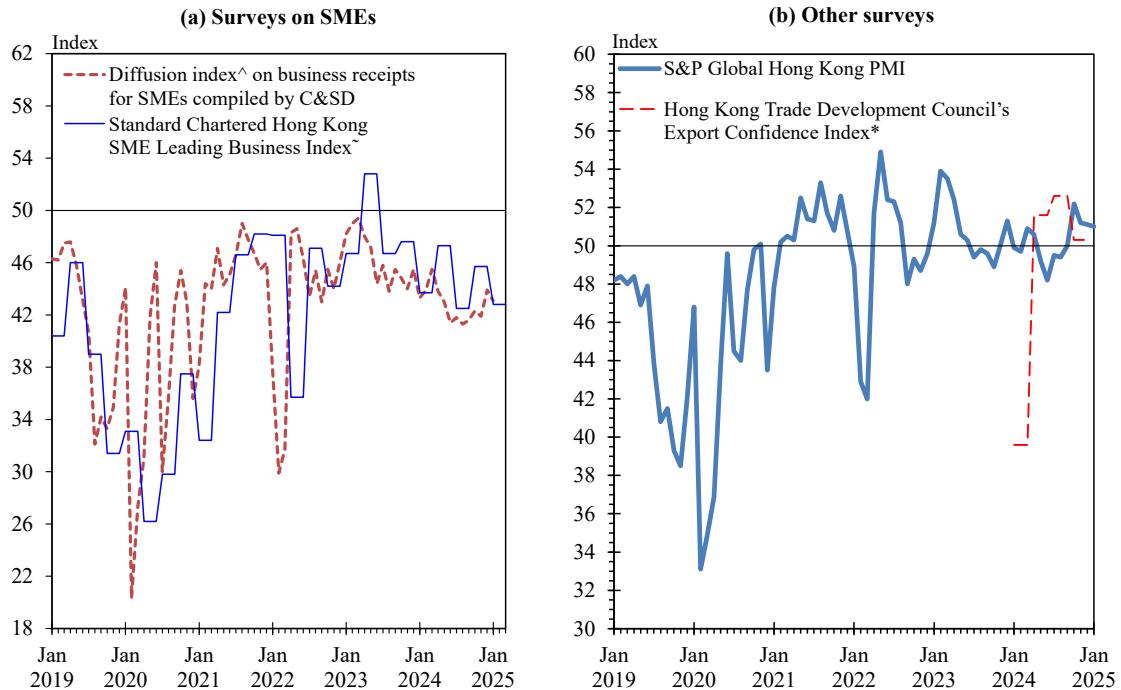
As for other surveys in the public domain, the S&P Global Purchasing Managers' Index (PMI) of Hong Kong⁽⁴⁾, which gauges the performance of the private sector's business activity, stayed in the expansionary zone throughout the fourth quarter of 2024 and in January 2025. The latest Hong Kong Trade Development Council (HKTDC) Export Confidence Index⁽⁵⁾, compiled based on information collected during 1 to 15 November 2024, indicated increased caution among exporters in the midst of the uncertain global trading environment. That said, exporters remained relatively more optimistic about the ASEAN and Mainland markets. Among the exporters surveyed, the top three challenges to their businesses in the next twelve months were rising labour and production costs, rising transport costs, and China-US trade friction and geopolitical conflict diminishing export confidence.

(2) It refers to the results from the Monthly Survey on the Business Situation of SMEs that solicits feedback from a panel sample of around 600 SMEs each month.

(3) Conducted independently by Hong Kong Productivity Council, the quarterly survey enables the public and SMEs to gain insights into the forthcoming business climate for better forward planning. The Overall Index comprises five areas, including local SMEs' outlook on “Recruitment Sentiment”, “Investment Sentiment”, “Business Condition”, “Profit Margin”, and “Global Economy” for the next quarter.

Box 1.1 (Cont'd)

Chart 2 : Other selected survey results generally showed some improvement on entering the fourth quarter of 2024



Notes : (^) The diffusion index is computed by adding the percentage of SMEs reporting “up” to one half of the percentage of SMEs reporting “same”. A diffusion index reading above 50 indicates that the business condition is generally favourable, whereas an index below 50 indicates otherwise. Respondents were asked to exclude seasonal effects in reporting their views.

(~) Quarterly data.

(*) Quarterly data since 2024 Q1. A reading above 50 indicates an upward trend and an optimistic outlook, while a reading below 50 indicates a downward trend and a pessimistic outlook.

It is worth noting that these surveys are essentially opinion-based, thereby unavoidably subject to various limitations (e.g. results are not directly comparable) and hence the results should be interpreted with care. Survey results suggested that business sentiment showed signs of improvements on entering the fourth quarter of 2024 before turning more cautious recently amid heightened external uncertainties. Looking ahead, global economic uncertainties would continue to weigh on business environment. Yet, the various measures introduced by the Central Government to boost the Mainland economy and benefit Hong Kong, together with the SAR Government’s various initiatives to lift market sentiment and create new impetus for economic development, should bode well for business sentiment.

- (4) According to the press release by S&P Global, the S&P Global Hong Kong PMI is compiled according to monthly replies to questionnaires sent to purchasing managers in around 400 private sector companies. It is a composite index based on five individual indices with the following weights: New Orders (30%); Output (25%); Employment (20%); Suppliers’ Delivery Times (15%); and Stocks of Purchases (10%), with the Suppliers’ Delivery Times index inverted so that it moves in a comparable direction. Survey responses reflect the change, if any, in the prevailing month compared to the previous month.
- (5) The HKTDC Export Confidence Index aims to gauge the prospects of the near-term export performance of Hong Kong traders. It is a composite index based on five individual sub-indices with the following weight: Sales and New Orders (50.0%); Trade Value (12.5%); Cost (12.5%); Procurement (12.5%); and Inventory (12.5%), with the Cost index and Inventory index inverted so that they move in comparable direction. The business confidence survey is conducted on a quarterly basis, with more than 500 participating Hong Kong traders from six major industry sectors interviewed, namely electronics, clothing, toys, jewellery, timepieces and equipment/materials.