

Business expectations for third quarter of 2020

The Census and Statistics Department (C&SD) released today (July 17) the results of the Quarterly Business Tendency Survey for the third quarter (Q3) of 2020.

Business situation

For all surveyed sectors taken together, the proportion of respondents expecting their business situation to be worse (28%) in Q3 2020 over Q2 2020 is higher than that expecting it to be better (17%).

When compared with the results of the Q2 2020 survey round, the proportion of respondents expecting a worse business situation in Q3 2020 as compared with the preceding quarter has decreased to 28%, against the corresponding proportion of 44% in Q2 2020.

Analysed by sector, respondents in quite a number of the surveyed sectors expect their business situation to be worse on balance in Q3 2020 as compared with Q2 2020. In particular, significantly more respondents in the real estate sector expect their business situation to be worse in Q3 2020 as compared with Q2 2020, relative to those expecting a better business situation. On the other hand, significantly more respondents in the accommodation and food services sector expect their business situation to be better in Q3 2020 as compared with Q2 2020, relative to those expecting a worse 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 June 1, 2020, to July 9, 2020.

Volume of business/output

Respondents in quite a number of the surveyed sectors expect their volume of business/output to decrease on balance in Q3 2020 as compared with Q2 2020. In particular, more respondents in the information and communications; real estate; professional and business services; transportation, storage and courier services; financing and insurance; construction; and import/export trade and wholesale sectors expect their volume of business/construction output/sales to decrease in Q3 2020 over Q2 2020. On the other hand, significantly more respondents in the accommodation and food services; and manufacturing sectors expect their volume of business/production to increase, as compared to those expecting it

to decrease.

Employment

Respondents in quite a number of the surveyed sectors expect their employment to remain broadly unchanged in Q3 2020 as compared with Q2 2020. More respondents in the manufacturing sector expect their employment to increase in Q3 2020 over Q2 2020. On the other hand, more respondents in the construction sector expect their employment to decrease, as compared to those expecting it to increase.

Selling price/service charge

Respondents in quite a number of the surveyed sectors expect their selling prices/service charges to remain broadly unchanged in Q3 2020 as compared with Q2 2020. In the construction sector, however, significantly more respondents expect their tender prices to go down in Q3 2020.

Commentary

A government spokesman said that overall business sentiment remained negative on entering the third quarter, but has shown visible improvement compared to the preceding quarter as the local epidemic situation stabilised in May and June. Yet, it should be noted that the latest survey results have not reflected the recent spike in local infection cases and the resultant tightening of social distancing measures, which have added uncertainties to the near-term economic outlook.

The spokesman added that the Government has rolled out relief measures of unprecedented scale to support enterprises, safeguard jobs and relieve people's financial burden. The two rounds of measures under the Anti-epidemic Fund and the one-off measures in the 2020-21 Budget amounted to \$287.5 billion (around 10% of GDP). These measures have helped preserve the vitality of the economy, and should facilitate a swift recovery once the epidemic is under control and the external economic environment improves.

Further information

The survey gathers views on short-term business performance from the senior management of about 550 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 Q3 2019 to Q3 2020.

Table 1 shows the net balances of views on expectations in respect of different variables for Q3 2020.

The survey results are published in greater detail in the "Report on Quarterly Business Tendency Survey, Q3 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).