Standard Chartered Hong Kong SME Leading Business Index

Quarter 3, 2026

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 826 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%

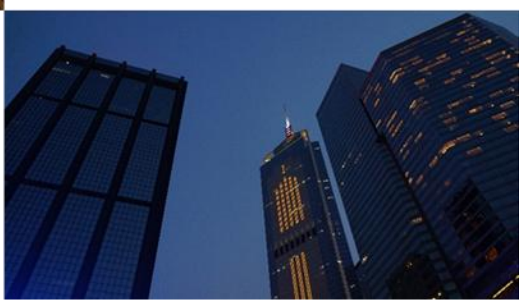
Respondents indicated the change of business sentiments in three ways: increase, no change or decline. Each diffusion index is calculated using the following formula:

Increase% x 100 + No Change% x 50 + Decline% x 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 57th survey of the Standard Chartered Hong Kong SME Leading Business Index was conducted in May and June 2026. Top management of 826 SMEs were surveyed to gauge their views on the outlook of the overall business environment in Q3 2026 and to explore their current situation and strategic plans in operating cross-border business. To further understand the performance and challenges faced by SMEs that have already established sales operations in other Greater Bay Area (GBA) cities, the survey also included an additional 20 local SMEs that had expanded into these cities as booster samples for supplementary analysis.



Key Findings

The Q3 2026 “Standard Chartered SME Index” was 44.1, edging up by 0.8 from the previous quarter. The results reflected a slight improvement in overall business confidence among SMEs amid a more favourable external environment, although sentiment remained cautious. Key findings of the survey are as follows:

- Among the five component sub-indices, “Global Economy” sub-index recorded a significant rebound, rising by 12.2 to 33.1, and returning to the level in Q4 2025. This suggested that SMEs had become more optimistic about the external economic outlook. The largest increases were observed in the “Import / Export Trade and Wholesale” and “Professional and Business Services” industries, which rose by 15.6 and 15.3 respectively. The “Social and Personal Services”, “Manufacturing”, and “Financing and Insurance” industries also recorded increases of more than 10 points;
- The other four sub-indices remained broadly stable. “Recruitment Sentiment” (50.5) and “Investment Sentiment” (50.0) continued to stay at or above the 50 neutral line. Meanwhile, “Business Condition” (40.5) and “Profit Margin” (37.8) remained below 50, indicating that SMEs were still cautious about short-term business performance and profitability prospects;
- Regarding the cost components, the proportion of SMEs expecting raw material costs to increase declined by 3 percentage points to 64%, while still remaining at a relatively high level. At the same time, the proportion of SMEs anticipating staff salary increases continued to fall, dropping by 3 percentage points to 17%. Meanwhile, only 19% of SMEs planned to raise the prices of their products or services, a decline of 4 percentage points from the previous quarter;
- The survey also examined the performance and challenges faced by SMEs that have already established sales operations in other GBA cities. Results showed that their overall revenue in other GBA cities was expected to remain stable. However, nearly 40% (39%) expected higher operating costs, mainly driven by increases in raw material and procurement expenses. Intense market competition, differences in customer demand between the two markets, as well as cross-border logistics and compliance requirements continued to pose challenges to SMEs expanding and operating in the GBA.

Key Findings (cont.)

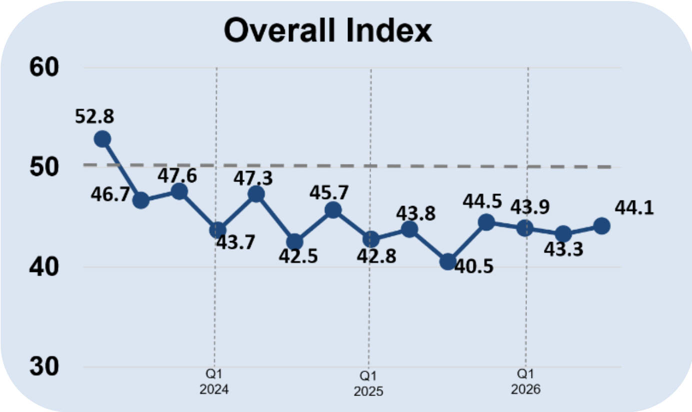
- The thematic survey of this quarter explored the current situation and strategic plans of Hong Kong SMEs in operating cross-border business:

  - The survey revealed that one-quarter (25%) of surveyed SMEs are already engaged in cross-border business, while another 11% indicated plans to expand into this area. However, 64% of SMEs currently have no plans to expand across borders. The main reasons included lack of manpower, high costs or insufficient capital, unfamiliarity with overseas markets, and perceived high risks, highlighting the key challenges SMEs face when going global;
  - Among SMEs that have already established cross-border business, 22% reported business expansion over the past year, while 14% experienced a contraction. Looking ahead, 32% plan to further expand their cross-border business in the coming year, reflecting proactive efforts to capture opportunities in overseas markets and broaden their customer base across different regions;
  - To support these ambitions, SMEs identified market and customer development capabilities as their top priority, alongside strengthening digitalisation and financing, risk management, talent and team capabilities, and partnership networks to build a stronger foundation for going global;
  - The survey also showed that many SMEs that are already operating cross-border businesses or planning to do so are considering introducing AI and digital technologies across different business functions. Applications included handling daily documentation, responding to customer enquiries or orders, understanding overseas markets and regulatory requirements, promoting and attracting overseas customers, and conducting market and sales analysis, with the objective of enhancing overall competitiveness when going global;
  - However, SMEs still require extensive support in leveraging AI to support their go-global initiatives. The most pressing need was AI training for employees (43%), followed by cybersecurity support (38%), technical support for implementing AI tools (37%), and guidance on selecting suitable AI solutions or vendors (29%). These findings reflected strong demand for end-to-end support, ranging from talent development to practical implementation.

Standard Chartered SME Index

Q3 2026

44.1

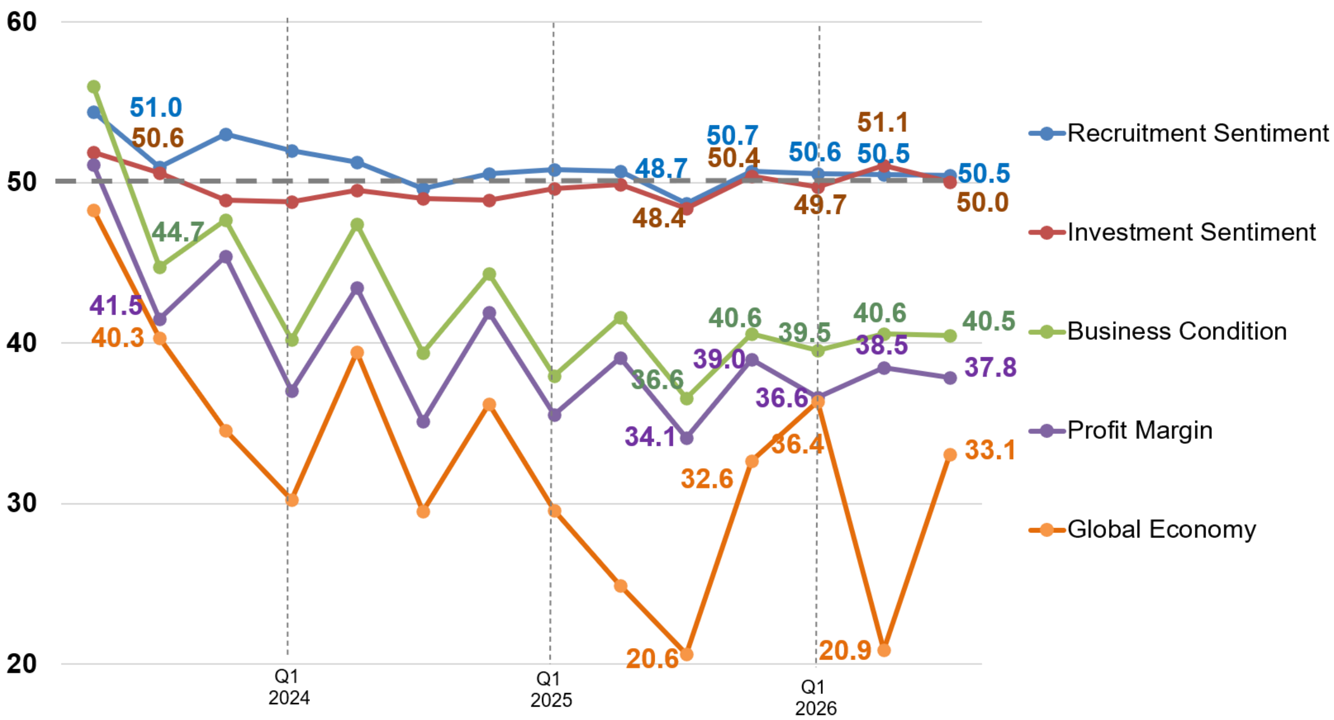


The Q3 2026 Overall Index was 44.1, edging up by 0.8 from the previous quarter. The results reflected a slight improvement in overall business confidence among SMEs amid a more favourable external environment, although sentiment remained cautious.

Among the five component sub-indices, "Global Economy" sub-index recorded a significant rebound, rising by 12.2 to 33.1, and returning to the level in Q4 2025. This suggested that SMEs had become more optimistic about the external economic outlook. The largest increases were observed in the "Import / Export Trade and Wholesale" and "Professional and Business Services" industries, which rose by 15.6 and 15.3 respectively. The "Social and Personal Services", "Manufacturing", and "Financing and Insurance" industries also recorded increases of more than 10 points.

The other four sub-indices remained broadly stable. "Recruitment Sentiment" (50.5) and "Investment Sentiment" (50.0) continued to stay at or above the 50 neutral line. Meanwhile, "Business Condition" (40.5) and "Profit Margin" (37.8) remained below 50, indicating that SMEs were still cautious about short-term business performance and profitability prospects.

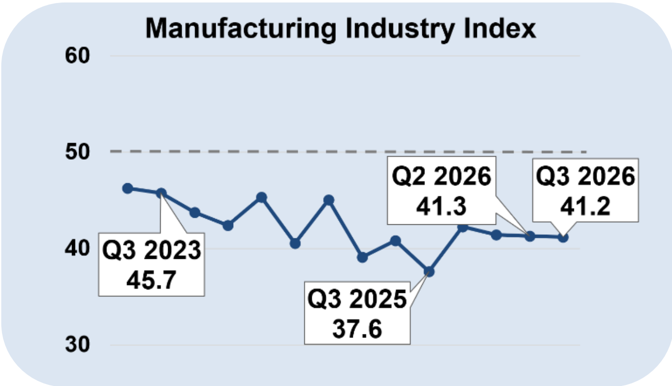
Five Component Sub-Indices of Overall Index



The 3 Key Industry Indices

Manufacturing Industry 41.2

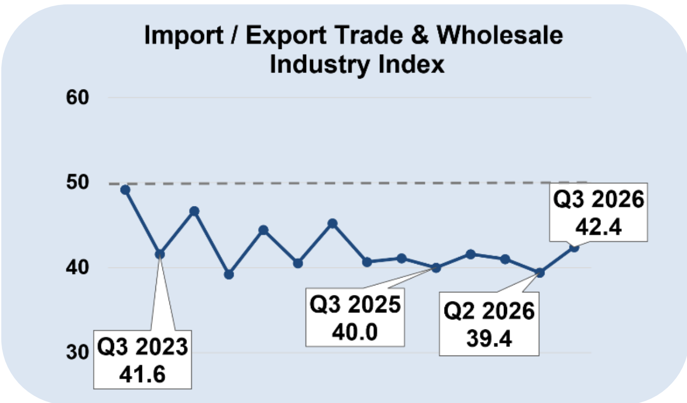
Industry index of Manufacturing Industry remained stable over the past three quarters, staying at around 41. "Global Economy" sub-index rebounded significantly, rising by 12.0 to 29.4. In contrast, "Investment Sentiment" has recorded slight declines since Q1 2026, with a cumulative decrease of 5.9.



Component Indices	Index	Compared to last quarter	Compared to same period of last year
Recruitment Sentiment	48.9	Up	Up
Investment Sentiment	47.8	Down	Down
Business Condition	37.2	Down	Up
Profit Margin	33.3	Down	Up
Global Economy	29.4	Up	Up

Import / Export Trade and Wholesale Industry 42.4

Industry index of Import / Export Trade and Wholesale Industry rose by 3.0 to 42.4, reaching the highest level in recent two years. "Global Economy" rebounded, rising by 15.6 to 29.1, returning to the level in Q1 2026. "Business Condition" and "Profit Margin" increased by 3.6 and 5.3 respectively.

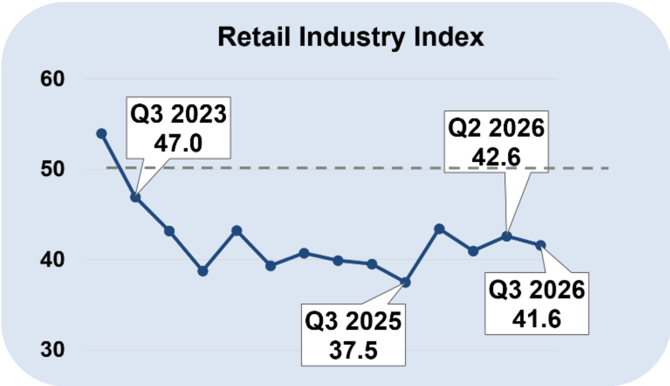


Component Indices	Index	Compared to last quarter	Compared to same period of last year
Recruitment Sentiment	50.7	Up	Up
Investment Sentiment	48.1	Down	Down
Business Condition	37.3	Up	Up
Profit Margin	36.6	Up	Up
Global Economy	29.1	Up	Up

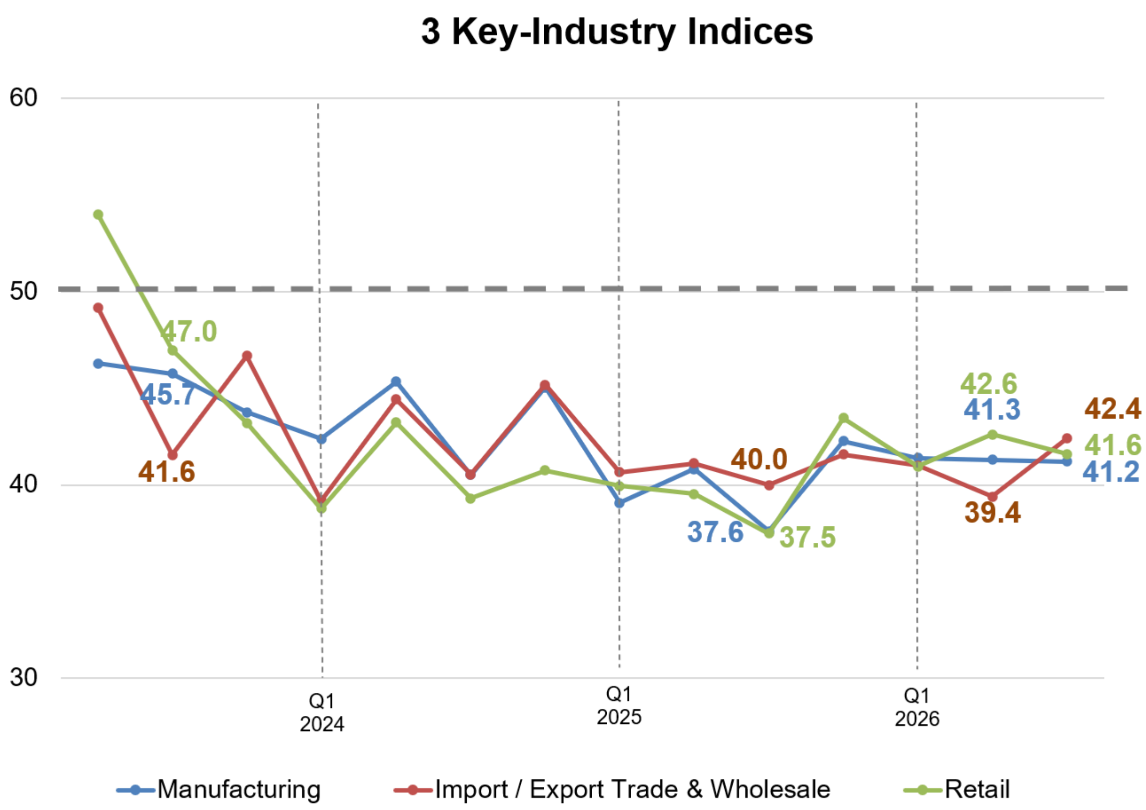
The 3 Key Industry Indices

Retail Industry 41.6

Industry index of Retail Industry declined slightly by 1.0 to 41.6. "Global Economy" sub-index rebounded by 8.1 to 31.9, returning to the level in Q1 2026. However, "Profit Margin" recorded a relatively significant decline (-5.9).



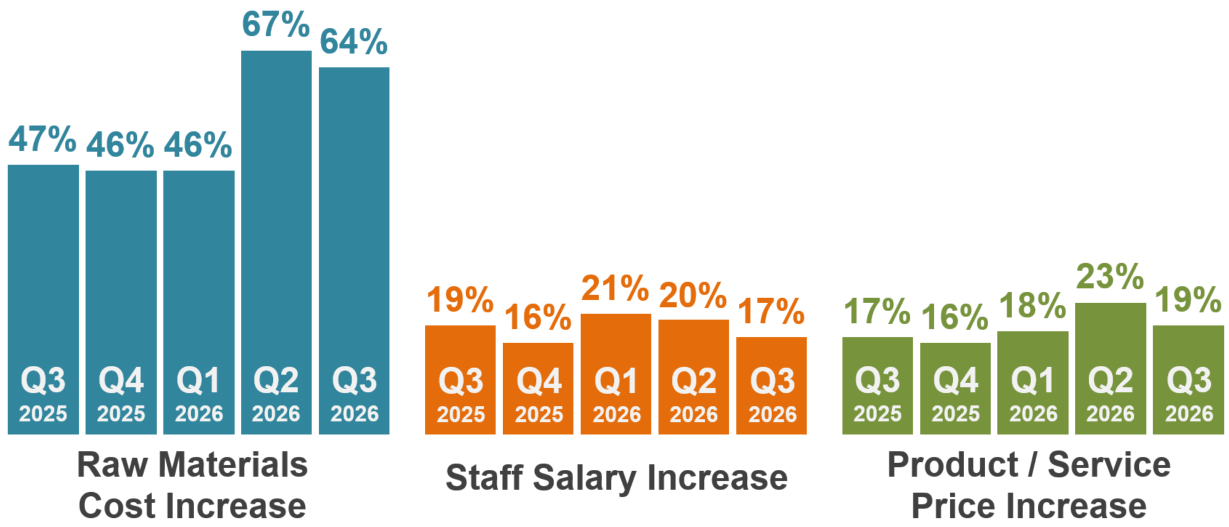
Component Indices	Index	Compared to last quarter	Compared to same period of last year
Recruitment Sentiment	48.8	Up	Up
Investment Sentiment	50.0	Down	Up
Business Condition	36.1	Down	Up
Profit Margin	32.5	Down	Up
Global Economy	31.9	Up	Up



Market Prospects

Regarding the cost components, the proportion of SMEs expecting raw material costs to increase declined by 3 percentage points to 64%, while still remaining at a relatively high level. At the same time, the proportion of SMEs anticipating staff salary increases continued to fall, dropping by 3 percentage points to 17%. Meanwhile, only 19% of SMEs planned to raise the prices of their products or services, a decline of 4 percentage points from the previous quarter.

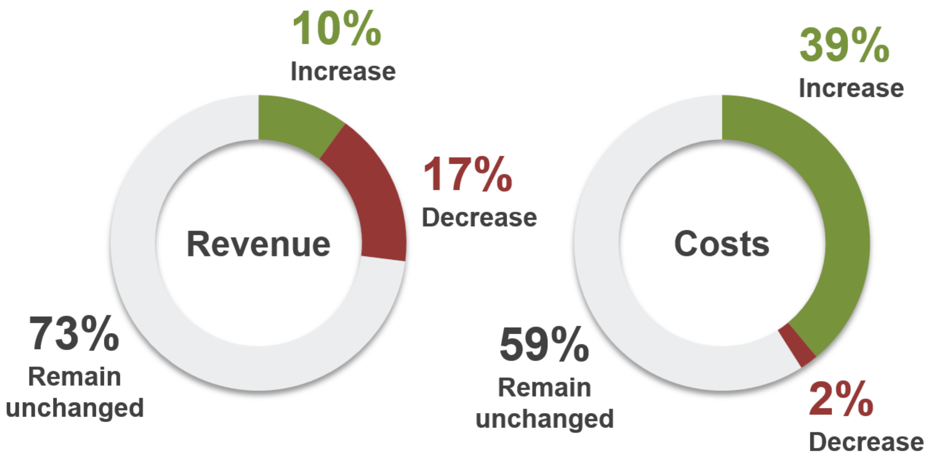
Proportion of surveyed SMEs:



Operations and Challenges in other GBA Cities

The survey also examined the performance and challenges faced by SMEs that have already established sales operations in other GBA cities. Results showed that their overall revenue in other GBA cities was expected to remain stable. However, nearly 40% (39%) expected higher operating costs, mainly driven by increases in raw material and procurement expenses.

Among SMEs that have already established sales operations in other GBA cities:



Cost item with the largest increase:

Raw material / Procurement

Intense market competition, differences in customer demand between the two markets, as well as cross-border logistics and compliance requirements continued to pose challenges to SMEs expanding and operating in the GBA.

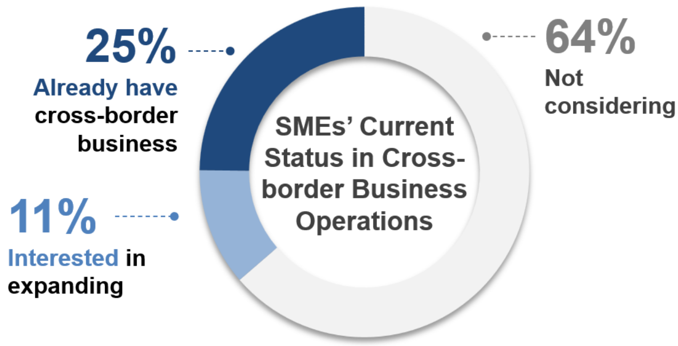
Among SMEs that have already established sales operations in other GBA cities:

1. Intense market competition
2. Differences in customer demand between Hong Kong and Chinese Mainland
3. Cross-border logistics
4. Regulatory differences / Compliance requirements

Thematic Topic

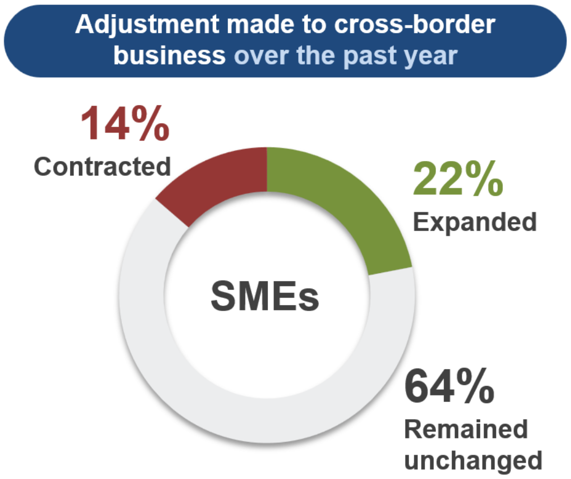
Current Situation and Strategic Plans of Hong Kong SMEs in Operating Cross-border Business

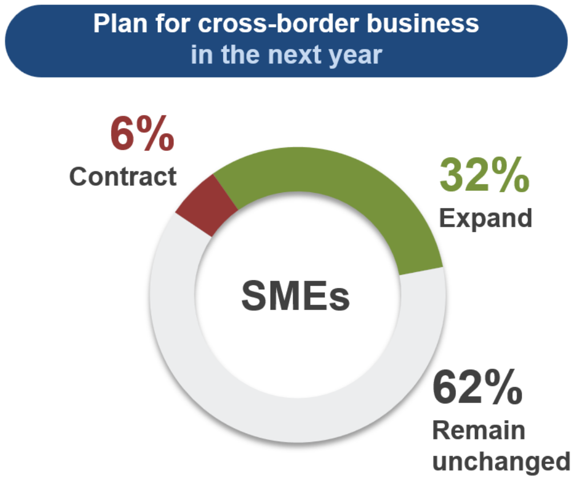
The thematic survey of this quarter explored the current situation and strategic plans of Hong Kong SMEs in operating cross-border business. The survey revealed that one-quarter (25%) of surveyed SMEs are already engaged in cross-border business, while another 11% indicated plans to expand into this area. However, 64% of SMEs currently have no plans to expand across borders. The main reasons included lack of manpower, high costs or insufficient capital, unfamiliarity with overseas markets, and perceived high risks, highlighting the key challenges SMEs face when going global.



Among SMEs that have already established cross-border business, 22% reported business expansion over the past year, while 14% experienced a contraction. Looking ahead, 32% plan to further expand their cross-border business in the coming year, reflecting proactive efforts to capture opportunities in overseas markets and broaden their customer base across different regions.

Among SMEs currently operating cross-border business:





Thematic Topic

Current Situation and Strategic Plans of Hong Kong SMEs in Operating Cross-border Business

To support these ambitions, SMEs identified market and customer development capabilities as their top priority, alongside strengthening digitalisation and financing, risk management, talent and team capabilities, and partnership networks to build a stronger foundation for going global.

Among SMEs planning to expand cross-border business in the coming year:

1. Market and Customer development
2. Digitalisation and Financing
3. Risk management
4. Talent and Team capabilities
5. Partnership networks

The survey also showed that many SMEs that are already operating cross-border businesses or planning to do so are considering introducing AI and digital technologies across different business functions. Applications included handling daily documentation, responding to customer enquiries or orders, understanding overseas markets and regulatory requirements, promoting and attracting overseas customers, and conducting market and sales analysis, with the objective of enhancing overall competitiveness when going global.

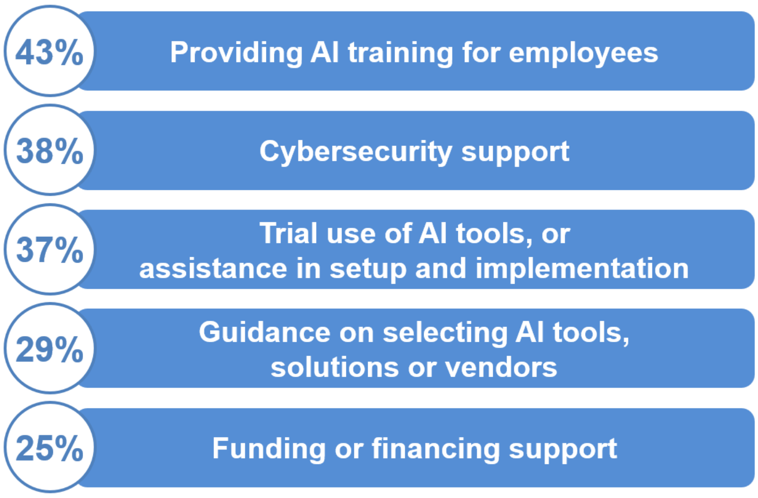
Among SMEs currently operating or interested in expanding cross-border business:

1. Handling daily documentation and improving operational efficiency
2. Responding to customer enquiries or handling orders
3. Understanding overseas markets or regulatory requirements
4. Promoting and Attracting overseas customers
5. Conducting market and sales analysis

Thematic Topic

Current Situation and Strategic Plans of Hong Kong SMEs in Operating Cross-border Business

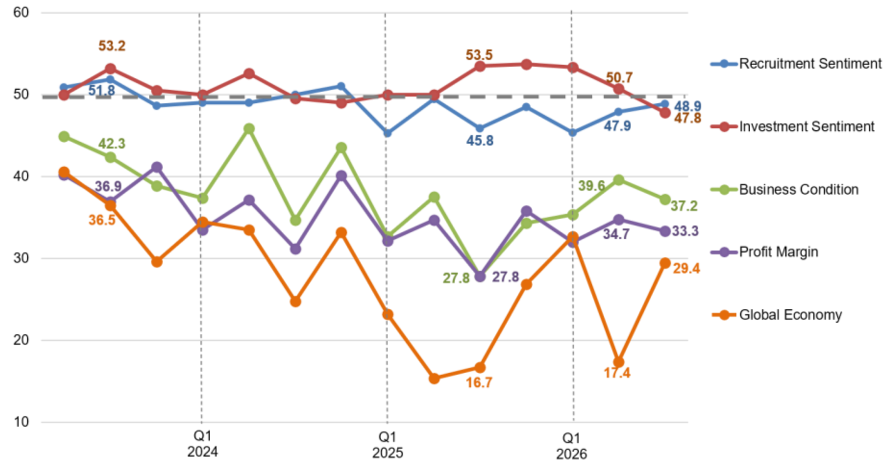
However, SMEs still require extensive support in leveraging AI to support their go-global initiatives. The most pressing need was AI training for employees (43%), followed by cybersecurity support (38%), technical support for implementing AI tools (37%), and guidance on selecting suitable AI solutions or vendors (29%). These findings reflected strong demand for end-to-end support, ranging from talent development to practical implementation.



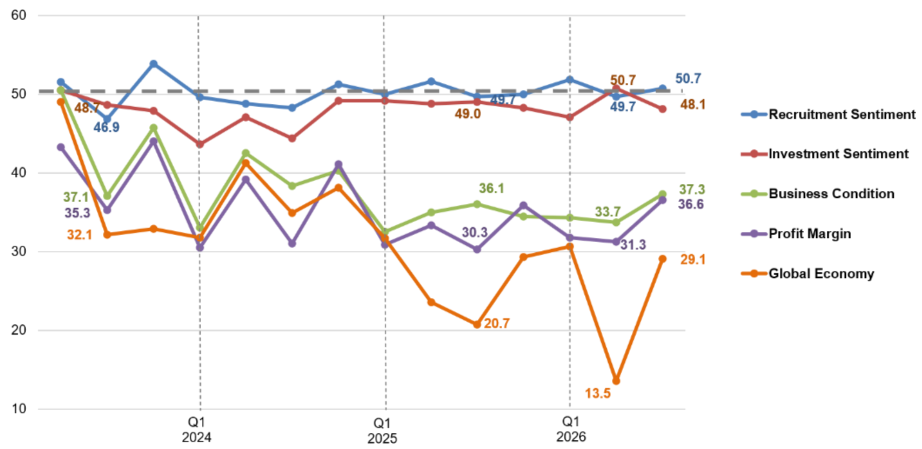
Appendix

Component Sub-Indices of the 3 Key Industry Indices

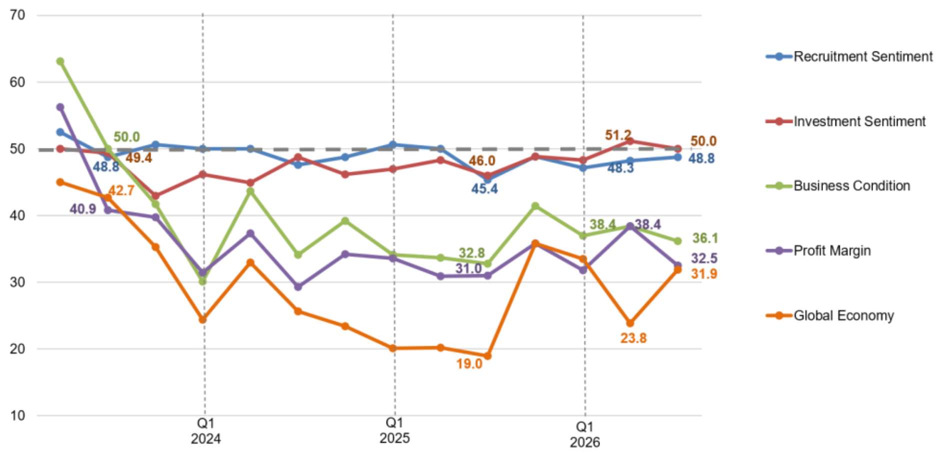
Component Sub-Indices of Manufacturing Industry



Component Sub-Indices of Import / Export and Wholesale Industry

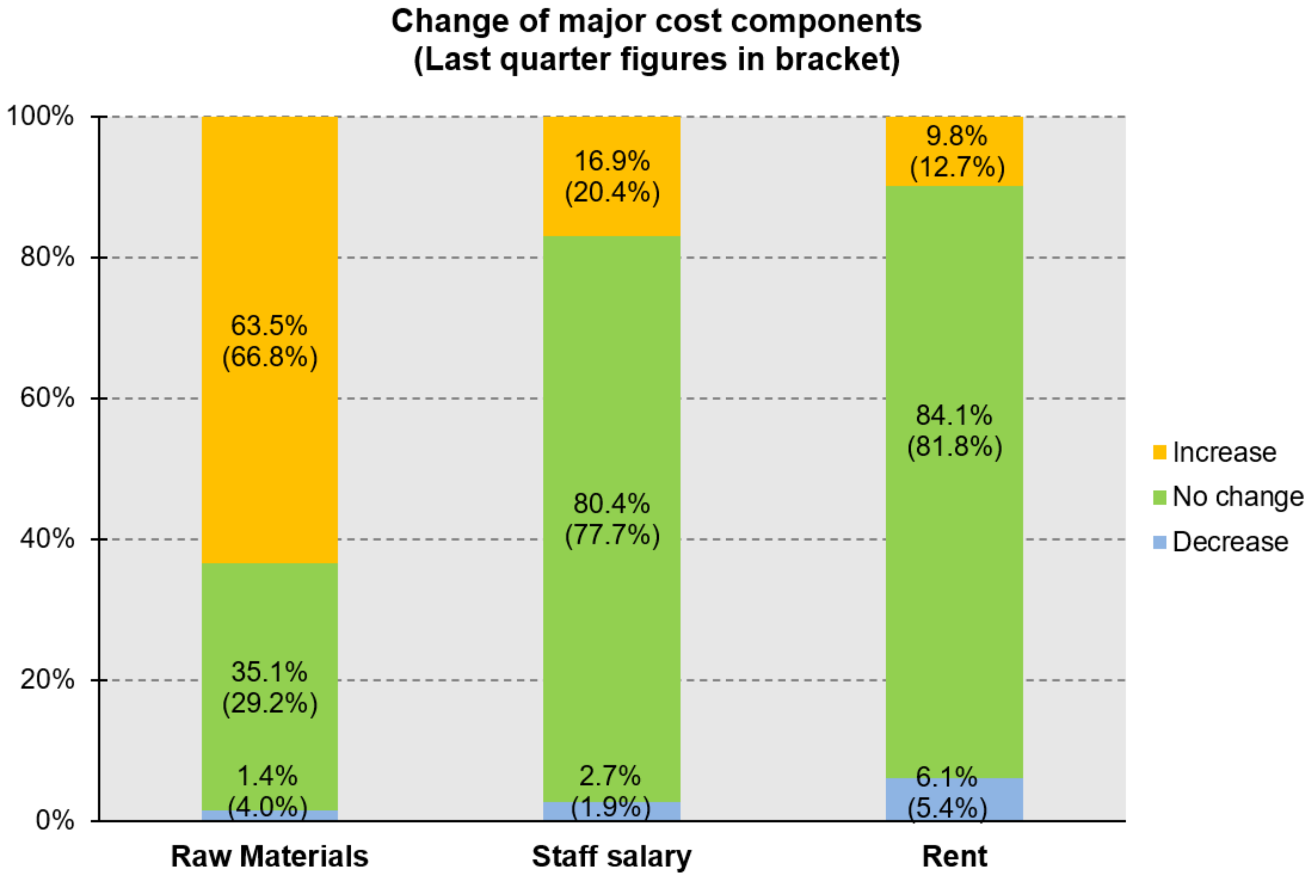


Component Sub-Indices of Retail Industry



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.