



Standard Chartered Hong Kong SME Leading Business Index

Quarter 1, 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 820 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 51st survey of the Standard Chartered Hong Kong SME Leading Business Index was conducted in mid-December 2024. Top management of 820 SMEs were surveyed to gauge their views on the outlook of the overall business environment in Q1 2025 and to explore the impact of the U.S. presidential transition on Hong Kong SMEs and their deployment plans, as well as the opportunities and challenges brought by the “Belt and Road Initiative” for them.

Key Findings

The Q1 2025 “Standard Chartered SME Index” retreated by 2.9 to 42.8 from the previous quarter, returning to the level observed in Q3 2024. Key findings of the survey are as follows:

- ⊕ Three of the five component sub-indices registered downfall, including “Global Economy” (29.6, -6.6), “Profit Margin” (35.5, -6.4) and “Business Condition” (37.9, -6.4), falling back to the level recorded in Q3 2024. “Recruitment Sentiment” (50.8, +0.2) and “Investment Sentiment” (49.6, +0.7) showed slight increases and have hovered around the 50 neutral line over the past two years, indicating relatively stable performance;
- ⊕ Among the 11 industry indices, only “Real Estate” showed a slight increase (+0.8), the remaining 10 industry indices recorded declines. Notable drops were observed in “Manufacturing” (39.1, -5.9), “Transportation, Storage and Courier Services” (38.7, -5.8), “Construction” (37.9, -5.6), “Accommodation and Food Services” (43.5, -5.5), and “Import/Export Trade and Wholesale” (40.7, -4.5);
- ⊕ In terms of overall investment trends, 93% of surveyed SMEs intended to maintain or increase investment this quarter, which is on par with the previous quarter. Key areas that most SMEs expected to maintain or increase investment included “Training Related to E-commerce or Digital Technology”, “IT Systems”, “Research and Development” and “Online Marketing Promotion”;
- ⊕ Regarding the changes in cost components, the proportion of local SMEs expecting an increase in raw materials costs and staff salary has risen this quarter, with an increase of 7 percentage points to 57% and an increase of 8 percentage points to 27% respectively compared to the previous quarter, returning to the level observed in Q3 2024, reflecting that SMEs are facing the pressure of rising costs again. On the other hand, 20% of SMEs planned to raise the prices of their products or services, an increase of 4 percentage points from the previous quarter.



Key Findings (cont.)

✚ The thematic survey results of this quarter explored the impact of the U.S. presidential transition on Hong Kong SMEs and their deployment plans, as well as the opportunities and challenges brought by the “Belt and Road Initiative” for them:

- Nearly forty percent (38%) of surveyed SMEs indicated that the U.S. presidential transition had posed impact on their business confidence, with about 60% of them expressed that “The U.S. Imposing New Tariffs on Imported Goods” (62%) and “Changes in Economic Environment” (59%) were the primary factors influencing their business confidence. Other factors included “Exchange Rate Fluctuations” (34%), “Changes in Interest Rate Trends” (30%) and “Changes in the Scale of Foreign Capital Inflows” (26%);
- In light of potential shifts in the business environment, over seventy percent (71%) of the surveyed SMEs indicated that they had implemented strategies to mitigate risks, such as exploring more diverse suppliers, enhancing employees’ knowledge and skills, and expanding into new markets;
- In terms of business expansion, around twenty percent (22%) of the surveyed SMEs were considering broadening their reach to other regions within the next three years, with a significant number considering expansion into the Chinese Mainland or ASEAN regions;
- The survey also examined the opportunities and challenges brought by the “Belt and Road Initiative” for SMEs. Among the surveyed SMEs, half (50%) believed that the “Belt and Road Initiative” could bring opportunities to their companies, primarily through “Market Expansion” (29%) and “Gaining New Partners” (25%);
- However, nearly seventy percent (68%) of the surveyed SMEs reported facing different challenges in expanding into new markets along the countries and regions of the “Belt and Road Initiative”, including “Differences in Regulations and Product / Service Standards across Countries” (34%), “Unfamiliarity with the Plans or Policies of the ‘Belt and Road Initiative’” (32%) and “Cultural Differences” (24%).



Standard Chartered SME Index

Q1 2025

42.8

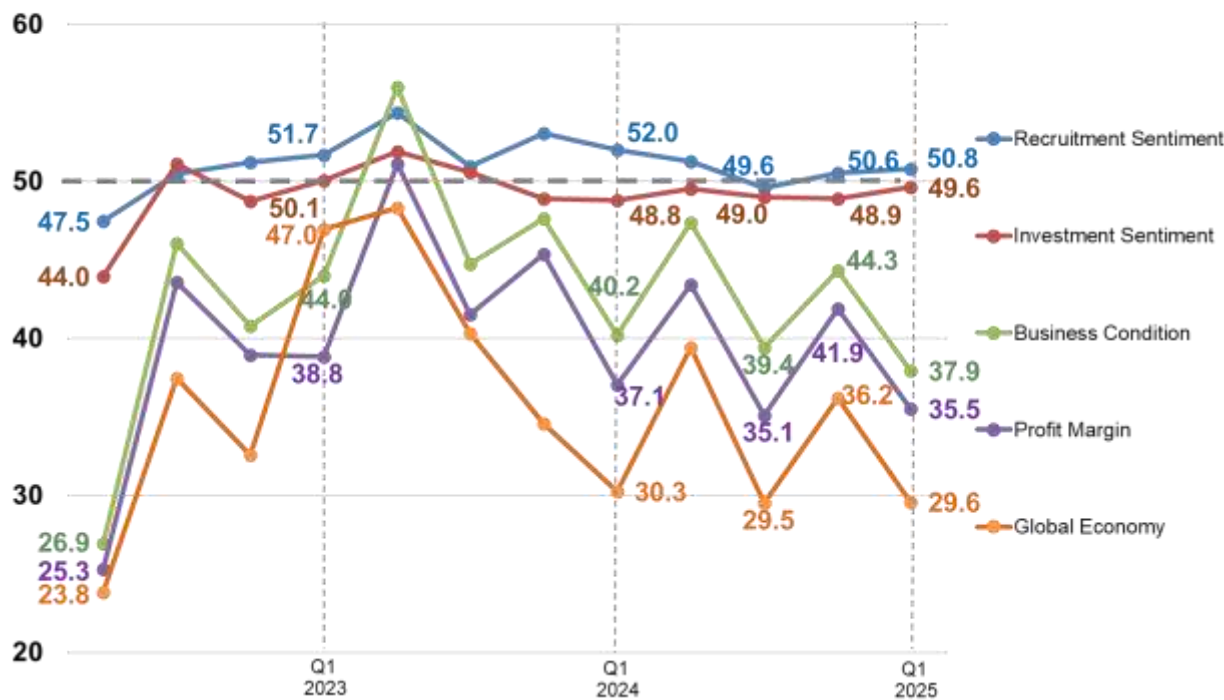


The Q1 2025 Overall Index retreated by 2.9 to 42.8 from the previous quarter, returning to the level observed in Q3 2024.

“Recruitment Sentiment” and “Investment Sentiment” recorded a slight increase, maintaining a stable performance over the past two years.

“Business Condition”, “Profit Margin” and “Global Economy” recorded drops of 6.4, 6.4 and 6.6 respectively, returning to a similar level as Q3 2024.

Five Component Sub-Indices of Overall Index

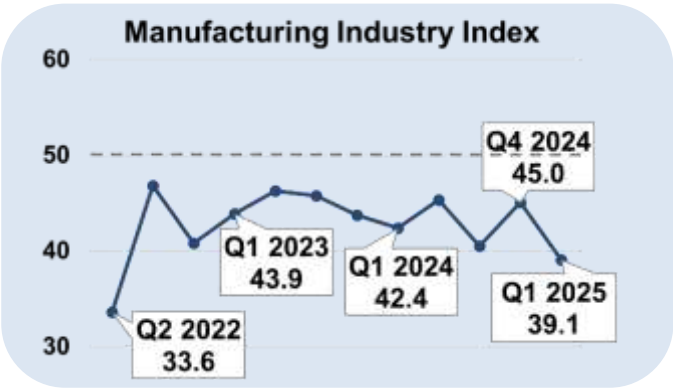


The 3 Key Industry Indices

Manufacturing Industry 39.1

Industry index of Manufacturing Industry was down by 5.9 to 39.1 in this quarter, marking its lowest level since Q3 2022. Except for “Investment Sentiment” which slightly increased, all other component sub-indices recorded declines, particularly for “Recruitment Sentiment” which fell to its lowest level since Q2 2021.

Component Indices	Index	Compared to last quarter	Compared to same period of last year
Recruitment Sentiment	45.3	Down	Down
Investment Sentiment	50.0	Up	Remain
Business Condition	32.6	Down	Down
Profit Margin	32.1	Down	Down
Global Economy	23.2	Down	Down



Import / Export Trade and Wholesale Industry 40.7

Industry index of Import / Export Trade & Wholesale Industry was down by 4.5 to 40.7 in this quarter, returning to a similar level as Q3 2024. Except “Investment Sentiment” which remained stable, other component sub-indices retreated simultaneously, of which “Profit Margin” marked the largest drop of 10.2. “Business Condition” also dropped significantly by 7.8.

Component Indices	Index	Compared to last quarter	Compared to same period of last year
Recruitment Sentiment	50.0	Down	Up
Investment Sentiment	49.2	Remain	Up
Business Condition	32.5	Down	Down
Profit Margin	30.9	Down	Up
Global Economy	31.7	Down	Down



The 3 Key Industry Indices

Retail Industry 39.9

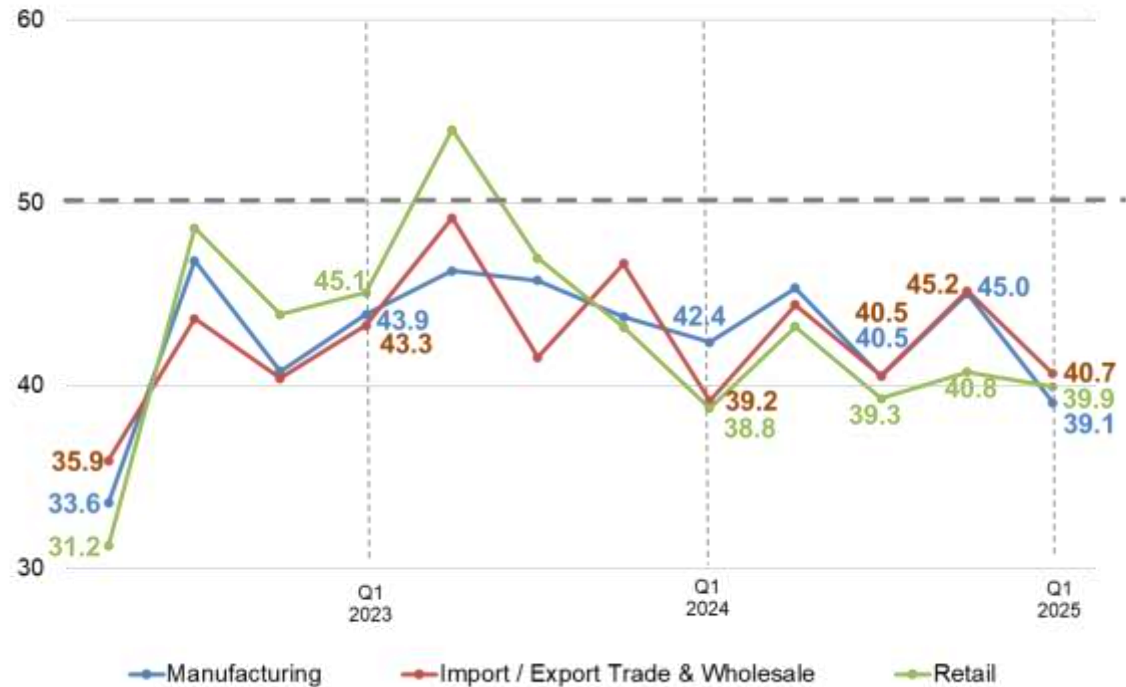
Industry index of Retail Industry was slightly down by 0.9 to 39.9 this quarter. “Global Economy” sub-index declined further by 3.3 to 20.1, reaching its lowest level since Q4 2020.

Component Indices	Index	Compared to last quarter	Compared to same period of last year
Recruitment Sentiment	50.6	Up	Up
Investment Sentiment	47.0	Up	Up
Business Condition	34.1	Down	Up
Profit Margin	33.5	Down	Up
Global Economy	20.1	Down	Down



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3 Key-Industry Indices



Industry Index

Among the 11 industry indices, only “Real Estate” showed a slight increase (+0.8), with the remaining 10 industry indices recorded declines. Notable drops were observed in “Manufacturing” (39.1, -5.9), “Transportation, Storage and Courier Services” (38.7, -5.8), “Construction” (37.9, -5.6), “Accommodation and Food Services” (43.5, -5.5), and “Import/Export Trade and Wholesale” (40.7, -4.5).

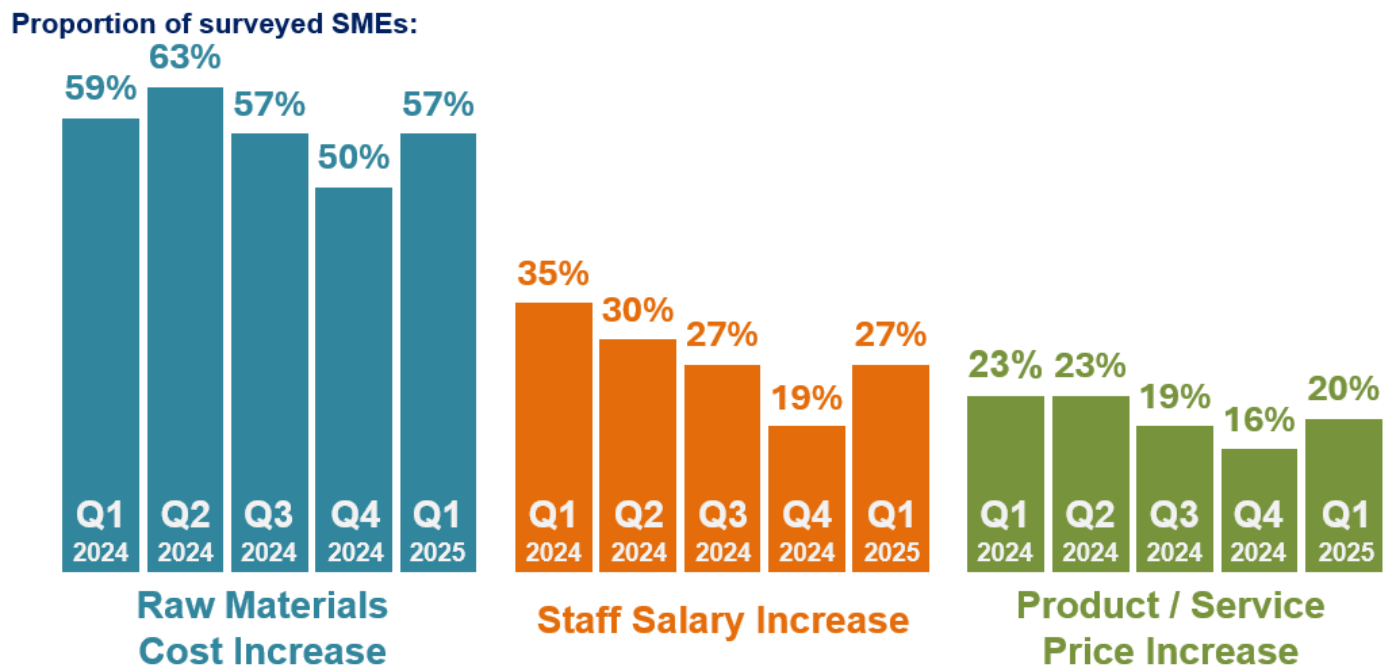


Market Prospects

In terms of overall investment trends, 93% of surveyed SMEs intended to maintain or increase investment this quarter, which is on par with the previous quarter. Key areas that most SMEs expected to maintain or increase investment included “Training Related to E-commerce or Digital Technology”, “IT Systems”, “Research and Development” and “Online Marketing Promotion”.



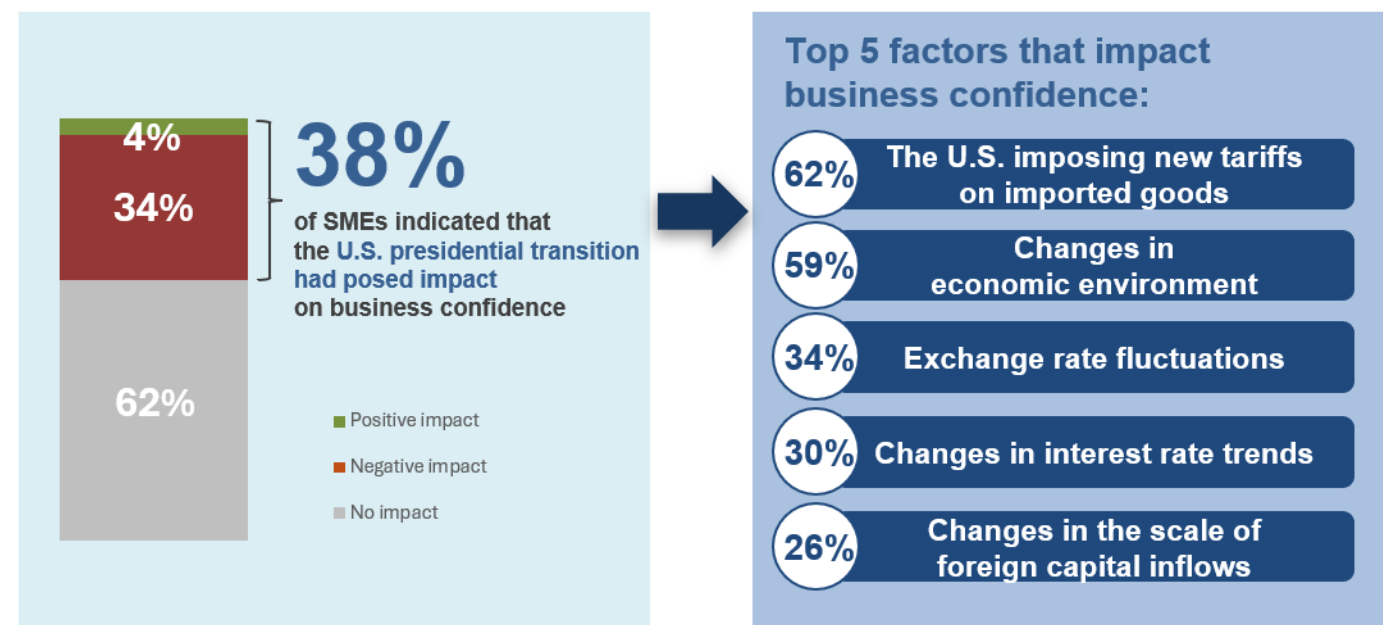
Regarding the changes in cost components, the proportion of local SMEs expecting an increase in raw materials costs and staff salary has risen this quarter, with an increase of 7 percentage points to 57% and an increase of 8 percentage points to 27% respectively compared to the previous quarter, returning to the level observed in Q3 2024, reflecting that SMEs are facing the pressure of rising costs again. On the other hand, 20% of SMEs planned to raise the prices of their products or services, an increase of 4 percentage points from the previous quarter.



Thematic Topic

Impact of the U.S. Presidential Transition on Hong Kong SMEs and Their Deployment Plans

The thematic survey results of this quarter explored the impact of the U.S. presidential transition on Hong Kong SMEs and their deployment plans. Nearly forty percent (38%) of surveyed SMEs indicated that the U.S. presidential transition had posed impact on their business confidence, with about 60% of them expressed that “The U.S. Imposing New Tariffs on Imported Goods” (62%) and “Changes in Economic Environment” (59%) were the primary factors influencing their business confidence. Other factors included “Exchange Rate Fluctuations” (34%), “Changes in Interest Rate Trends” (30%) and “Changes in the Scale of Foreign Capital Inflows” (26%).



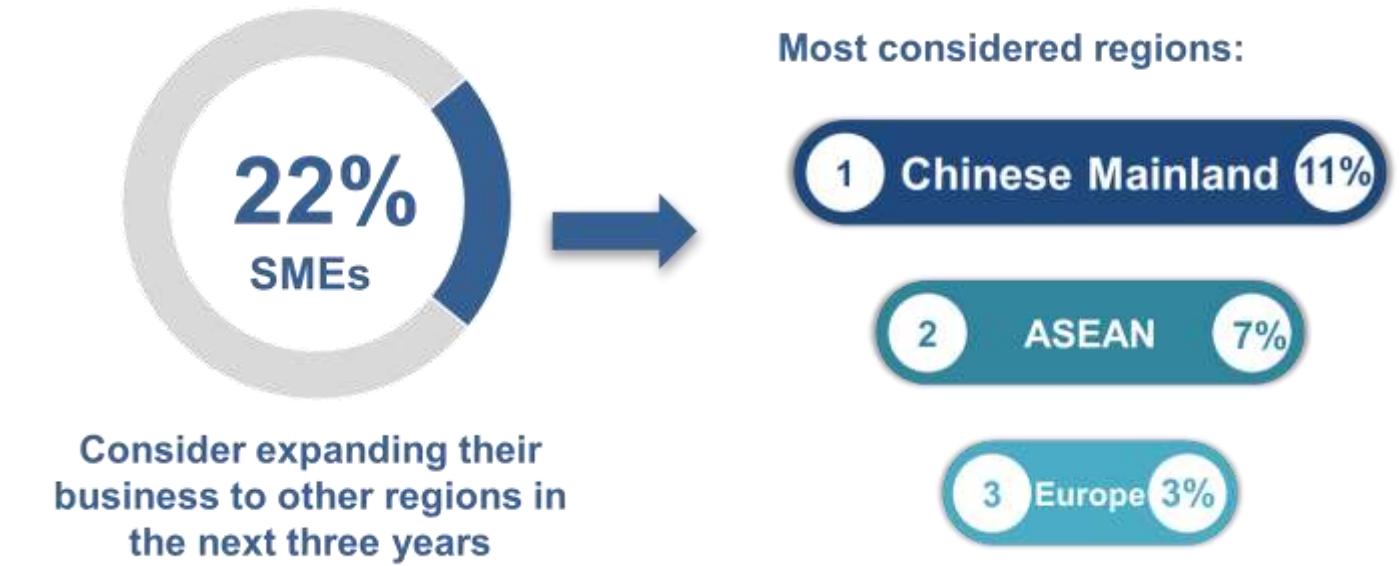
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Thematic Topic

Impact of the U.S. Presidential Transition on Hong Kong SMEs and Their Deployment Plans

In terms of business expansion, around twenty percent (22%) of the surveyed SMEs were considering broadening their reach to other regions within the next three years, with a significant number considering expansion into the Chinese Mainland or ASEAN regions.



Thematic Topic

The Opportunities and Challenges Brought by the “Belt and Road Initiative” for SMEs

The survey also examined the opportunities and challenges brought by the “Belt and Road Initiative” for SMEs. Among the surveyed SMEs, half (50%) believed that the “Belt and Road Initiative” could bring opportunities to their companies, primarily through “Market Expansion” (29%) and “Gaining New Partners” (25%).



However, nearly seventy percent (68%) of the surveyed SMEs reported facing different challenges in expanding into new markets along the countries and regions of the “Belt and Road Initiative”, including “Differences in Regulations and Product / Service Standards across Countries” (34%), “Unfamiliarity with the Plans or Policies of the ‘Belt and Road Initiative’” (32%) and “Cultural Differences” (24%).

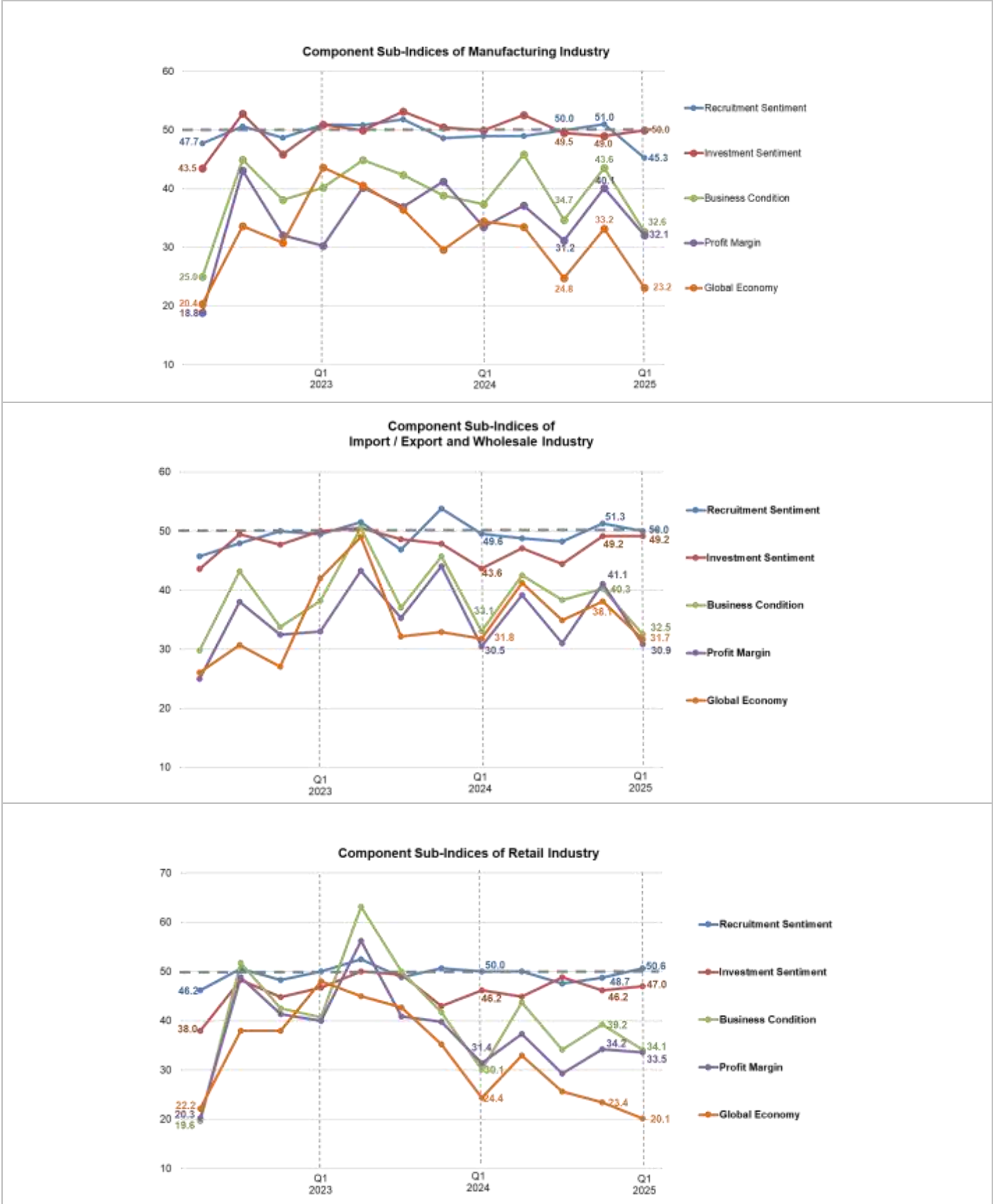


Top 3 challenges:



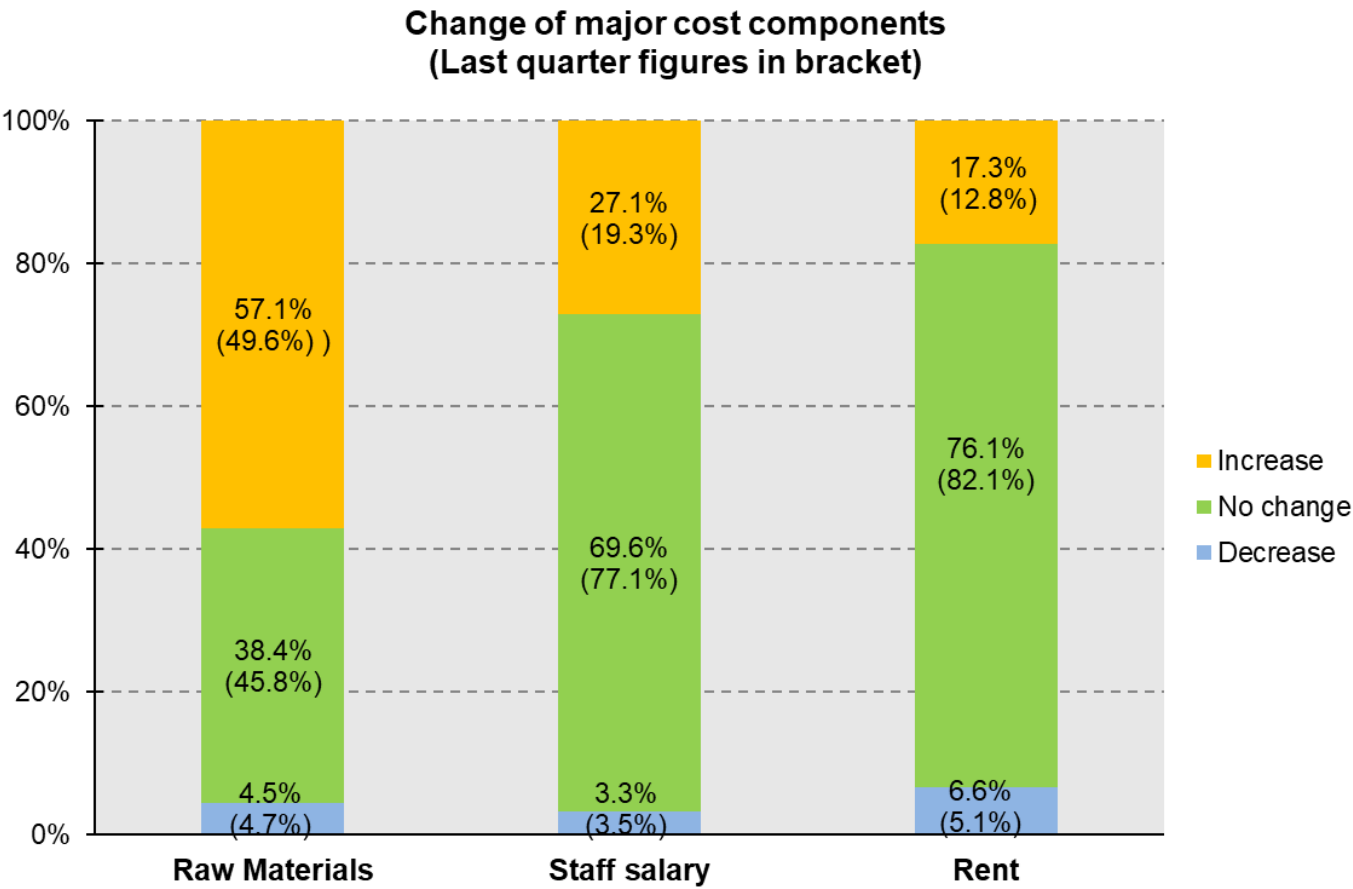
Appendix

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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