



**Hong Kong**

**22 March 2021**

## **CPA AUSTRALIA: HONG KONG SMALL BUSINESSES ON THE BRINK AS CONFIDENCE SLUMPS TO RECORD LOW**

- Hong Kong small businesses register lowest confidence on record in CPA Australia survey.
- Seeking government support most common action in response to COVID-19.
- Only 8.5 per cent of Hong Kong small businesses will innovate in 2021.

Amid the prolonged impact of COVID-19 and a record economic contraction in 2020, Hong Kong small business confidence slumped to record low. Only 16 per cent of surveyed Hong Kong small businesses reported growth last year, and only 21 per cent expect their business to grow this year.

These results are part of CPA Australia's 2020-21 Asia-Pacific Small Business Survey, published today. The survey canvasses the views of 4,227 small businesses in 11 markets across the Asia-Pacific region, including Australia, Mainland China, Malaysia and Vietnam to understand their business strategies and outlook. Three hundred and six Hong Kong small businesses took part.

"For two consecutive years, expectations of business growth among Hong Kong small businesses have been the lowest of the surveyed markets. 53 per cent of respondents identified COVID-19 as having had a major negative impact on their business operations in 2020, and 65 per cent of them expect to need one year or more to recover." said Mr. Janssen Chan, CPA Australia's Greater China Divisional President 2021.

When asked what major actions businesses took in response to COVID-19, small businesses in Hong Kong were most likely to have sought government support and subsidies (33 per cent), reduced capital expenditure (32 per cent), and reduced staff numbers / costs (22 per cent).

"The relief measures announced by the SAR Government supported small businesses to combat the worst of the pandemic. According to the survey, 44 per cent of respondents sought external funds for business survival. Using government grants as the main source of external finance jumped from 9 per cent in 2019 to a record high of 33 per cent last year," Chan said.

As a response to COVID-19 last year, beginning or increasing the focus on online sales was one of the key actions taken by small businesses in many of the markets surveyed. However, only 17 per cent of Hong Kong respondents took action to begin or increase online sales, which is lower than the survey average of 25 per cent. Although 57 per cent of Hong Kong respondents received more than 10 per cent of their sales through digital payment options, this is lower than the survey average of 64 per cent and significantly behind leader Mainland China (91 per cent).

"The issuing of electronic consumption vouchers, announced in the Hong Kong Budget, is an excellent opportunity for small businesses to take advantage of digital payment and e-commerce. In light of the overwhelming response to the Distance Business Programme, we suggest that the



government consider re-opening applications to the Programme to continue driving the digitalisation and technology adoption of small businesses.” Chan said.

Small business confidence in Hong Kong remains subdued. Only 21 per cent of respondents expect their business to grow in 2021, compared to the survey average of 61 per cent. This weak outlook is reflected in the cautious approach Hong Kong small businesses’ low intention of increasing their headcounts. Only 12 per cent of respondents expect to increase staff in 2021, compared to the survey average of 36 per cent.

Hong Kong small businesses are also less inclined to innovate, with only 8.5 per cent of respondents stating they will introduce new products or services in 2021, compared to the survey average of 23 per cent.

“While business innovation may involve additional expenditure in the short term, small businesses in Hong Kong should be more proactive in reassessing their resource allocation and consider innovating through the adoption of technology. This could enhance their long-term competitiveness and help them keep pace with their peers in other Asia-Pacific economies,” Chan said.

CPA Australia recommends Hong Kong small businesses consider the following measures:

- consult a trusted professional adviser to improve recovery prospects.
- seek government financial support where appropriate to your circumstances, such as the Special 100% Loan Guarantee under the SME Financing Guarantee Scheme and the Pre-approved Principal Payment Holiday Scheme.
- manage cashflow and debt closely paying attention to the cost of external financing.
- leverage government support schemes to increase the adoption of technology.
- identify, invest in and adopt new technologies to keep innovating.
- explore opportunities to diversify and expand into new markets, especially to cities in Mainland China and ASEAN countries.

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## About CPA Australia

CPA Australia is one of the largest professional accounting bodies in the world, with more than 168,000 members in over 100 countries and regions, including more than 20,000 members in Greater China. CPA Australia has been operating in Hong Kong since 1955 and opened our Hong Kong office in 1989. Our core services include education, training, technical support and advocacy. CPA Australia provides thought leadership on local, national and international issues affecting the accounting profession and public interest. We engage with governments, regulators and industries to advocate policies that stimulate sustainable economic growth and have positive business and public outcomes. Find out more at [cpaaustralia.com.au](http://cpaaustralia.com.au)

Link to [CPA Australia’s Asia-Pacific Small Business Survey 2020-21 Report \(English only\)](#)

**CPA AUSTRALIA**

**ASIA-PACIFIC SMALL BUSINESS SURVEY 2020-21**

HONG KONG

**SMALL BUSINESS PERFORMANCE IN 2020**



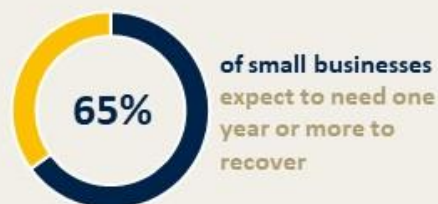
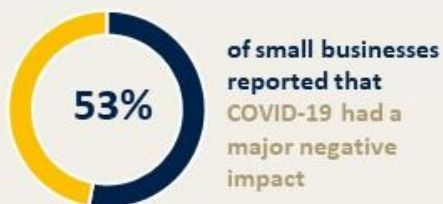
**POSITIVE FACTORS IN 2020**



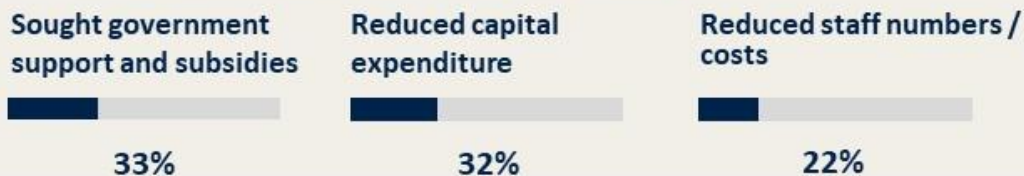
**NEGATIVE FACTORS IN 2020**



**IMPACTS OF THE COVID-19 PANDEMIC**



**TOP-THREE ACTIONS IN RESPONSE TO COVID-19**



# CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2020-21 HONG KONG

## ACCESS TO EXTERNAL FINANCE

**44%** of small businesses sought external finance for business survival in 2020

**33%** of small businesses sought a government grant as their main source of external finance in 2020  
*+23 percentage points YoY*

## INNOVATION AND TECHNOLOGY

Hong Kong 2020 | Survey average



of small businesses generated more than 10 per cent of sales through new payment technology



of small businesses' investment in technology made businesses more profitable in 2020



## HONG KONG SMALL BUSINESS OUTLOOK IN 2021



## RECOMMENDATIONS FOR SMALL BUSINESSES



Seek government financial support where appropriate to your circumstances



Manage cashflow and debt closely, pay attention to the cost of external financing



Increase the adoption of technology such as digital payment options and online sales