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PAPER FOR HONG KONG, CHINA

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Business Tendency Surveys**

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Paper for Hong Kong, China

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Business Prospects Survey in Hong Kong, China

Introduction

The Census and Statistics Department (C&SD) is the official statistical office of Hong Kong, China. It has been conducting a half-yearly Business Prospects Survey (BPS) since July 1974. The survey collects the views of firms (mainly large ones) selected from various economic sectors on business prospects in the immediate future. It aims at providing a quick reference, with a minimum time lag, for assessing the short-term economic performance of Hong Kong.

2. The importance of BPS is well recognized and plans are being developed to review the design and the operation of the BPS conducted by C&SD with a view to harmonizing with the Business Tendency Survey (BTS) in other economies in the region. It is noted that harmonization involves inclusion of the same questions, use of identical question formats (level, trend, future change, future level, etc.) and reference period (3-4 months ago, next 3-4 months, 6 months ahead, etc.). The existing operation of the BPS and some progress/plans in harmonizing the BPS in Hong Kong with the BTS in the region are summarized below.

Questionnaire

3. The BPS questionnaire consists of two parts. The first part collects views of respondents on key areas pertaining to the sector, including volume of orders, profit margins, employment and wages, prices, investment intentions, etc. The second part collects views on topics of current interest and may vary in each survey round.

4. In the January round, views on the business outlook for the first half and the second half of the year are collected. In the July round, more up-to-date views on the business outlook for the second half of the year are collected.

5. It is aware that the most important step in harmonization is to include the same questions and use the same question format and reference period in the questionnaire. The feasibility of incorporating the core questions as per the recommendations of the Bangkok workshop in 2000 while minimizing the disruption to data continuity of the existing BPS is being deliberated. While more time is required for assessing users' response and the feasibility of incorporating the common questions in Hong Kong, the questionnaire has been slightly simplified in the July 2001 round. Answers to the questions have been simplified from quantitative options (expected percentage changes) to qualitative options (e.g. significant increase, mild increase, insignificant change, mild decrease, significant decrease). This follows the general recommendations in designing the harmonized BTS questionnaire.

6. The existing BPS covers 5 of the 13 harmonized core questions, though the format still differs from the corresponding harmonized format.

Harmonized questions covered in BPS

Variable	BPS format	Harmonized format
1. Order books, total	Future change for next 6 months	Present level
2. Order books, export	Future change for next 6 months	Present level
3. Selling prices	Future change for next 6 months	Future change for next 3-4 months
4. Employment	Future change for next 6 months	Future change for next 3-4 months
5. Capacity utilization	Future change for next 6 months	Present rate

7. Other questions covered in BPS include those on expected changes (next 6 months) on wage rates of operatives, ease of recruitment of labour, prices of material inputs and profit margin, etc.

Periodicity

8. The BPS is conducted half-yearly in Hong Kong. The resource implications for changing the survey to quarterly are being assessed.

Sample Design

9. A panel of some 280 firms is used in the BPS. The survey covers mainly large firms in major sectors including manufacturing, public utilities, construction, import/export, banking and real estate development.

Data Collection

10. Questionnaires are first mailed to the respondents for self-completion. Cases remaining outstanding after the postal deadline will be followed up by telephone interviews or field visits. Response rate of the survey is around 88%.

Weighting Method

11. For the manufacturing industry, the initial sampling fraction, adjusted by employment size for most of the opinion entries, is used for grossing up. For views involving profit margins, however, no adjustment is made with reference to employment size as profit margins are not closely linked to employment size.

12. For the non-manufacturing industries, initial sampling fraction is used for grossing up.

13. For the banking sector, real estate developers and public utilities, only prominent firms are selected in the sample. No grossing up of the responses is made.

Data Analysis

14. The net balance method is used in analysing the survey results. The balances of "increase" over "decrease" for each variable for individual sectors are presented in the survey report. Besides, the distribution of the answers are also presented. The feasibility of developing composite indices will be assessed after this workshop.

Way Forward

15. The feasibility and resource implications on (i) incorporating the harmonized questions; (ii) conducting the BPS on a quarterly basis; and (iii) developing and compiling composite indices are being assessed. Subject to results of the initial assessments, a more concrete plan on introducing the harmonized BTS by phase will be drawn up.