

Business expectations for the first quarter of 2021

The Census and Statistics Department (C&SD) released today (January 22) the results of the Quarterly Business Tendency Survey for the first quarter (Q1) of 2021.

Business Situation

For all surveyed sectors taken together, the proportion of respondents expecting their business situation to be worse (26%) in Q1 2021 over Q4 2020 is higher than that expecting it to be better (9%).

When compared with the results of the Q4 2020 survey round, the proportion of respondents expecting a better business situation in Q1 2021 as compared with the preceding quarter has decreased to 9%, against the corresponding proportion of 17% in Q4 2020.

Analysed by sector, respondents in all of the surveyed sectors expect their business situation to be worse on balance in Q1 2021 as compared with Q4 2020. In particular, significantly more respondents in the accommodation and food services; transportation, storage and courier services; and construction sectors expect their business situation to be worse in Q1 2021 as compared with Q4 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 December 2, 2020 to January 15, 2021.

Volume of Business/Output

Respondents in most of the surveyed sectors expect their volume of business/output to decrease on balance in Q1 2021 as compared with Q4 2020. In particular, significantly more respondents in the transportation, storage and courier services sector and the accommodation and food services sector expect their volume of business to decrease in Q1 2021 over Q4 2020. On the other hand, slightly more respondents in the manufacturing sector and the financing and insurance sector expect their volume of production/business to increase, as compared to those expecting it to decrease.

Employment

Respondents in all of the surveyed sectors expect their employment to

decrease on balance or remain broadly unchanged in Q1 2021 as compared with Q4 2020. In particular, more respondents in the transportation, storage and courier services; retail; accommodation and food services; construction; import/export trade and wholesale; and real estate sectors expect their employment to decrease in Q1 2021 over Q4 2020.

Selling Price/Service Charge

Respondents in all of the surveyed sectors expect their selling prices/service charges to go down on balance or remain broadly unchanged in Q1 2021 as compared with Q4 2020. In particular, significantly more respondents in the construction sector expect their tender prices to go down in Q1 2021 over Q4 2020.

Commentary

A government spokesman said that overall business sentiment turned more pessimistic as the fourth wave of local epidemic, which started in the latter part of November 2020 caused disruptions to a range of domestic economic activities. Meanwhile, hiring sentiment weakened further in a number of sectors, indicating that the labour market will remain under immense pressure in the near term.

The spokesman added that since early 2020, the Government has rolled out relief measures of unprecedented scale to preserve vitality of the economy, relieve people's financial burdens and provide targeted support to hard-hit sectors. The Government will monitor the developments closely, and maintain a countercyclical fiscal policy with a view to mitigating the downward pressure on the economy.

Further Information

The survey gathers views on short-term business performance from the senior management of about 570 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 Q1 2020 to Q1 2021.

Table 1 shows the net balances of views on expectations in respect of different variables for Q1 2021.

The survey results are published in greater detail in the "Report on Quarterly Business Tendency Survey, Q1 2021". Users can download the publication 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).