

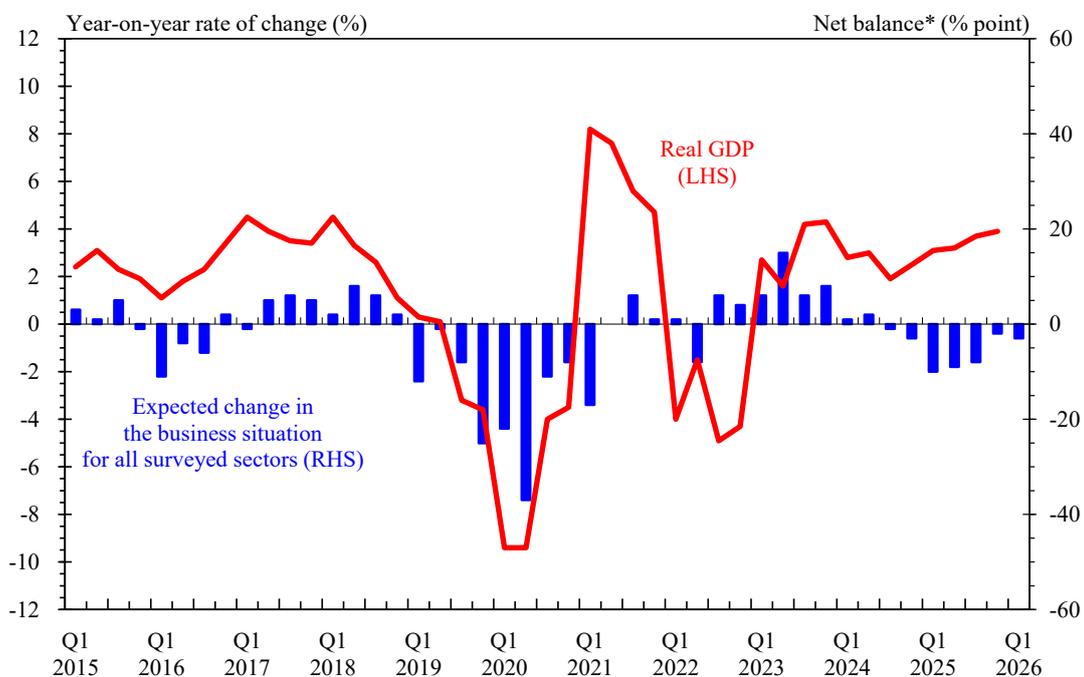
**Box 1.1****Business sentiment in Hong Kong**

This box article gives a general overview of the prevailing business sentiment in Hong Kong, based on results from various surveys that are available in the public domain. Survey results indicate that overall business sentiment has improved visibly since the second half of 2025.

According to the results of the Census and Statistics Department (C&SD)'s Quarterly Business Tendency Survey (QBTS)<sup>(1)</sup>, business sentiment among large enterprises in Hong Kong as shown in the latest two rounds of survey (conducted during 2 September 2025 to 10 October 2025 and during 1 December 2025 to 9 January 2026 respectively) improved markedly compared with those conducted earlier in 2025 (*Chart 1*). According to the latest survey, the proportion of large enterprises expecting their business situation to improve in the first quarter of 2026 over the previous quarter was smaller than the proportion of those expecting the situation to worsen by 3 percentage points (i.e. a net balance of -3). The reading was broadly similar to the net balance of -2 in the previous round, and was notably higher than those in the earlier rounds in 2025, which ranged from -10 to -8.

Business sentiment of large enterprises for the first quarter of 2026 showed diverse views across sectors regarding their business situation compared with the previous quarter (*Table 1*). The “financing and insurance” sector was in particular positive about the business outlook, whereas significantly more enterprises in the “construction” and “accommodation and food services” sectors expected their business situation to be worse. As for hiring appetite, the latest overall situation showed some slight easing compared with the previous round, yet broadly similar to the situation in early 2025 (*Table 2*).

**Chart 1 : Business sentiment among large enterprises improved markedly compared to the situation earlier in 2025**



Note: (\*) Net balance indicates the direction of expected change in the business situation versus the preceding quarter. It refers to the difference in percentage points between the proportion of establishments choosing “better” over that choosing “worse”. A positive sign indicates a likely upward trend while a negative sign, a likely downward trend.

(1) The Quarterly Business Tendency Survey collected views from around 500-600 large establishments on their near-term business outlook. Respondents were asked to exclude seasonal influences in their responses.

## Box 1.1 (Cont'd)

**Table 1 : Business sentiment of large enterprises showed diverse views across sectors regarding their business situation**

QBTS: Expected changes in business situation						
	Net balance* (% point)					
	2024	2025				2026
	Q4	Q1	Q2	Q3	Q4	Q1
Manufacturing	-19	-22	-20	-2	-15	-15
Construction	-12	-14	-16	-22	-24	-23
Import/export trade and wholesale	-8	-15	-19	-18	-11	-12
Retail	-19	-31	+4	-14	+14	-1
Accommodation and food services	-3	-36	-37	-16	+10	-22
Transportation, storage and courier services	-1	-27	-25	-31	-11	-13
Information and communications	-5	-11	-17	-9	-16	-8
Financing and insurance	+2	+10	+8	+11	+13	+21
Real estate	+6	-15	-11	+3	+7	-4
Professional and business services	+3	-8	-6	-14	-9	-12
<b>All sectors above</b>	<b>-3</b>	<b>-10</b>	<b>-9</b>	<b>-8</b>	<b>-2</b>	<b>-3</b>

Note : (\*) Net balance indicates the direction of expected change in the business situation versus the preceding quarter. It refers to the difference in percentage points between the proportion of establishments choosing “better” over that choosing “worse”. A positive sign indicates a likely upward trend while a negative sign, a likely downward trend.

**Table 2 : Overall hiring sentiment of large enterprises showed some slight easing**

QBTS: Expected changes in number of persons engaged						
	Net balance* (% point)					
	2024	2025				2026
	Q4	Q1	Q2	Q3	Q4	Q1
Manufacturing	+3	+4	-2	+4	+15	+10
Construction	-7	-12	-12	-6	-9	-26
Import/export trade and wholesale	+4	-4	+1	-6	0	+3
Retail	+2	0	+1	0	-12	-4
Accommodation and food services	-7	-5	-22	-7	+5	+6
Transportation, storage and courier services	+10	-2	+6	+9	+7	-19
Information and communications	-4	-7	-3	-13	-1	-4
Financing and insurance	+5	+9	+6	+4	+2	+7
Real estate	+9	-1	+15	+10	+11	+10
Professional and business services	-3	-5	-3	-6	-10	-13
<b>All sectors above</b>	<b>+1</b>	<b>-3</b>	<b>-2</b>	<b>-2</b>	<b>-1</b>	<b>-4</b>

Note : (\*) Net balance indicates the direction of expected change in the number of persons engaged versus the preceding quarter. It refers to the difference in percentage points between the proportion of establishments choosing “up” over that choosing “down”. A positive sign indicates a likely upward trend while a negative sign, a likely downward trend.

As for small and medium-sized enterprises (SMEs), C&SD compiles a set of diffusion indices on a monthly basis<sup>(2)</sup> to gauge the general direction of change in their views on the business situation versus the preceding month. The overall index on the current situation was on a general upward trend since mid-2025 and reached a 21-month high in December 2025, though easing somewhat in January 2026 (*Chart 2a*). The employment sentiment among SMEs indicated a general improvement in the past six months or so compared with the situation in the earlier part of 2025, and credit conditions stayed accommodative. Meanwhile, the Standard Chartered Hong Kong SME Leading Business Index<sup>(3)</sup> reached a high of the year in the fourth quarter of 2025 before easing somewhat in the first quarter of 2026, yet the reading remained higher than the first three quarters of 2025.

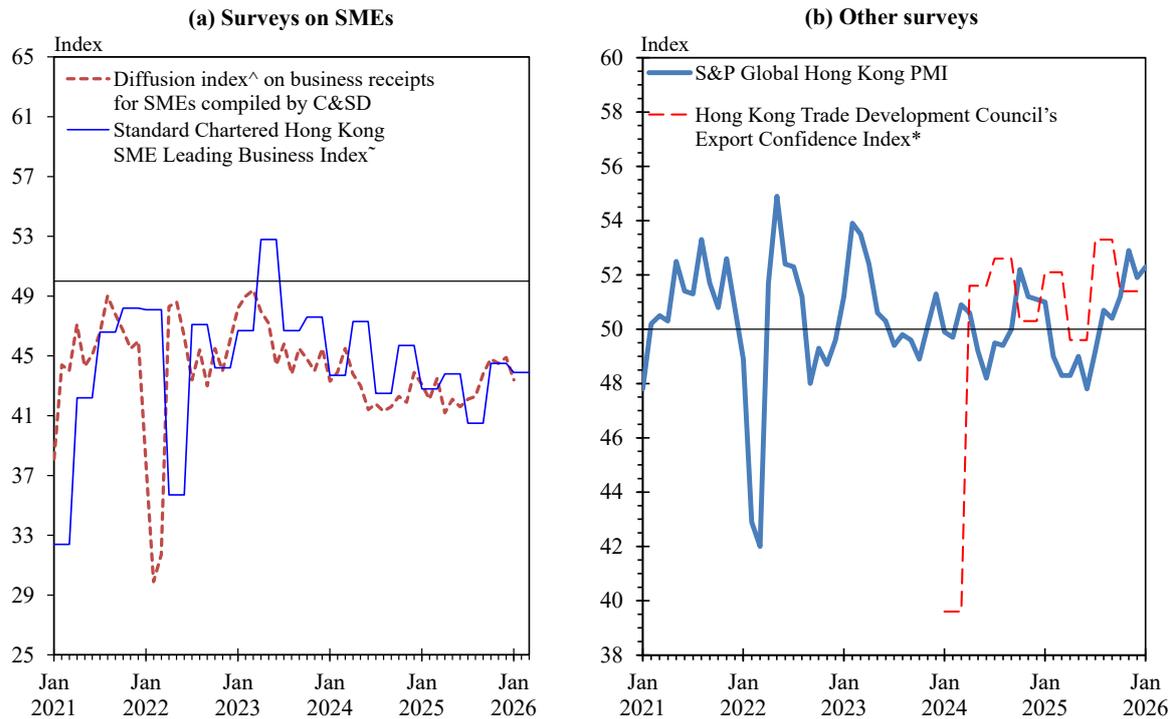
As for other surveys in the public domain, the S&P Global Purchasing Managers' Index (PMI) of Hong Kong<sup>(4)</sup>, which gauges the performance of the private sector's business activity, stayed above the boom-bust line for six consecutive months and rose to 52.3 in January 2026 (*Chart 2b*). The Hong Kong Trade Development Council (HKTDC) Export Confidence Index<sup>(5)</sup>, which is compiled based on the information collected earlier during 17 October to 7 November 2025, indicated expectation of continued positive expansion prospects.

(2) It refers to the results from the Monthly Survey on the Business Situation of SMEs that solicits feedback from a panel sample of around 600 SMEs each month.

(3) Conducted independently by Hong Kong Productivity Council, the quarterly survey enables the public and SMEs to gain insights into the forthcoming business climate for better forward planning. The Overall Index comprises five areas, including local SMEs' outlook on “Recruitment Sentiment”, “Investment Sentiment”, “Business Condition”, “Profit Margin”, and “Global Economy” for the next quarter.

## Box 1.1 (Cont'd)

**Chart 2 : Other business sentiment indicators generally continued their positive momentum since the second half of 2025**



Notes : (^) The diffusion index is computed by adding the percentage of SMEs reporting “up” to one half of the percentage of SMEs reporting “same”. A diffusion index reading above 50 indicates that the business condition is generally favourable, whereas an index below 50 indicates otherwise. Respondents were asked to exclude seasonal effects in reporting their views.

(~) Quarterly data.

(\*) Quarterly data since 2024 Q1. A reading above 50 indicates an upward trend and an optimistic outlook, while a reading below 50 indicates a downward trend and a pessimistic outlook.

It is worth noting that these surveys are essentially opinion-based, thereby unavoidably subject to various limitations (e.g. results are not directly comparable) and hence the results should be interpreted with care. These survey findings taken together suggest that overall business sentiment has improved visibly since the second half of 2025. Looking forward, while there are still uncertainties in the external environment that warrant monitoring, the positive momentum of the Hong Kong economy should help support continued improvement in local business sentiment.

(4) The S&P Global Hong Kong PMI is compiled according to monthly replies to questionnaires sent to purchasing managers in around 400 private sector companies. It is a composite index based on five individual indices with the following weights: New Orders (30%); Output (25%); Employment (20%); Suppliers' Delivery Times (15%); and Stocks of Purchases (10%), with the Suppliers' Delivery Times index inverted so that it moves in a comparable direction. Survey responses reflect the change, if any, in the prevailing month compared to the previous month.

(5) The HKTDC Export Confidence Index aims to gauge the prospects of the near-term export performance of Hong Kong traders. It is a composite index based on five individual sub-indices with the following weight: Sales and New Orders (50.0%); Trade Value (12.5%); Cost (12.5%); Procurement (12.5%); and Inventory (12.5%), with the Cost index and Inventory index inverted so that they move in comparable direction. The business confidence survey is conducted on a quarterly basis, with more than 500 participating Hong Kong traders from six major industry sectors interviewed, namely electronics, clothing, toys, jewellery, timepieces and equipment/materials.