

Navigator

Now, next and how for business

Hong Kong



Together we thrive

Overview

Hong Kong looks to the future

Given its small size, Hong Kong is an over-achiever in GDP terms, benefitting from low taxes and its status as a global financial centre¹. Hong Kong's economy has shown signs of slowing recently, partly due to trade tensions². However, the region benefits from an underlying sense of responsible, sustainable growth.

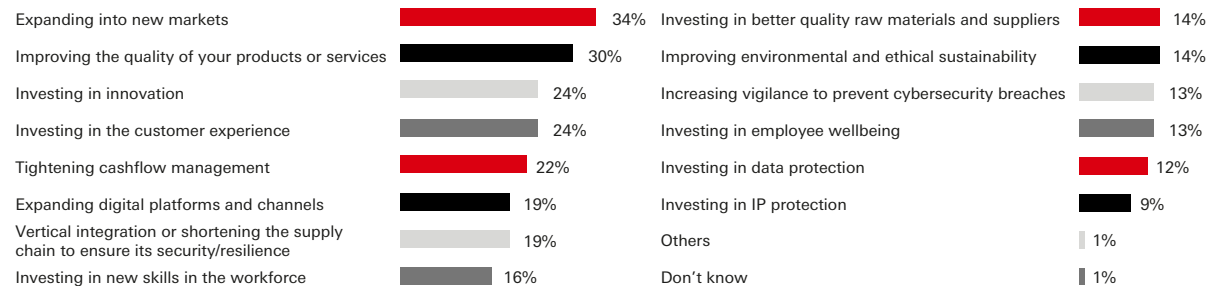
State of play

Hong Kong adopts an international mindset

Among Hong Kong businesses anticipating sales growth in the next year, the opening of new markets is seen as a key driver of growth (44% of firms state this versus 38% globally) – which goes some way to explaining why businesses are looking to markets beyond APAC.

While a third of Hong Kong businesses are expanding into new markets, just under a third (30%) are focused on improving product and service quality as strategies to overcome threats and business decline.

Strategies to overcome threats and the potential decline of business



What you need to know



44% of Hong Kong businesses anticipating growth see entry to new markets as a key driver.



On a five-year horizon, 61% of companies anticipate sales growth – while 77% think international trade unlocks new opportunities.



Half of Hong Kong businesses planning changes to their supply chain expect the main benefit to be reduced costs.

What your business can do



Consider options for securing working capital. 46% of firms that expect to see sales fall view the inability to attract investment and financing as a major threat.



Enhance your customer journey. Slightly more Hong Kong businesses are investing in customer experience than the global average as a strategy to overcome potential declines (Hong Kong: 24%, global: 21%).

¹ <https://www.theguardian.com/world/2019/aug/23/hong-kong-businesses-fear-protests-will-push-economy-into-recession>

² <https://www.reuters.com/article/us-hongkong-economy-gdp/hong-kong-economy-slows-more-than-expected-in-second-quarter-amid-trade-war-protests-idUSKCN1UQ1GJ>

Trade outlook

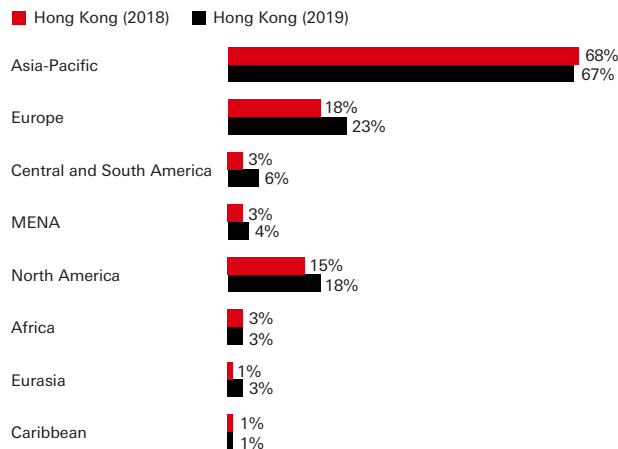
New markets hold promise for Hong Kong

APAC remains the top regional trading partner for Hong Kong with three-quarters of Hong Kong companies doing business there, down by 10% from the previous year. However, this decline may be explained by a higher-than-average proportion of Hong Kong businesses (44% versus 38%) expecting to grow by expanding into new markets.

Hong Kong businesses cite APAC, Europe and North America as the top three regions for expansion over the next three to five years. The proportion of Hong Kong businesses focused on further expansion within APAC over the next five years (67%) is higher than the average for APAC businesses as a whole (55%).

Similar to global counterparts, businesses in Hong Kong see international trade as a force for good. They believe that over the next five years, it will help drive innovation (Hong Kong: 79%, global: 80%), provide new opportunities (Hong Kong: 77%, global: 79%) and improve efficiency (Hong Kong: 76%, global: 78%).

Future trading expansion markets in the next three to five years



What you need to know



75% of Hong Kong businesses cite APAC as a top trading region.



Hong Kong businesses see international trade as a force for good that will drive innovation, provide new opportunities and improve efficiency.



Overseas businesses are keen to expand into Hong Kong because of proven customer demand (33%). They believe the market will provide access to products or services that are superior to current offers (30%) and a skilled workforce (29%).

What your business can do



Explore new markets for your business. In the next three to five years, the top three markets for expansion for Hong Kong businesses are APAC (67%), Europe (23%) and North America (18%).



Seek out favourable partnership opportunities. Hong Kong businesses see the prospect of establishing good partnerships as a key attraction in existing and potential overseas markets.

The sustainable future

Sustainability at the heart of future plans

Hong Kong companies see sustainability as integral to improving operational efficiency, gaining a competitive advantage and meeting regulatory standards. More than a quarter of companies consider these to be the key benefits of more sustainable practices.

Businesses in Hong Kong are feeling more pressure from competitors (44%), than government (42%), end consumers (34%) and regulatory standards (31%) to become sustainable over the next five years. The main challenges that they face in improving their sustainable practices are sourcing increased financing (36%) and a lack of flexibility (34%).

Just over half of Hong Kong businesses believe they have a role to play in delivering the UN's Sustainable Development Goals (SDGs), below the APAC average of 67%. The most relevant individual SDG for Hong Kong businesses is good health and wellbeing (30%), followed by sustainable cities and communities (26%) and climate action (24%).

Motivations for implementing sustainable practices



What you need to know

- 1 44% of companies in Hong Kong feel pressure from competitors to become sustainable, higher than the global average of 36%.
- 2 52% of businesses feel they have a role to play in delivering the UN's SDGs.
- 3 33% of overseas firms that identify Hong Kong as an attractive market cite the quality and availability of skills in the workforce as a key benefit.

What your business can do



Invest more in promoting employee health, wellbeing and safety. 34% of Hong Kong businesses are planning to make this an investment priority over the next five years.



Adopt ESG measurement as a means of improving sustainability in the workplace. A third of Hong Kong firms believe that fair treatment of employees is critical to success.

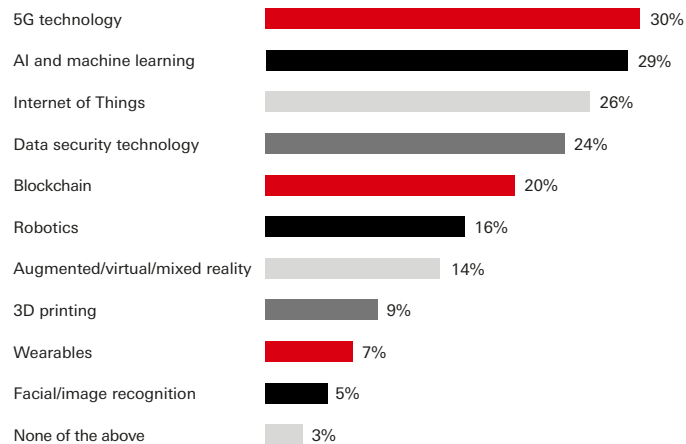
Breakthrough tech

Digital disruptors drive business benefits

Hong Kong businesses are aligned with their global counterparts when it comes to their views on disruptive technologies including 5G, artificial intelligence (AI), data security and the Internet of Things (IoT). 5G was cited by 30% of Hong Kong companies as the most likely technology to impact their business over the next five years, followed by AI and machine learning at 29%, IoT at 26% and data security at 24%.

Businesses that are anticipating an impact from new technologies identify the key benefits as improving productivity, an enhanced customer experience and reducing costs. 5G leads the way when it comes to accelerating speed to market. 31% of businesses are investing in technology and innovation to improve sustainable production – suggesting an underlying sense of responsible, sustainable growth.

Technologies businesses think will be important over the next five years



What you need to know



37% of Hong Kong companies that are international operators see 5G as important compared with 12% of Hong Kong companies that are domestic businesses.



31% of Hong Kong businesses see digital expansion as one of the top drivers of growth.



The most important technologies for Hong Kong companies over the next five years are 5G (30%), AI and machine learning (29%) and IoT (26%).

What your business can do



Explore new technologies to boost competitiveness. Hong Kong businesses are using 5G to accelerate speed to market and reduce costs.



Consider your customer's needs. Many Hong Kong businesses see data security as a way to improve the customer experience and the quality of their products and services.

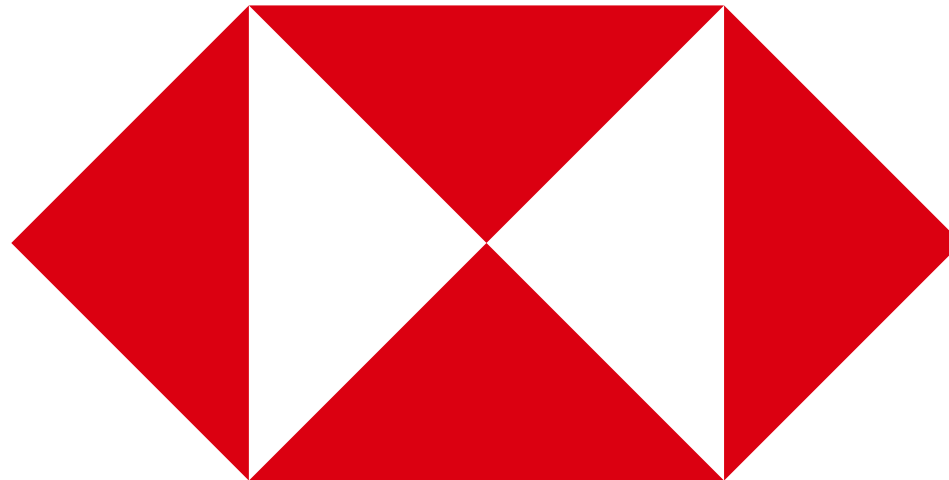
About HSBC Navigator Hong Kong

The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar. The study gauges sentiment and expectations of businesses in the near to mid-term future on topics including: business outlook, international trade, geopolitics, sustainability, technology and wellbeing. It is compiled from responses by decision-makers at 9,131 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 35 markets. Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 351 businesses surveyed in Hong Kong. Global results are based on an average of the 35 markets (using weights based on each market's share of world trade). The survey was conducted between August and September 2019. Interviewees were polled on a range of questions including expectations around future growth in trade, attitudes toward trade policy developments and strategic business plans. The survey represents a timely source of information on the fast-evolving international business environment.

Data visualisations based on the following:

Page 2, 4 & 5: all companies. n=351

Page 3: all companies (trend). n=351



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