

## Box 1.1

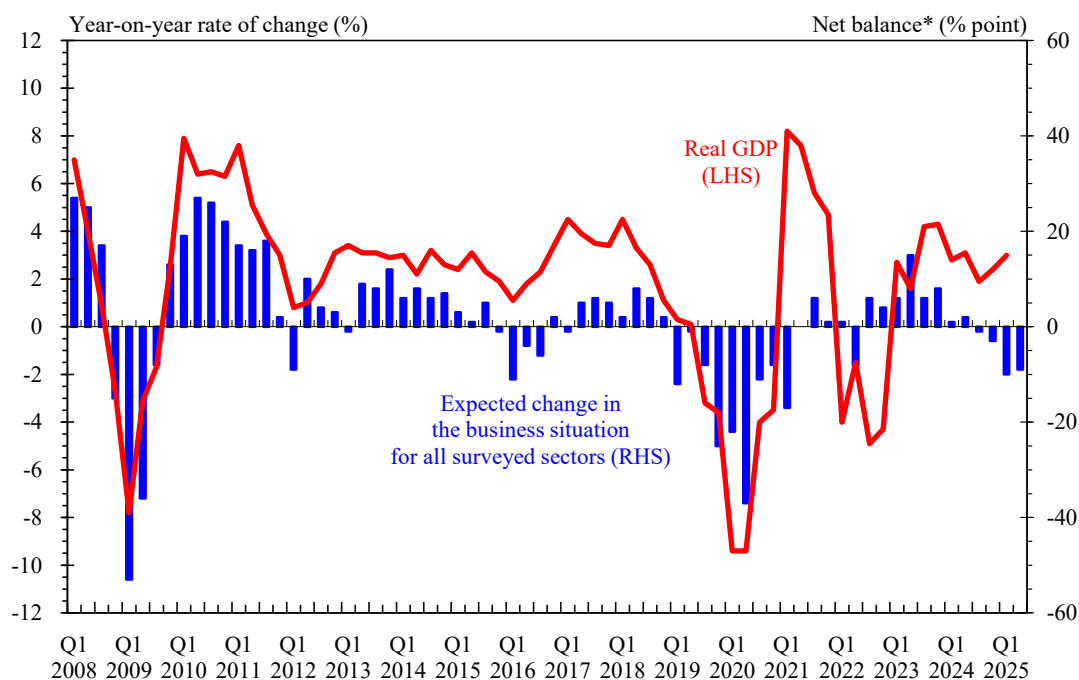
## Business sentiment in Hong Kong

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. Results suggest that business sentiment held up relatively well in the first quarter of 2025, though some readings were already affected by the trade tensions during the period. For those surveys that reflected better the situation after the significant increases in tariffs by the US in early April, results generally showed that business sentiment has turned more cautious.

According to the results of the Census and Statistics Department (C&SD)'s Quarterly Business Tendency Survey (QBTS)<sup>(1)</sup> conducted during 4 March to 10 April, which captured largely the views of large enterprises before early April, business sentiment among large enterprises in Hong Kong were largely stable as compared to three months ago (*Chart 1*). The proportion of large enterprises expecting their business situation to improve in the second quarter of 2025 over the first quarter was smaller than the proportion of those expecting the situation to worsen by 9 percentage points (i.e. a net balance of -9), marginally better than the net balance of -10 in the previous round.

Business sentiment of large enterprises showed varied movements across sectors (*Table 1*). The net balance for “retail” sector increased sharply to reach the positive zone. Those for “manufacturing”, “transportation, storage and courier services”, “professional and business services” and “real estate” sectors improved, though still within the negative zone. Meanwhile, those for “accommodation and food services”, “construction”, “import/export trade and wholesale” and “information and communications” sectors decreased in the negative zone. The net balance for “financing and insurance” sector showed some moderation, but still well in positive zone. Large enterprises’ appetite for hiring remained largely stable (*Table 2*).

**Chart 1 : According to views largely captured before early April, business sentiment of large enterprises were largely stable**



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 showed varied movements across sectors**

QBTS: Expected changes in business situation						
	Net balance* (% point)					
	2024				2025	
	Q1	Q2	Q3	Q4	Q1	Q2
Manufacturing	+2	+8	-2	-19	-22	-20
Construction	-9	-11	-16	-12	-14	-16
Import/export trade and wholesale	-9	-9	-1	-8	-15	-19
Retail	+3	-16	-16	-19	-31	+4
Accommodation and food services	+9	+7	+6	-3	-36	-37
Transportation, storage and courier services	+5	+4	-2	-1	-27	-25
Information and communications	-4	+1	-3	-5	-11	-17
Financing and insurance	+14	+19	+7	+2	+10	+8
Real estate	-6	+8	0	+6	-15	-11
Professional and business services	+1	-9	-3	+3	-8	-6
All sectors above	+1	+2	-1	-3	-10	-9

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 remained largely stable**

QBTS: Expected changes in number of persons engaged						
	Net balance* (% point)					
	2024				2025	
	Q1	Q2	Q3	Q4	Q1	Q2
Manufacturing	+13	+7	+13	+3	+4	-2
Construction	-8	+11	+3	-7	-12	-12
Import/export trade and wholesale	-1	+1	0	+4	-4	+1
Retail	+7	+6	+3	+2	0	+1
Accommodation and food services	+21	+11	+4	-7	-5	-22
Transportation, storage and courier services	+8	+9	+9	+10	-2	+6
Information and communications	-11	-15	-8	-4	-7	-3
Financing and insurance	+10	+12	+7	+5	+9	+6
Real estate	+10	+15	+9	+9	-1	+15
Professional and business services	+6	+5	-3	-3	-5	-3
All sectors above	+6	+7	+3	+1	-3	-2

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<sup>(2)</sup> 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 fluctuated during the first quarter. With a reading of 43.5 in March, it was largely similar to the level of 43.9 in December 2024. It then fell to 41.2 in April (**Chart 2a**). The employment sentiment among SMEs remained largely stable in the first quarter before softening somewhat in April. Credit conditions stayed accommodative during the same period. Meanwhile, based on views collected in mid-March, the Standard Chartered Hong Kong SME Leading Business Index<sup>(3)</sup> edged up in the second quarter of 2025.

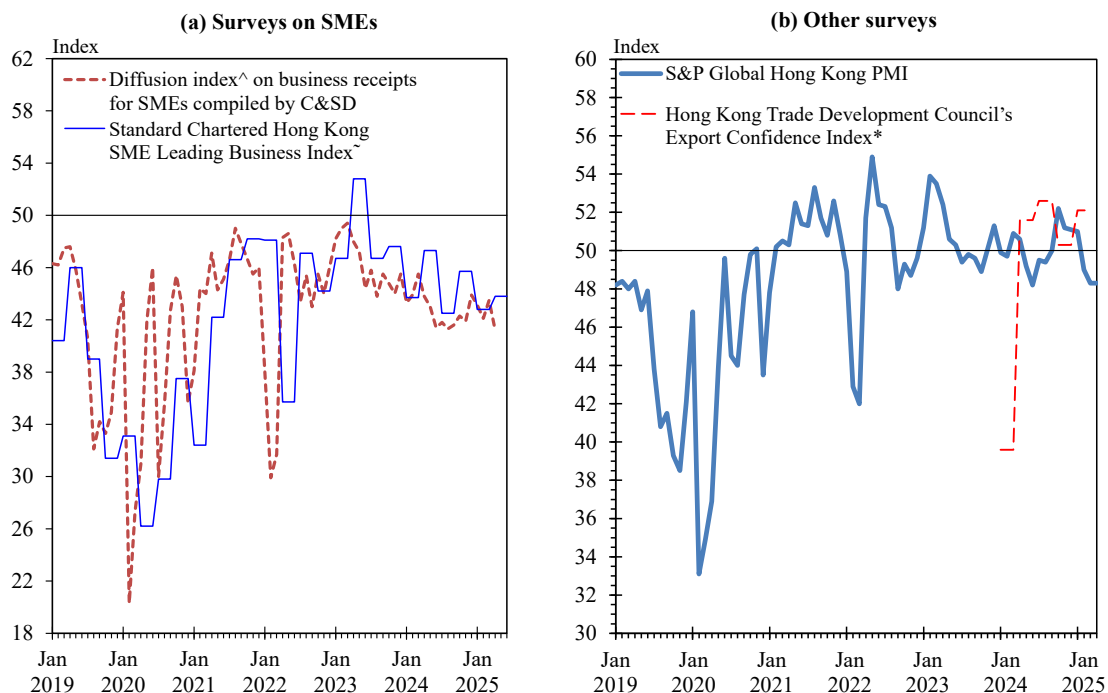
As for other surveys in the public domain, the S&P Global Purchasing Managers' Index (PMI) of Hong Kong<sup>(4)</sup>, which gauges the performance of the private sector's business activity, held up well in the expansionary zone in January, but then entered the contractionary zone in February, declined further to a nine-month low in March and stayed there in April (**Chart 2b**). Moreover, it was noted that pessimism among firms regarding the outlook for the coming twelve months intensified in April. The latest Hong Kong Trade Development Council (HKTDC) Export Confidence Index<sup>(5)</sup>, which was compiled based on the earlier information collected during 3 to 28 February, showed that exporters remained optimistic before the abrupt escalation in tariffs announced by the US in April.

(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 : Surveys that reflected better the situation after the significant increases in tariffs by the US in early April generally showed that business sentiment has turned more cautious**



Notes : (<sup>^</sup>) 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.

(<sup>~</sup>) Quarterly data.

(<sup>\*</sup>) 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. While some surveys are yet to fully reflect the situation after the significant increases in tariffs by the US in early April, those that do generally show that business sentiment has turned more cautious. Looking forward, as the downside risk and uncertainties of the global economy have increased notably, business sentiment is subject to mounting pressure. Nonetheless, the Government has been stepping up support to enterprises through various measures to assist businesses in addressing prevailing challenges.

- (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.