



Standard Chartered Hong Kong SME Leading Business Index

Quarter 3, 2025

About the Index

Sponsored by Standard Chartered Bank (Hong Kong) Limited, the “Standard Chartered Hong Kong SME Leading Business Index” (Standard Chartered SME Index) is a forward-looking survey on local SMEs’ confidence on the recent business environment. HKPC’s professional team interviews no less than 800 local SMEs’ top management from the Manufacturing, Construction, Import / Export Trade and Wholesale, Retail, Transportation, Storage and Courier Services, Accommodation and Food Services, Information and Communications, Financing and Insurance, Professional and Business Services, Real Estate, as well as Social and Personal Services every quarter. The survey covers SMEs’ perception of their “Business Condition”, “Profit Margin”, “Investment Sentiment”, “Recruitment Sentiment”, and “Global Economy” in this quarter.

Methodology

Sample Distribution

Data were collected from 824 SMEs using publicly available SME directories and HKSAR Census database. The sample was stratified by the Hong Kong Standard Industrial Classification (HSIC) version 2.0, and based on the number of SME establishments in Hong Kong. The stratified sample covers eleven categories namely: 1) Manufacturing, 2) Construction, 3) Import / Export Trade and Wholesale, 4) Retail, 5) Transportation, Storage and Courier Services, 6) Accommodation and Food Services, 7) Information and Communications, 8) Financing and Insurance, 9) Professional and Business Services, 10) Real Estate, and 11) Social and Personal Services.

Index Calculation

Standard Chartered SME Index is a composite index based on the diffusion indices of the five surveyed areas with the following weights:

Diffusion Indices	Weights
Recruitment Sentiment	25%
Investment Sentiment	25%
Business Condition	20%
Profit Margin	20%
Global Economy	10%

Respondents indicated the change of business sentiments in three ways: increase, no change or decline. Each diffusion index is calculated using the following formula:

$$\text{Increase\%} \times 100 + \text{No Change\%} \times 50 + \text{Decline\%} \times 0$$

Diffusion indices, which have been broadly used as leading indicators, are convenient summary measures indicating the prevailing direction of change in business sentiments. An index above the 50 neutral level generally indicates optimistic business sentiment, while that below 50 neutral level indicates pessimistic business sentiment. A reading at 50 neutral level indicates neutral business sentiment.



Summary

The 53rd survey of the Standard Chartered Hong Kong SME Leading Business Index was conducted in July 2025. Top management of 824 SMEs were surveyed to gauge their views on the outlook of the overall business environment in Q3 2025 and to explore Hong Kong SMEs' views and challenges regarding "Go Global".

Key Findings

The Q3 2025 "Standard Chartered SME Index" fell by 3.3 to 40.5 from the previous quarter. Key findings of the survey are as follows:

- ⊕ Driven mainly by the "Business Condition" (36.6, -5.0) and "Profit Margin" (34.1, -5.0) sub-indices, the Overall Index fell slightly, reflecting a weakened confidence among local SMEs on their business turnover this quarter;
- ⊕ "Global Economy" sub-index has declined for three consecutive quarters and accumulated a drop of 15.6 since the fourth quarter (Q4) of 2024. The global economic slowdown has been driven by multiple factors, since Q4 2024, shifts in U.S. monetary policy and stimulus measures have failed to fully revive demand, while newly imposed U.S. tariffs this year have further dampened global trade flows. Concurrently, market volatility has driven up business operating costs, intensifying pressure on SMEs;
- ⊕ In terms of the 11 industry indices, key industries maintained stable development, with "Construction" (42.3, +2.6) and "Accommodation and Food Services" (42.9, +1.7) recording increases. "Manufacturing" industry performed particularly well this quarter, with its global economy sub-index rising by 1.4 points and investment sentiment increasing by 3.5 points to its highest level in nearly seven years, showing that companies were more willing to allocate resources for business expansion compared to the past, while also placing greater emphasis on R&D investment. In addition, the recruitment sentiment of the "Professional and Business Services" rose by 2.9 points, and the profit margin improved by 1.2 points, reflecting sustained growth in demand for high-value-added services;
- ⊕ In terms of overall investment trends, 92% of surveyed SMEs intended to maintain or increase their investment this quarter, with 5% specifically stating that they would increase their investment. Most SMEs expected to focus their investment on digital transformation, such as "IT System", "Online Marketing Promotion", "Training Related to E-commerce or Digital Technology", "Facilities and Equipment" and "Overall Staff Training", indicating that companies were actively enhancing their long-term competitiveness;
- ⊕ Regarding the changes in cost components, the proportion of SMEs expecting raw materials cost to increase dropped to a five-quarter low of 47%, while the pressure to increase staff salary also eased, falling by 1 percentage point to 19%, creating a more favourable environment for business development. On the other hand, only 17% of SMEs planned to increase the price of their products or services, which is on par with the previous quarter.



Key Findings (cont.)

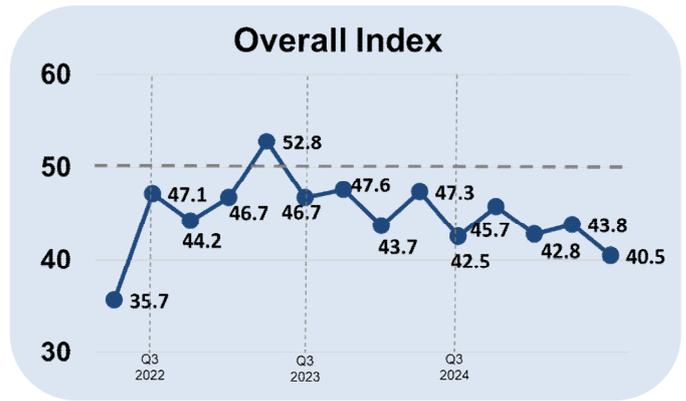
- ⊕ The thematic survey results in this quarter explored Hong Kong SMEs' views and challenges regarding "Go Global":
- The survey revealed that local SMEs were facing multiple business challenges, mainly including: "intensifying market competition" (50%), "uncertain tariff situation" (40%), and "increase in import-export cost / staff salary" (37%);
 - Currently, 75%, 63%, 10%, and 25% of SMEs have already engaged in product manufacturing / production, product R&D / testing, outsourcing of professional services and selling of products / services outside Hong Kong respectively, with these business activities mainly focus on the Mainland;
 - In terms of "Go Global" plans, 16% of surveyed SMEs have already planned to go global within the next three years, while another 18% were considering it. Among those with plans to go global, a majority intended to expand to the Mainland (59%) or Asian markets (42%);
 - Both companies that have already expanded overseas and those currently considering doing so identified "lack of familiarity with local regulations, planning, or policies" and "difficulty in finding local business partners" as the major challenges in their "Go Global" journey;
 - The survey also explored SMEs' views on "venturing overseas by sharing a boat". Half (50%) of the surveyed SMEs stated they were already aware of this emerging trend. When asked about its potential impact on their business, 23% believed it would bring positive benefits. Additionally, over a third (34%) of SMEs already had business partners in the Mainland. If invited to collaborate with Mainland companies for joint overseas expansion, approximately one-third (34%) said they would consider it, while another third (34%) said they would not. 11% of SMEs indicated they had never considered this option, reflecting that some still lack understanding of joining hands with Mainland enterprises to develop overseas markets.



Standard Chartered SME Index

Q3 2025

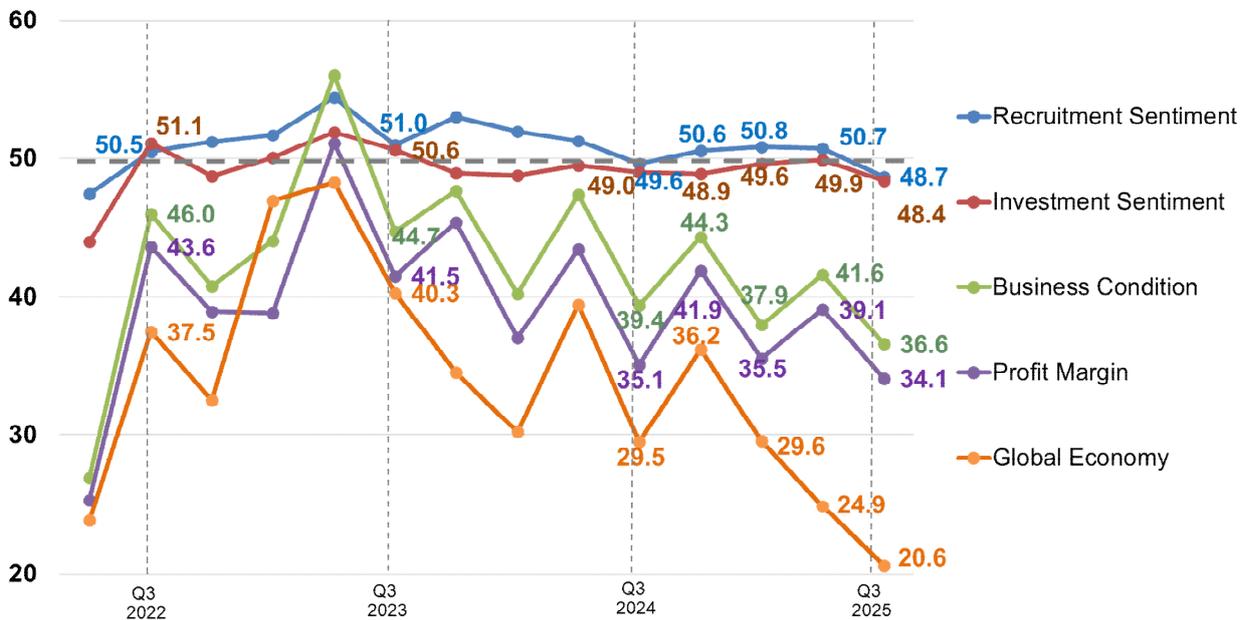
40.5



The Q3 2025 Overall Index was 40.5, down by 3.3 from the previous quarter. The decrease was driven mainly by the “Business Condition” and “Profit Margin” sub-indices, reflecting a weakened confidence among local SMEs on their business turnover this quarter.

Additionally, “Global Economy” sub-index has declined for three consecutive quarters and accumulated a drop of 15.6 since the fourth quarter (Q4) of 2024. The global economic slowdown has been driven by multiple factors, since Q4 2024, shifts in U.S. monetary policy and stimulus measures have failed to fully revive demand, while newly imposed U.S. tariffs this year have further dampened global trade flows. Concurrently, market volatility has driven up business operating costs, intensifying pressure on SMEs.

Five Component Sub-Indices of Overall Index



The 3 Key Industry Indices

Manufacturing Industry 37.6



Industry index of Manufacturing Industry fell slightly to 37.6 this quarter. After two consecutive quarters of decline, the “Global Economy” sub-index rebounded by 1.4. “Investment Sentiment” rose to its highest level in nearly seven years, showing that companies are more willing to allocate resources for business expansion, while also placing greater emphasis on R&D investment.

Component Indices	Index	Compared to last quarter	Compared to same period of last year
Recruitment Sentiment	45.8	Down	Down
Investment Sentiment	53.5	Up	Up
Business Condition	27.8	Down	Down
Profit Margin	27.8	Down	Down
Global Economy	16.7	Up	Down



Import / Export Trade and Wholesale Industry 40.0

Industry index of Import / Export Trade and Wholesale Industry remained stable at 40.0. “Business Condition” recorded an increase for two consecutive quarters, accumulating an increase of 3.6 to 36.1. “Investment Sentiment” remained stable over the past four quarters, hovering near the 50 neutral line.

Component Indices	Index	Compared to last quarter	Compared to same period of last year
Recruitment Sentiment	49.7	Down	Up
Investment Sentiment	49.0	Up	Up
Business Condition	36.1	Up	Down
Profit Margin	30.3	Down	Down
Global Economy	20.7	Down	Down



The 3 Key Industry Indices

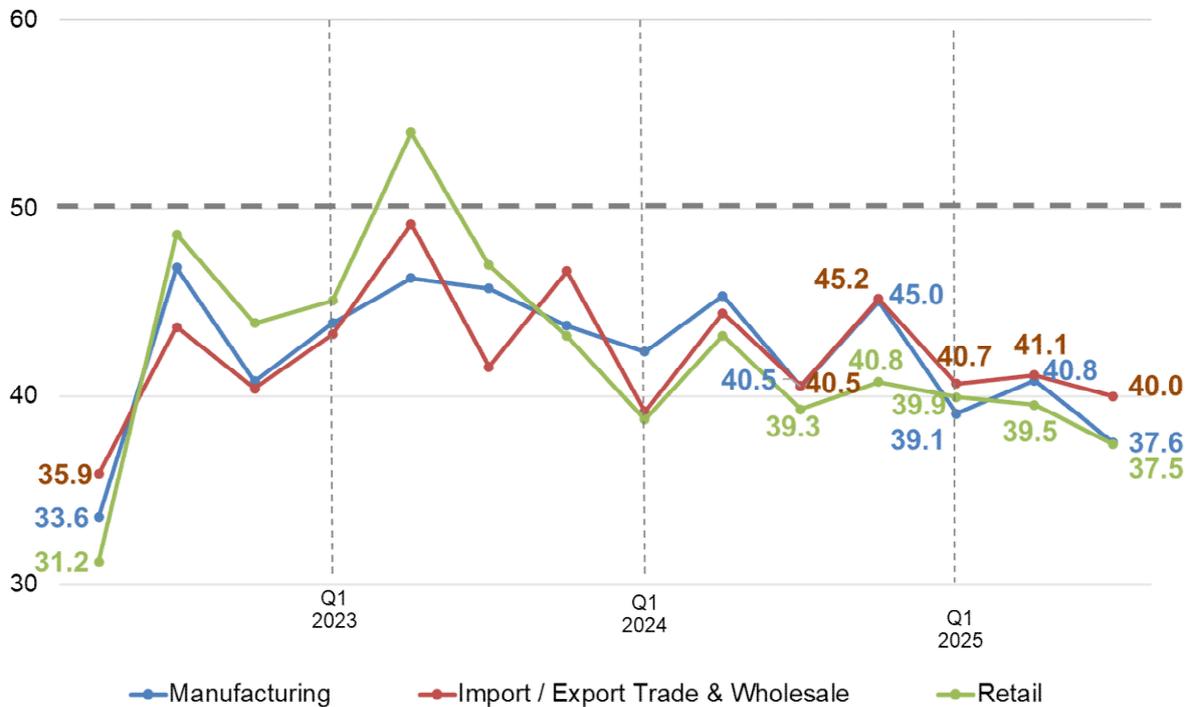
Retail Industry 37.5

Industry index of Retail Industry fell slightly to 37.5 this quarter. "Business Condition" and "Profit Margin" sub-indices remained stable this quarter, recording 32.8 and 31.0 respectively.



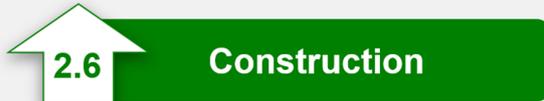
Component Indices	Index	Compared to last quarter	Compared to same period of last year
Recruitment Sentiment	45.4	Down	Down
Investment Sentiment	46.0	Down	Down
Business Condition	32.8	Down	Down
Profit Margin	31.0	Up	Up
Global Economy	19.0	Down	Down

3 Key-Industry Indices



Industry Index

In terms of the 11 industry indices, key industries maintained stable development, with “Construction” (42.3, +2.6) and “Accommodation and Food Services” (42.9, +1.7) recording increases. The growth was mainly driven by the gradual completion of large-scale Government infrastructure projects like the Kai Tak Sports Park, which not only boosted demand for the construction industry but also attracted both domestic and international visitors through international sporting events and large concerts. The tourism sector also developed thematic tours, supporting related industries such as accommodation and catering, thereby creating a positive cycle.



Business Condition	▲ 6.7
Investment Sentiment	▲ 1.9
Profit Margin	▲ 1.9
Global Economy	▲ 1.0
Recruitment Sentiment	▲ 0.9

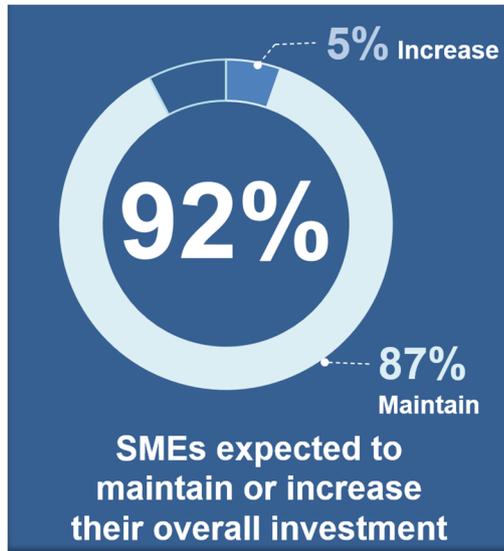


Investment Sentiment	▲ 6.9
Global Economy	▲ 4.8
Recruitment Sentiment	▲ 2.1



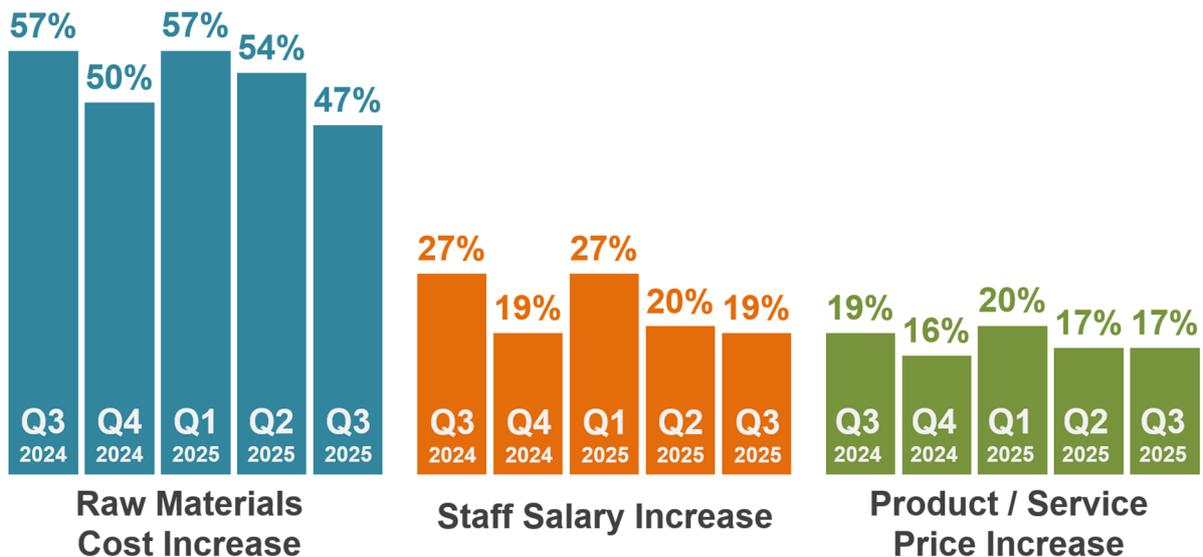
Market Prospects

In terms of overall investment trends, 92% of surveyed SMEs intended to maintain or increase their investment this quarter, with 5% specifically stating that they would increase their investment. Most SMEs expected to focus their investment on digital transformation, such as "IT System", "Online Marketing Promotion", "Training Related to E-commerce or Digital Technology", "Facilities and Equipment" and "Overall Staff Training", indicating that companies were actively enhancing their long-term competitiveness.



Regarding the changes in cost components, the proportion of SMEs expecting raw materials cost to increase dropped to a five-quarter low of 47%, while the pressure to increase staff salary also eased, falling by 1 percentage point to 19%, creating a more favourable environment for business development. On the other hand, only 17% of SMEs planned to increase the price of their products or services, which is on par with the previous quarter.

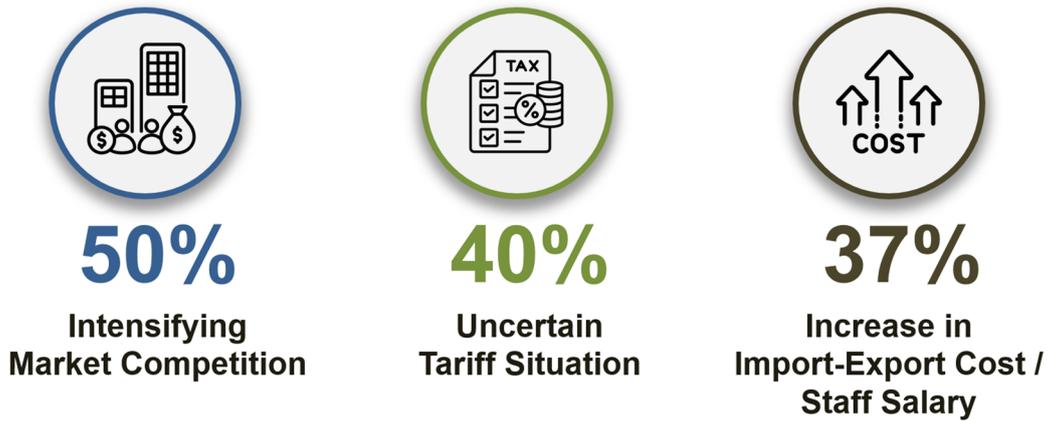
Proportion of surveyed SMEs:



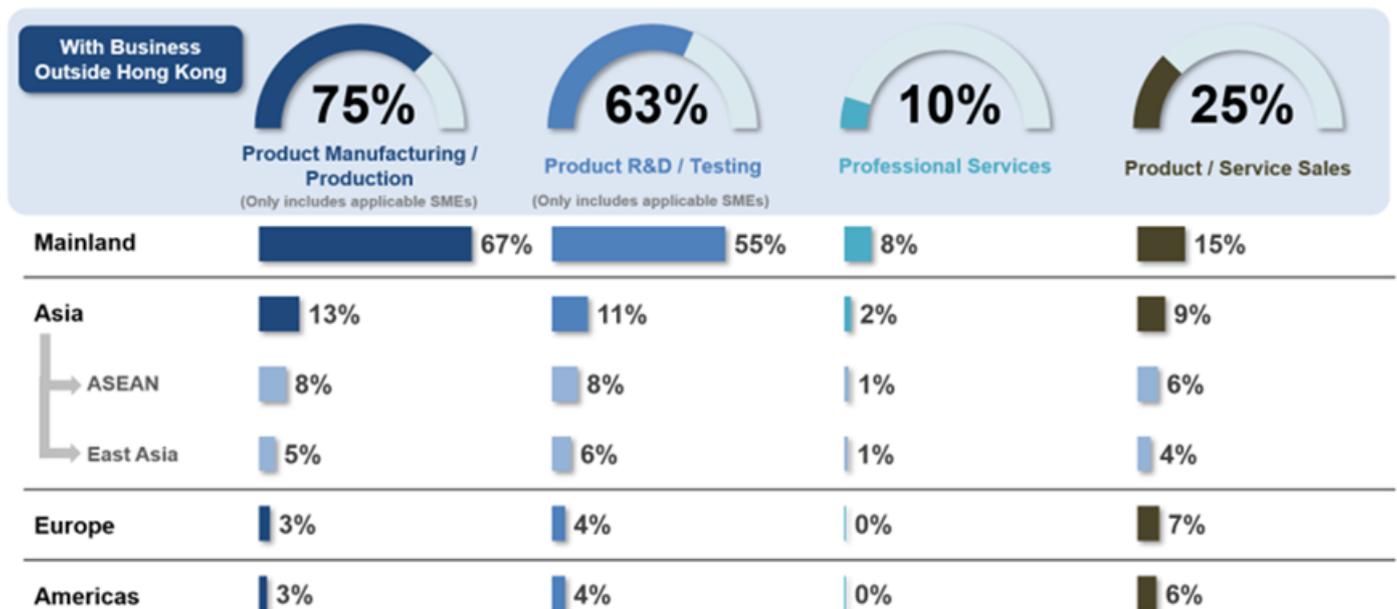
Thematic Topic

Hong Kong SMEs' Views and Challenges Regarding "Go Global"

The thematic survey of this quarter explored the business challenges faced by local SMEs and their views on "Go Global". The survey revealed that local SMEs were facing multiple business challenges, mainly including: "intensifying market competition" (50%), "uncertain tariff situation" (40%), and "increase in import-export cost / staff salary" (37%).



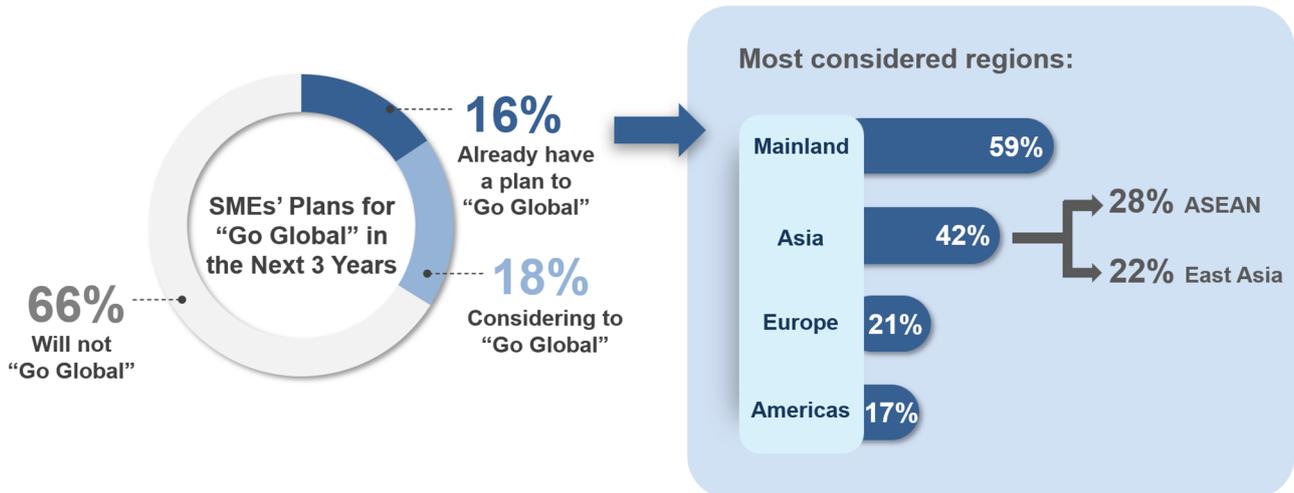
Currently, 75%, 63%, 10%, and 25% of SMEs have already engaged in product manufacturing / production, product R&D / testing, outsourcing of professional services and selling of products / services outside Hong Kong respectively, with these business activities mainly focus on the Mainland.



Thematic Topic

Hong Kong SMEs' Views and Challenges Regarding "Go Global"

In terms of "Go Global" plans, 16% of surveyed SMEs have already planned to go global within the next three years, while another 18% were considering it. Among those with plans to go global, a majority intended to expand to the Mainland (59%) or Asian markets (42%).



Both companies that have already expanded overseas and those currently considering doing so identified "lack of familiarity with local regulations, planning, or policies" and "difficulty in finding local business partners" as the major challenges in their "Go Global" journey.

Among the SMEs operating only in Hong Kong but considering expanding overseas:

Challenges Anticipated

- 1 Lack of familiarity with local regulations, planning, or policies
- 2 Difficulty in finding local business partners
- 3 Insufficient Funding
- 4 Lack of familiarity with local tax regulations
- 5 High investment risk

Among the SMEs that have already expanded overseas:

Challenges Encountered

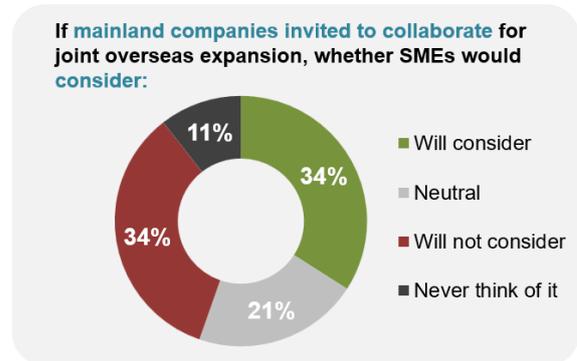
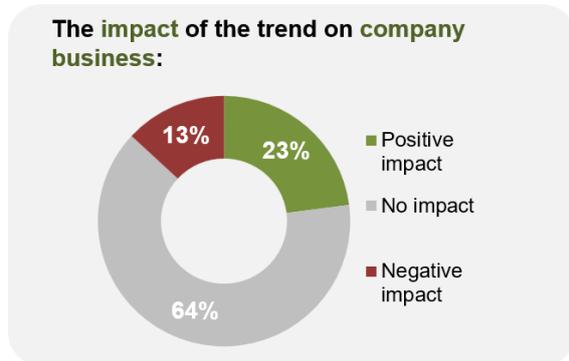
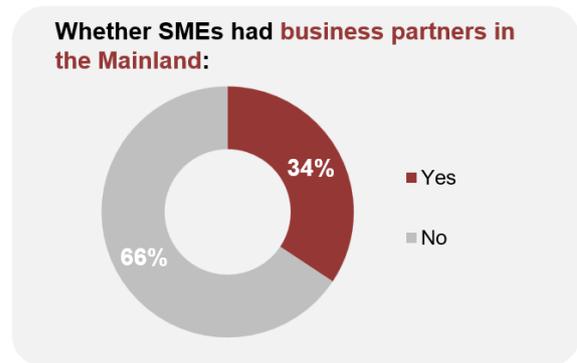
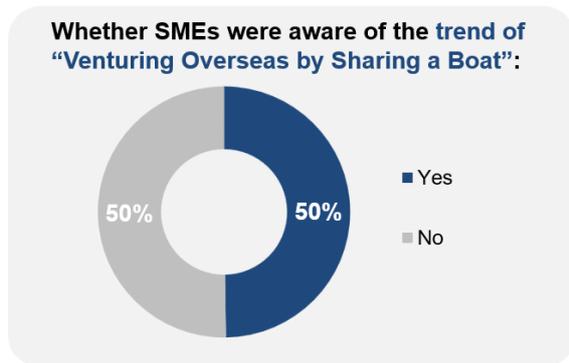
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- 4 Increased costs
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Thematic Topic

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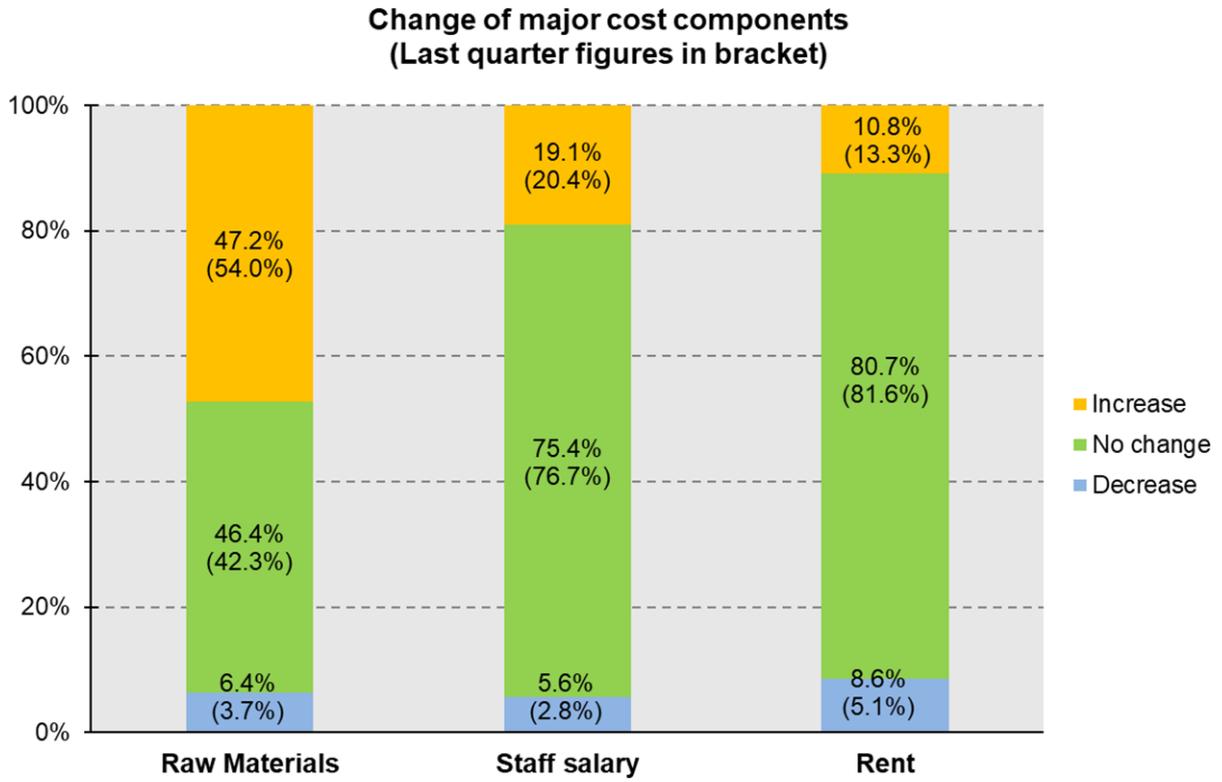
Appendix

Component Sub-Indices of the 3 Key Industry Indices



Appendix

Change of Major Cost Components



Report Release

The Standard Chartered SME Index is released every quarter. Full reports can be downloaded at <https://u.hkpc.org/scbi-en>.

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