

Business expectations for the second quarter of 2021

The Census and Statistics Department (C&SD) released today (April 23) the results of the Quarterly Business Tendency Survey for the second quarter (Q2) of 2021.

Business Situation

For all surveyed sectors taken together, the proportion of respondents expecting their business situation to be better (16%) in the second quarter of 2021 over the preceding quarter is broadly the same as that expecting it to be worse (16%).

When compared with the results of the Q1 2021 survey round, the proportion of respondents expecting a better business situation in Q2 2021 as compared with the preceding quarter has increased to 16%, against the corresponding proportion of 9% in Q1 2021. On the other hand, the proportion of respondents expecting a worse business situation has decreased from 26% in Q1 2021 to 16% in Q2 2021.

Analysed by sector, more respondents in the accommodation and food services sector and manufacturing sector expect their business situation to be better in Q2 2021 as compared with Q1 2021, relative to those expecting a worse business situation. In the construction sector and transportation, storage and courier services sector, however, more respondents expect their business situation to be worse, as compared 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 2, 2021 to April 13, 2021.

Volume of Business/Output

Respondents in quite a number of the surveyed sectors expect their volume of business/output to increase on balance in Q2 2021 as compared with Q1 2021. In particular, significantly more respondents in the accommodation and food services sector expect their volume of business to increase in Q2 2021 over Q1 2021. On the other hand, more respondents in the transportation, storage and courier services sector expect their volume of business to decrease, as compared to those expecting it to increase.

Employment

Respondents in quite a number of the surveyed sectors expect their employment to remain broadly unchanged in Q2 2021 as compared with Q1 2021. More respondents in the accommodation and food services sector expect their employment to increase in Q2 2021 over Q1 2021. On the other hand, more respondents in the retail sector and transportation, storage and courier services sector expect their employment to decrease, as compared to those expecting it to increase.

Selling Price/Service Charge

Respondents in most of the surveyed sectors expect their selling prices/service charges to remain broadly unchanged in Q2 2021 as compared with Q1 2021. In the construction sector, however, significantly more respondents expect their tender prices to go down in Q2 2021 over Q1 2021.

Commentary

A government spokesman said that overall business sentiment improved alongside the receding local epidemic situation, with the accommodation and food services sector seeing particularly visible improvement thanks to the relaxation of some social distancing measures since mid-February. Hiring sentiment of most sectors showed signs of stabilisation in tandem.

Looking ahead, the spokesman pointed out that business sentiment can hopefully see a broader based improvement down the road if the local epidemic remains well contained. The Government has unveiled counter-cyclical measures totalling over \$120 billion in the 2021-22 Budget to alleviate the economic hardship caused by the epidemic. The Government will continue to monitor the developments closely.

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 Q2 2020 to Q2 2021.

Table 1 shows the net balances of views on expectations in respect of different variables for Q2 2021.

The survey results are published in greater detail in the "Report on Quarterly Business Tendency Survey, Q2 2021". Users can download the publication at the website of the C&SD (www.censtatd.gov.hk/en/EIndexbySubject.html?pcode=B1110008&scode=300).

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