

Business expectations for second quarter of 2020

The Census and Statistics Department (C&SD) released today (April 24) the results of the Quarterly Business Tendency Survey for the second quarter (Q2) of 2020.

Business situation

For all surveyed sectors taken together, the proportion of respondents expecting their business situation to be worse (44%) in Q2 2020 over Q1 2020 is significantly higher than that expecting it to be better (7%).

When compared with the results of the Q1 2020 survey round, the proportion of respondents expecting a worse business situation in Q2 2020 as compared with the preceding quarter has increased to 44%, against the corresponding proportion of 31% in Q1 2020.

Analysed by sector, respondents in all of the surveyed sectors expect their business situation to be worse on balance in Q2 2020 as compared with Q1 2020. In particular, significantly more respondents in the accommodation and food services; transportation, storage and courier services; import/export trade and wholesale; retail; professional and business services; financing and insurance; and real estate sectors expect their business situation to be worse in Q2 2020 as compared with Q1 2020, relative to those expecting a better business situation.

It should be noted that the results of the survey should be interpreted with care. In this type of survey on expectations, the views collected in the survey are affected by the events in the community occurring around the time of enumeration, and it is difficult to establish precisely the extent to which respondents' perception of the future accords with the underlying trends. The enumeration period for this survey round was from March 3, 2020 to April 17, 2020.

Volume of business/output

Respondents in almost all of the surveyed sectors expect their volume of business/output to decrease on balance in Q2 2020 as compared with Q1 2020. In particular, significantly more respondents in the accommodation and food services; retail; financing and insurance; import/export trade and wholesale; transportation, storage and courier services; professional and business services; and real estate sectors expect their volume of business/sales to decrease in Q2 2020 over Q1 2020. On the other hand, slightly more respondents in the information and communications sector expect their volume of business to increase, as compared to those expecting it to decrease.

Employment

Respondents in all of the surveyed sectors expect their employment to remain broadly unchanged or to decrease on balance in Q2 2020 as compared with Q1 2020. In particular, significantly more respondents in the accommodation and food services; and retail sectors expect their employment to decrease in Q2 2020 over Q1 2020.

Selling price/service charge

Respondents in all of the surveyed sectors expect their selling prices/service charges to remain broadly unchanged or to go down on balance in Q2 2020 as compared with Q1 2020. In particular, significantly more respondents in the construction; and accommodation and food services sectors expect their tender prices/selling prices/services charges to go down in Q2 2020 over Q1 2020.

Commentary

A government spokesman said that the severe economic fallout from the COVID-19 pandemic weighed heavily on the business sentiment among large enterprises. The latest survey indicated that the overall net balance of expected change in business situation was the lowest since the first quarter of 2009, while hiring sentiment was weak across sectors.

The spokesman added that to preserve the vitality of the economy, the Government has rolled out relief measures of unprecedented scale, including the two rounds of measures under the Anti-epidemic Fund and the one-off measures in the 2020-21 Budget totalling \$287.5 billion (around 10% of GDP). The Government will implement the relief measures at full steam to achieve the effect of safeguarding jobs and supporting enterprises, and will monitor the economic and employment situation closely.

Further information

The survey gathers views on short-term business performance from the senior management of about 560 prominent establishments in various sectors in Hong Kong with a view to providing a quick reference, with minimum time lag, for predicting the short-term future economic performance of the local economy.

The survey covers 10 major sectors in Hong Kong, namely manufacturing; construction; import/export trade and wholesale; retail; accommodation and food services (mainly covering services rendered by hotels and restaurants); transportation, storage and courier services; information and communications; financing and insurance; real estate; and professional and business services sectors.

Views collected in the survey refer only to those of respondents on their own establishments rather than those on the respective sectors they are engaged in, and are limited to the expected direction of quarter-to-quarter change (e.g. "up", "same" or "down") but not the magnitude of change. In

collecting views on the quarter-to-quarter changes, if the variable in question is subject to seasonal variations, respondents are asked to provide the expected changes after excluding the normal seasonal variations.

Survey results are generally presented as "net balance", i.e. the difference between the percentage of respondents choosing "up" and that choosing "down". The percentage distribution of respondents among various response categories (e.g. "up", "same" and "down") reflects how varied their business expectations are. The "net balance", with its appropriate sign, indicates the direction of expected change in the variable concerned. A positive sign indicates a likely upward trend while a negative sign indicates a likely downward trend. However, the magnitude of the "net balance" reflects only the prevalence of optimism or pessimism, but not the magnitude of expected change, since information relating to such magnitude is not collected in the survey.

Furthermore, owing to sample size constraint, care should be taken in interpreting survey results involving a small percentage (e.g. less than 10%) of respondents in individual sectors.

Chart 1 shows the views on expected changes in business situation for the period Q2 2019 to Q2 2020.

Table 1 shows the net balances of views on expectations in respect of different variables for Q2 2020.

The survey results are published in greater detail in the "Report on Quarterly Business Tendency Survey, Q2 2020". Users can download the publication free of charge at the website of the C&SD (www.censtatd.gov.hk/hkstat/sub/sp300.jsp?productCode=B1110008).

Users who have enquiries about the survey results may contact the Business Expectation Statistics Section of the C&SD (Tel: 3903 7263 or email: business-prospects@censtatd.gov.hk).