

The background image is a high-angle photograph of a multi-lane highway interchange in Hong Kong. The road curves through a landscaped area with green grass, manicured bushes, and several palm trees. Several vehicles, including cars and vans, are visible on the road. In the background, a dense urban skyline is visible under a blue sky with scattered white clouds. A prominent skyscraper with a pointed top is on the left. A white rectangular box with a teal border is overlaid on the right side of the image, containing the title and date.

Standard Chartered Hong Kong SME Leading Business Index

Quarter 2, 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 817 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 52nd survey of the Standard Chartered Hong Kong SME Leading Business Index was conducted in mid-March 2025. Top management of 817 SMEs were surveyed to gauge their views on the outlook of the overall business environment in Q2 2025 and to explore Hong Kong SMEs' strategies in face of future business environment.

Key Findings

The Q2 2025 "Standard Chartered SME Index" increased by 1.0 to 43.8 from the previous quarter, on par with the levels observed in recent quarters. Key findings of the survey are as follows:

- ⊕ Three of the five component sub-indices showed improvements, including "Business Condition" (41.6, +3.7), "Profit Margin" (39.1, +3.6) and "Investment Sentiment" (49.9, +0.3). Conversely, "Global Economy" (24.9, -4.7) and "Recruitment Sentiment" (50.7, -0.1) recorded declines;
- ⊕ "Global Economy" sub-index further declined by 4.7 to 24.9 this quarter and returned to a level like Q2 2022, reflecting that the ongoing global trade tensions continued to pose challenges for local SMEs. In particular, the Global Economy sub-index of "Import/Export Trade and Wholesale", "Manufacturing" and "Professional and Business Services" recorded the largest declines, dropping by 8.1, 7.9 and 7.8 points respectively, nearly falling to the levels observed in Q1 2021;
- ⊕ Among the 11 industry indices, "Financing and Insurance" (52.7, +6.6) recorded the largest growth. Conversely, "Information and Communications" (44.1, -5.7), "Real Estate" (42.5, -2.5) and "Accommodation and Food Services" (41.2, -2.3) experienced more significant declines;
- ⊕ In terms of overall investment trends, 94% of surveyed SMEs intended to maintain or increase investment this quarter, like the previous quarter. Key areas that most SMEs expected to maintain or increase investment included "Online Marketing Promotion", "Training Related to E-commerce or Digital Technology", "IT Systems", "Research and Development" and "Overall Staff Training";
- ⊕ Regarding the changes in cost components, SMEs anticipated a slowdown in the rise of costs. Specifically, 54% of SMEs expected an increase in raw material costs this quarter, a decrease of 3 percentage points from the previous quarter. Meanwhile, the proportion of SMEs expecting an increase in staff salary dropped by 7 percentage points to 20%. On the other hand, only 17% of SMEs planned to increase the prices of their products or services, a decline of 3 percentage points from the previous quarter.



Key Findings (cont.)

⊕ The thematic survey results in this quarter explored the strategies for local SMEs in face of future business environment:

- Amid current uncertainties in the trade environment, nearly 80 percent (78%) of the surveyed SMEs indicated that they have various development plans for the coming year to mitigate existing risks, primarily focusing on “Increasing local customer base” (47%) and “Enhancing AI / digital applications in operational processes” (27%). When segmented by industry, a greater proportion of SMEs in “Manufacturing” planned to “Allocate more resources to develop other markets” (43%) in the coming year, while those in “Import / Export Trade and Wholesale” primarily considered “Increase local customer base” (33%);
- Regarding market expansion, nearly 30 percent (29%) of the surveyed SMEs were considering expanding their business to other regions within the next three years, a seven-percentage point increase from the previous quarter, reflecting a growing intention from local SMEs to venture abroad. Among these, a significant number of SMEs were still considering expansion into the Chinese Mainland (14%) or ASEAN regions (10%), both up by 3 percentage points from the previous quarter.



Standard Chartered SME Index

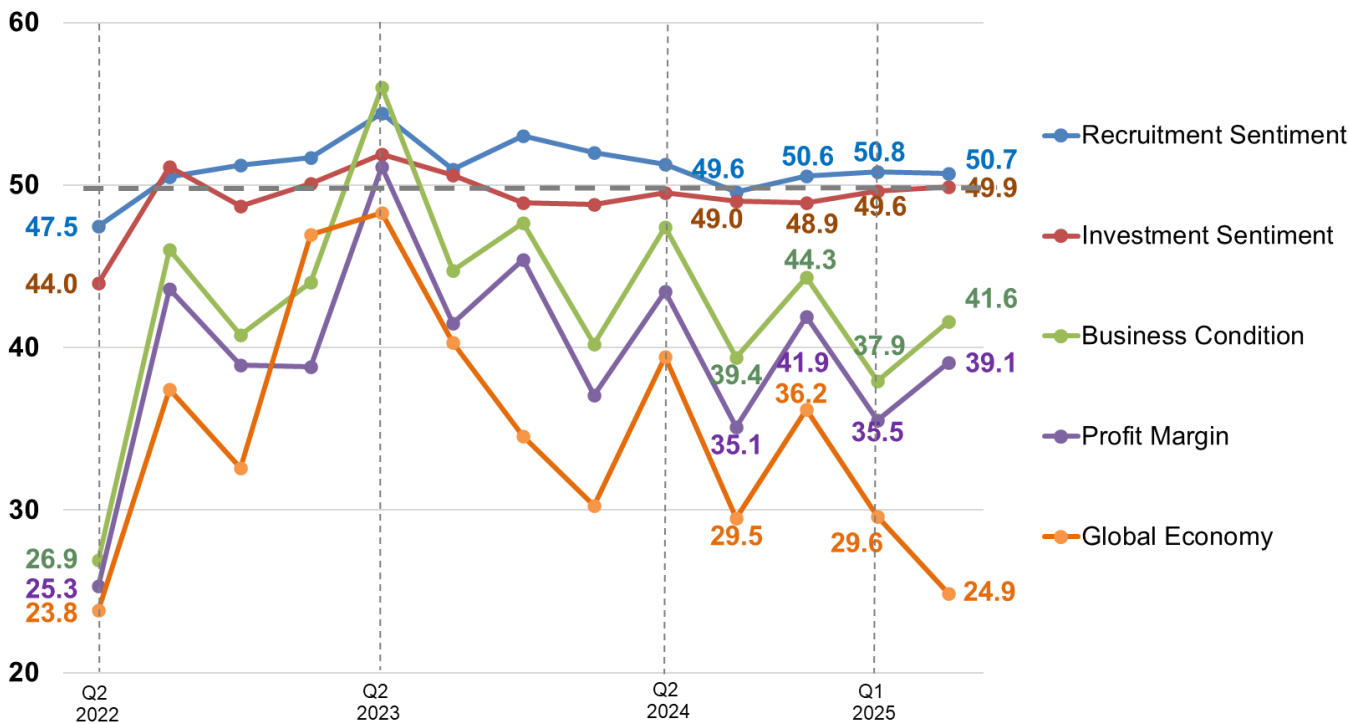
Q2 2025

43.8

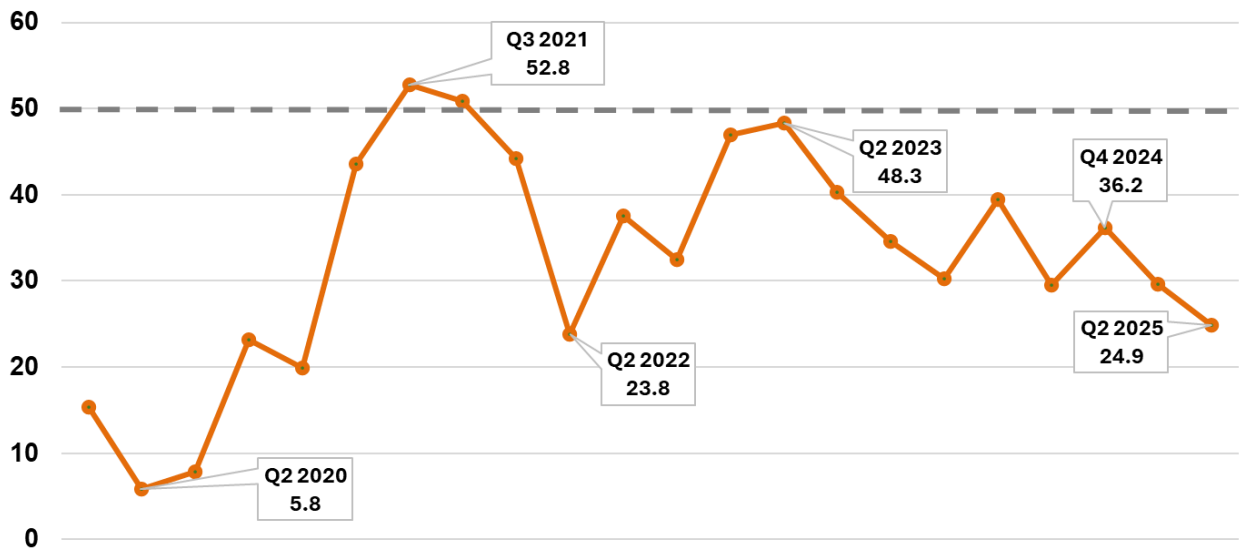


The Q2 2025 Overall Index was 43.8, increased by 1.0 from the previous quarter, on par with the levels observed in recent quarters. “Business Condition” and “Profit Margin” showed a remarkable rebound, “Recruitment Sentiment” and “Investment Sentiment” remained stable since 2024. “Global Economy” sub-index further declined, returning to a level similar to Q2 2022.

Five Component Sub-Indices of Overall Index



Global Economy Sub-Index



“Global Economy” sub-index for “Import / Export Trade and Wholesale”, “Manufacturing” and “Professional and Business Services” recorded the largest declines this quarter, with decreases of 8.1, 7.9 and 7.8 respectively.

This was followed by “Social and Personal Services”, “Transportation, Storage and Courier Services” and “Accommodation and Food Services”.

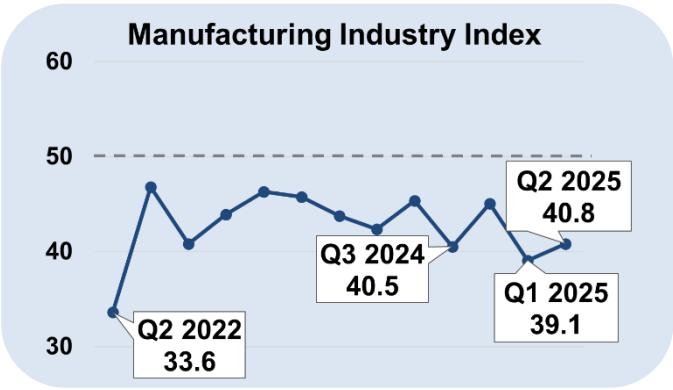


The 3 Key Industry Indices

Manufacturing Industry 40.8

Industry index of Manufacturing Industry increased by 1.7 from the previous quarter to 40.8 this quarter, returning to the level observed in Q3 2024. “Investment Sentiment”, “Business Condition” and “Profit Margin” recorded improvements in this quarter. However, “Global Economy” continued to decline, falling even below the level of Q2 2022.

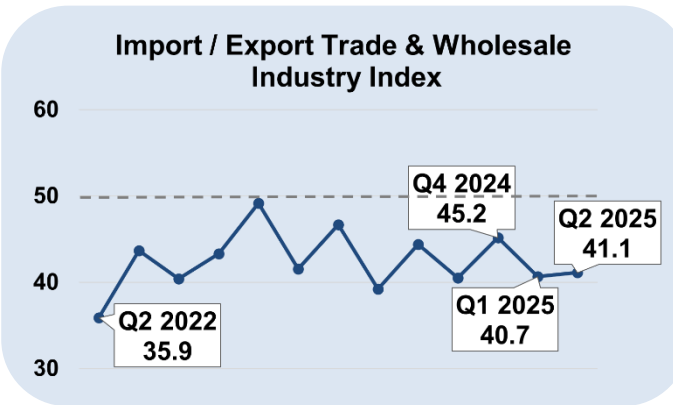
Component Indices	Index	Compared to last quarter	Compared to same period of last year
Recruitment Sentiment	49.4	Up	Up
Investment Sentiment	50.0	Remain	Down
Business Condition	37.5	Up	Down
Profit Margin	34.7	Up	Down
Global Economy	15.3	Down	Down



Import / Export Trade and Wholesale Industry 41.1

Industry index of Import / Export Trade and Wholesale Industry slightly increased by 0.4 from the previous quarter to 41.1. “Recruitment Sentiment”, “Business Condition” and “Profit Margin” recorded slight increases. However, “Global Economy” continued to decline quarter-on-quarter, dropping by 8.1 to 23.6, which was below the level of Q2 2022.

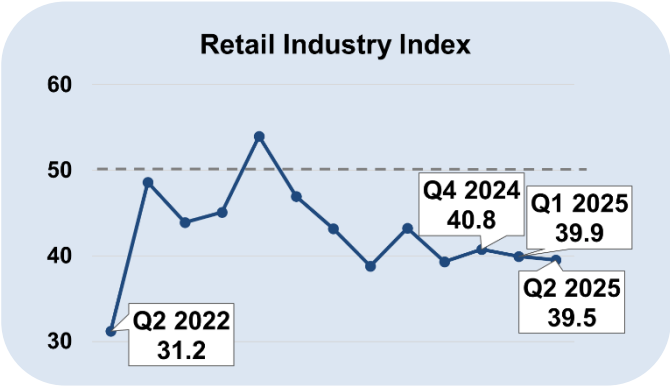
Component Indices	Index	Compared to last quarter	Compared to same period of last year
Recruitment Sentiment	51.6	Up	Up
Investment Sentiment	48.8	Down	Up
Business Condition	35.0	Up	Down
Profit Margin	30.9	Up	Down
Global Economy	31.7	Down	Down



The 3 Key Industry Indices

Retail Industry 39.5

Industry index of Retail Industry continued to record slight declines, with a cumulative decrease of 1.3 since Q4 2024, reaching 39.5 this quarter. Similarly, “Business Condition” and “Profit Margin” continued to record slight declines since Q4 2024, with cumulative decreases of 5.5 and 3.3 respectively. In contrast, “Investment Sentiment” continued to rise, with a cumulative increase of 2.1.



Component Indices	Index	Compared to last quarter	Compared to same period of last year
Recruitment Sentiment	50.0	Down	Remain
Investment Sentiment	48.3	Up	Up
Business Condition	33.7	Down	Down
Profit Margin	30.9	Down	Down
Global Economy	20.2	Up	Down

8

3 Key-Industry Indices



Industry Index

Among the 11 industry indices, “Financing and Insurance” (52.7, +6.6) recorded the largest growth. Conversely, “Information and Communications” (44.1, -5.7), “Real Estate” (42.5, -2.5) and “Accommodation and Food Services” (41.2, -2.3) experienced more significant declines.



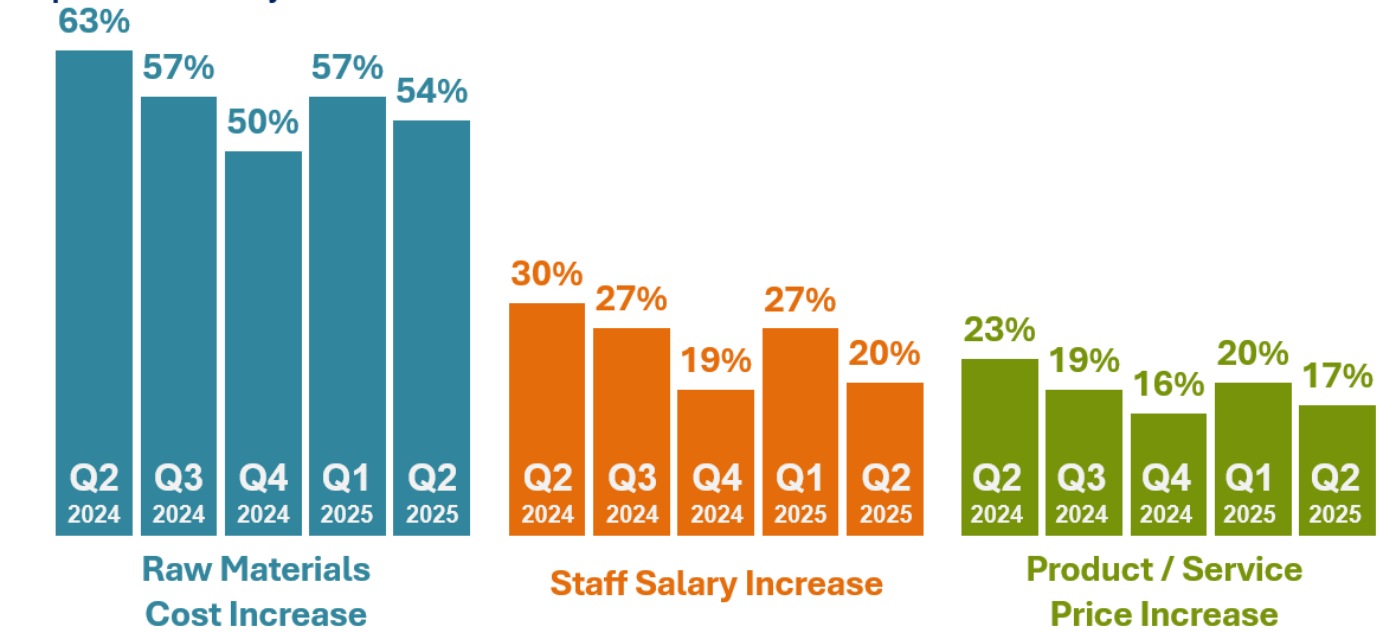
Market Prospects

In terms of overall investment trends, 94% of surveyed SMEs intended to maintain or increase investment this quarter, like the previous quarter. Key areas that most SMEs expected to maintain or increase investment included “Online Marketing Promotion”, “Training Related to E-commerce or Digital Technology”, “IT Systems”, “Research and Development” and “Overall Staff Training”.



Regarding the changes in cost components, SMEs anticipated a slowdown in the rise of costs. Specifically, 54% of SMEs expected an increase in raw material costs this quarter, a decrease of 3 percentage points from the previous quarter. Meanwhile, the proportion of SMEs expecting an increase in staff salary dropped by 7 percentage points to 20%. On the other hand, only 17% of SMEs planned to increase the prices of their products or services, a decline of 3 percentage points from the previous quarter.

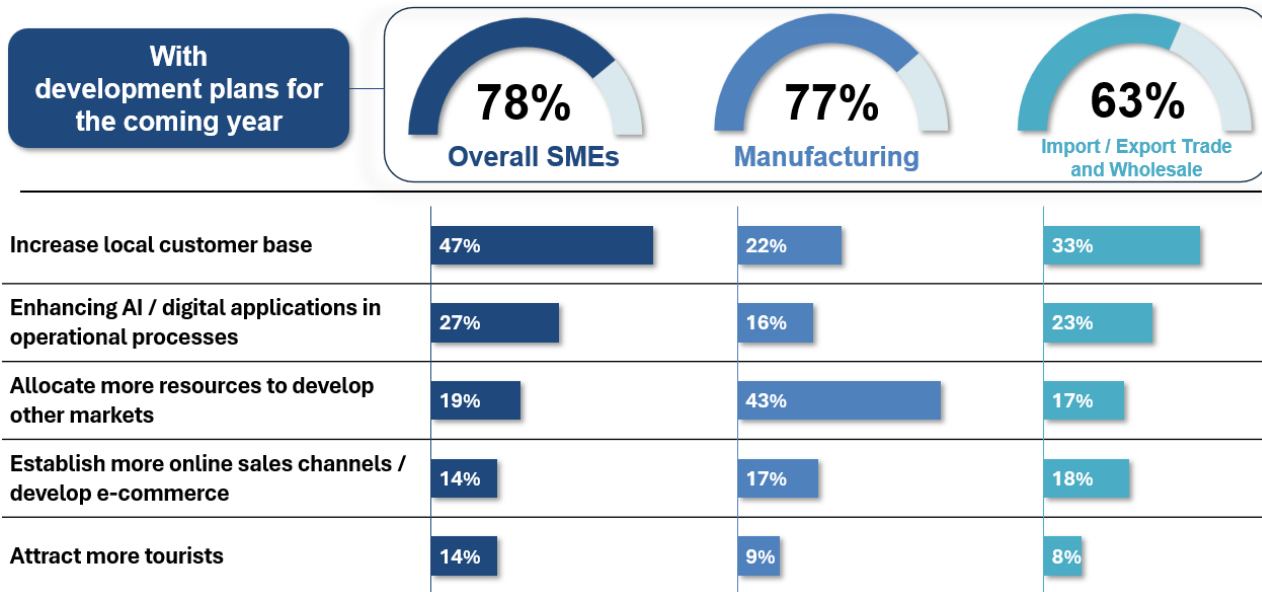
Proportion of surveyed SMEs:



Thematic Topic

Hong Kong SMEs’ Strategies in Face of Future Business Environment

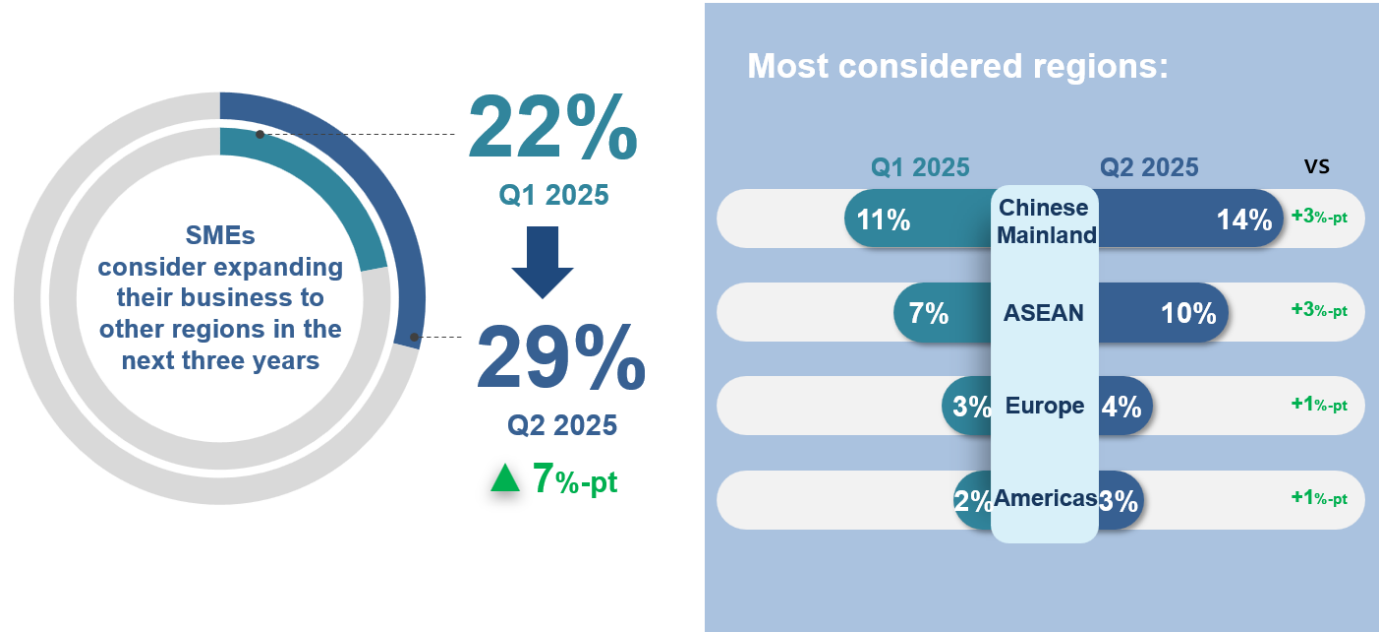
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Thematic Topic

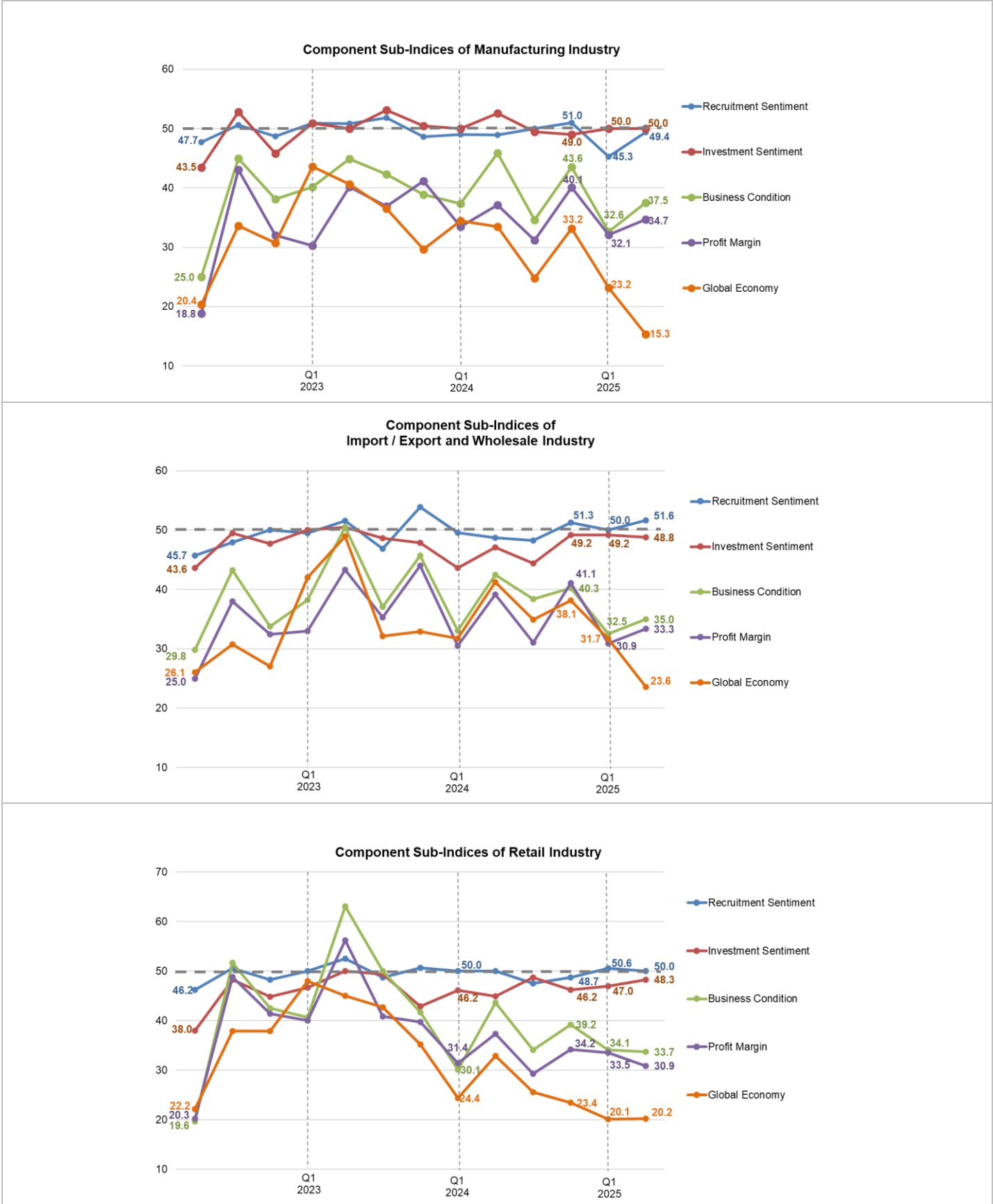
Hong Kong SMEs' Strategies in Face of Future Business Environment

Regarding market expansion, nearly 30 percent (29%) of the surveyed SMEs were considering expanding their business to other regions within the next three years, a seven-percentage point increase from the previous quarter, reflecting a growing intention from local SMEs to venture abroad. Among these, a significant number of SMEs were still considering expansion into the Chinese Mainland (14%) or ASEAN regions (10%), both up by 3 percentage points from the previous quarter.



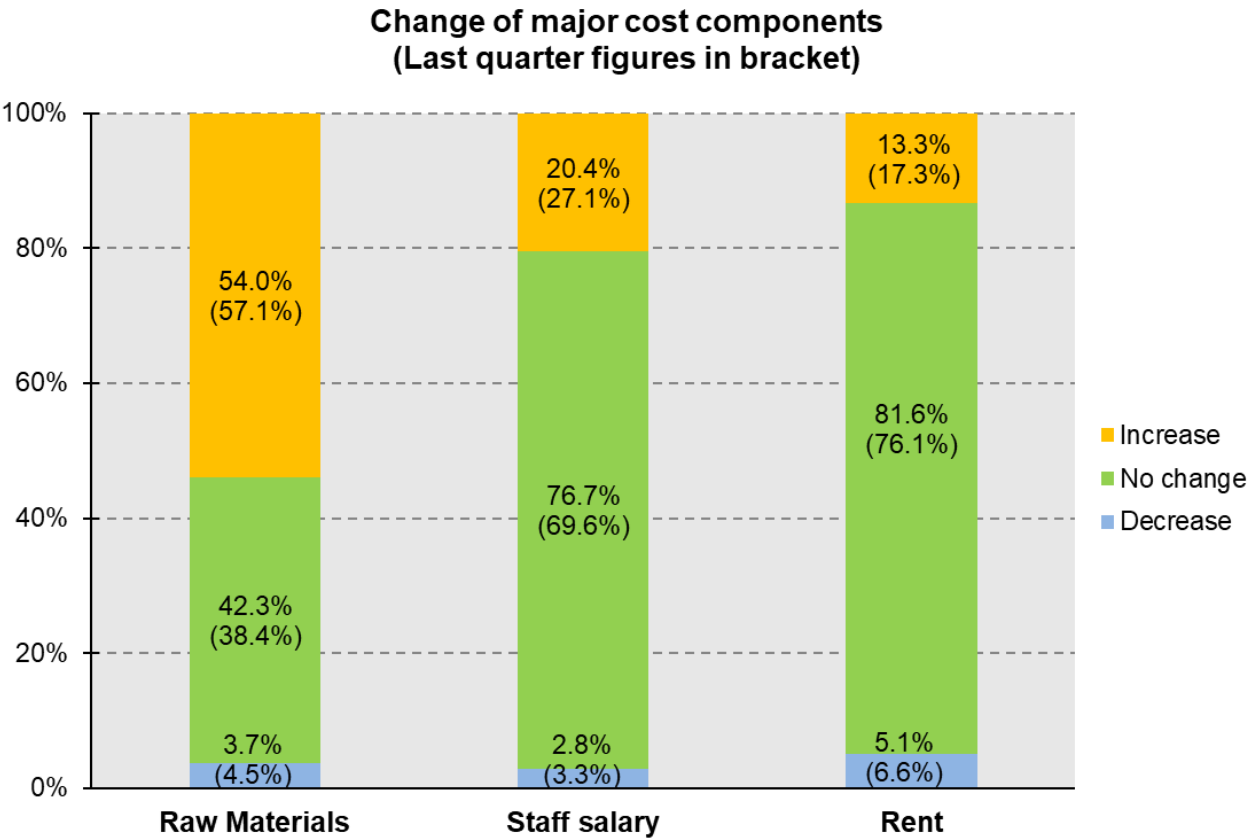
Appendix

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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