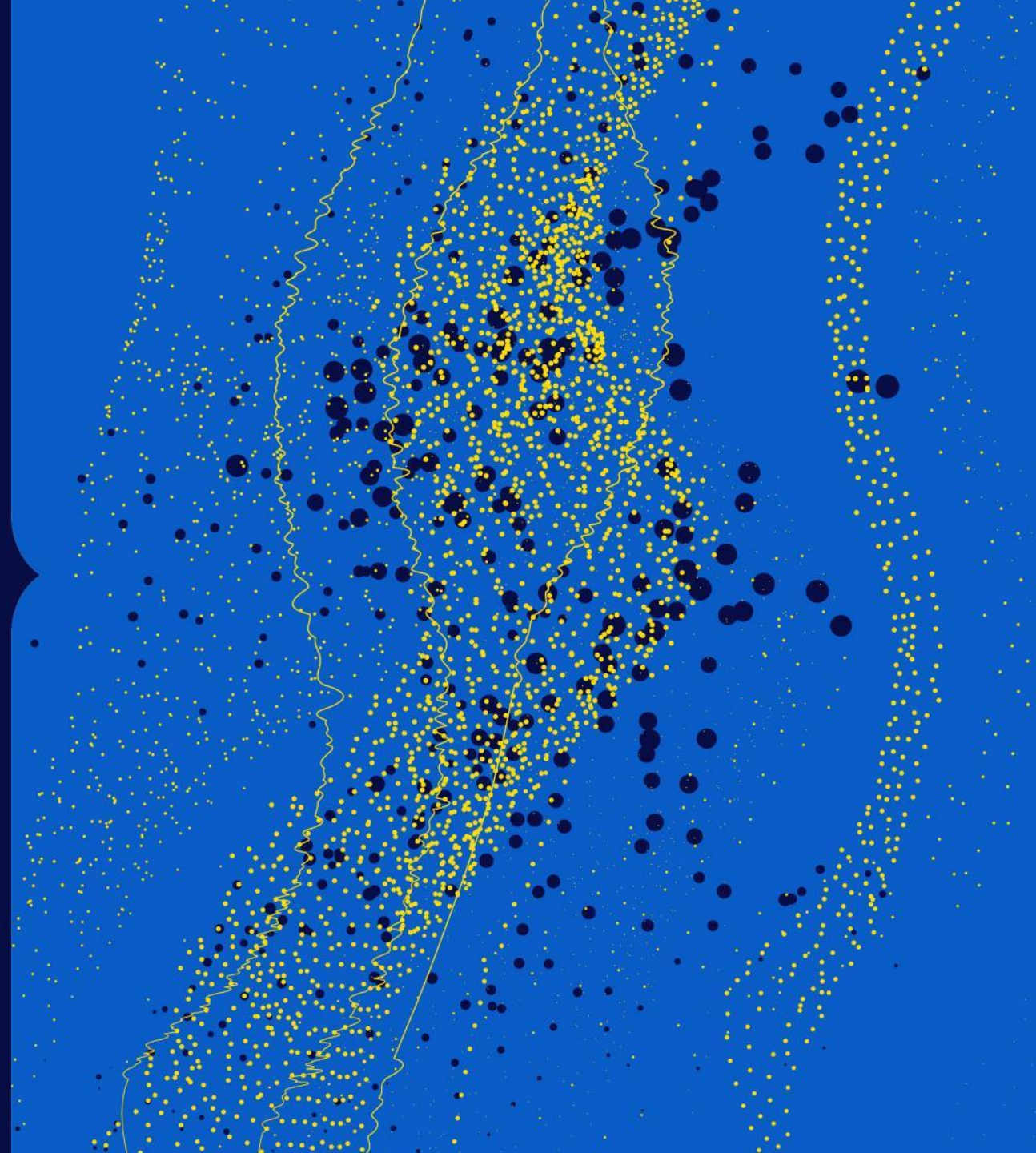


CPA Australia Hong Kong Economic and Business Sentiment Survey 2024

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About this survey

- The survey was conducted from 6 to 20 November 2023.
- 208 responses were received from accounting and finance professionals in Hong Kong.
- Respondents came from a variety of industries, with consulting (19 per cent), CPA professional services (18 per cent), financial services and insurance (15 per cent) and other professional services (11 per cent), comprising the largest share.
- 59 per cent of respondents from companies with fewer than 100 employees, 39 per cent from companies with 100 or more employees, and 2 per cent are currently not working.
- 56 per cent of respondents are holding manager positions or above.
- The survey collected data on two main areas: economic sentiment and business sentiment. Economic sentiment included forecasts on GDP growth, property prices, and IPO volume, while business sentiment covered projections on company revenue, headcounts, strategies, ESG adoption, personal salary, and career changes.

Executive summary

Overall, the survey results indicate a cautious perspective among Hong Kong's accounting and finance professionals regarding the city's anticipated economic growth and business performance in 2024.

On economic performance, around half of the respondents expect economic growth, with most of those predicting growth of below 3 per cent. This caution extends to property prices and IPOs. Over 70 per cent of respondents are anticipating a decline or no change in property prices across all subsectors. Additionally, nearly 60 per cent anticipate that the total funds raised through IPOs in Hong Kong in 2024 will either remain largely unchanged or experience a decrease.

In terms of business performance, businesses in Hong Kong have been recovering from the impact of COVID-19, but the overall sentiment for 2024 is cautious. Only one-third forecast an increase in their company's revenue, citing weak customer demand and rising operating costs as key challenges. Cost management has become the primary strategic focus for many, shifting away from innovation and technology investment.

Interestingly, despite a generally cautious business outlook for 2024, hiring intentions remain strong. Nearly four in ten respondents expect their employer to increase headcount in 2024, with talent shortages remaining a key challenge for smaller businesses.

More than half of the respondents anticipate a salary increase, although modest. Only a small percentage of accountants will look for work with another employer in 2024, preferring internal promotion or maintaining their current position.

The survey results highlight a cautious outlook for Hong Kong in 2024. Businesses are advised to seek professional advice to manage costs and improve cash flow. Outsourcing non-core business can effectively reduce operating costs. It however remains important to analyse changes in customer behaviour and innovate to generate new demand.

ECONOMIC SENTIMENT



CAUTIOUS ECONOMIC OUTLOOK FOR 2024

Hong Kong's accounting and finance professionals are generally cautious about the city's economic outlook for 2024. Slightly less than half of the survey respondents expect the economy to grow next year. Of those, most forecast a growth rate of less than 3 per cent.

Reflecting this cautious sentiment, expectations for property prices and IPOs are subdued. Over 70 per cent of respondents anticipate a decline or no change in property prices across retail, residential, office and industrial property. Nearly 60 per cent expect the total funds raised through IPOs in Hong Kong in 2024 to remain unchanged or shrink.

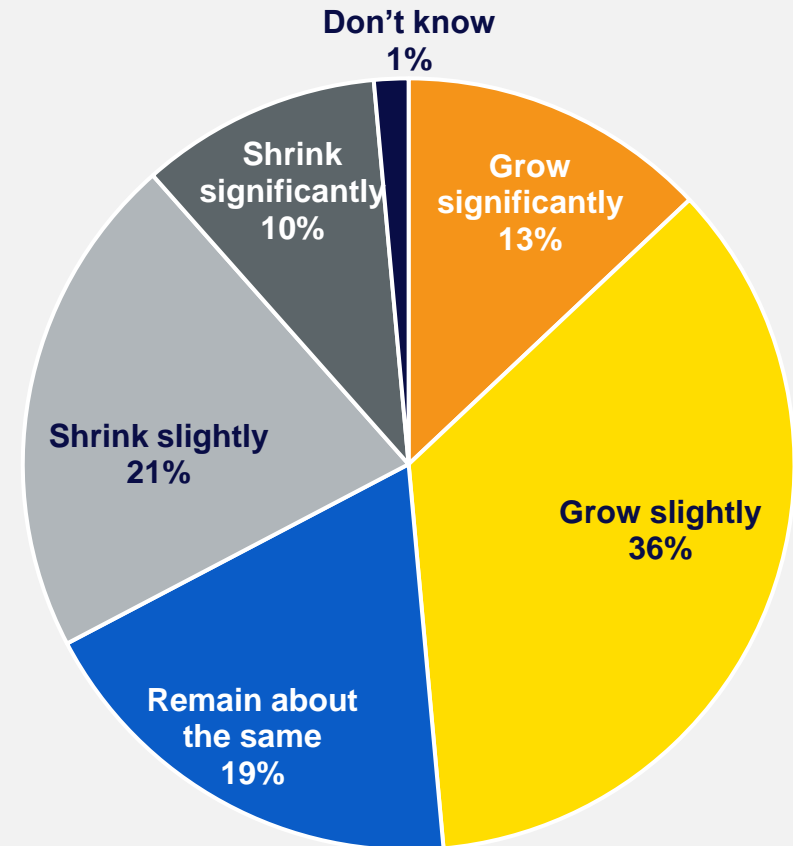
In your opinion, Hong Kong's GDP in 2024 will...?

49%

expect Hong Kong's GDP to
grow

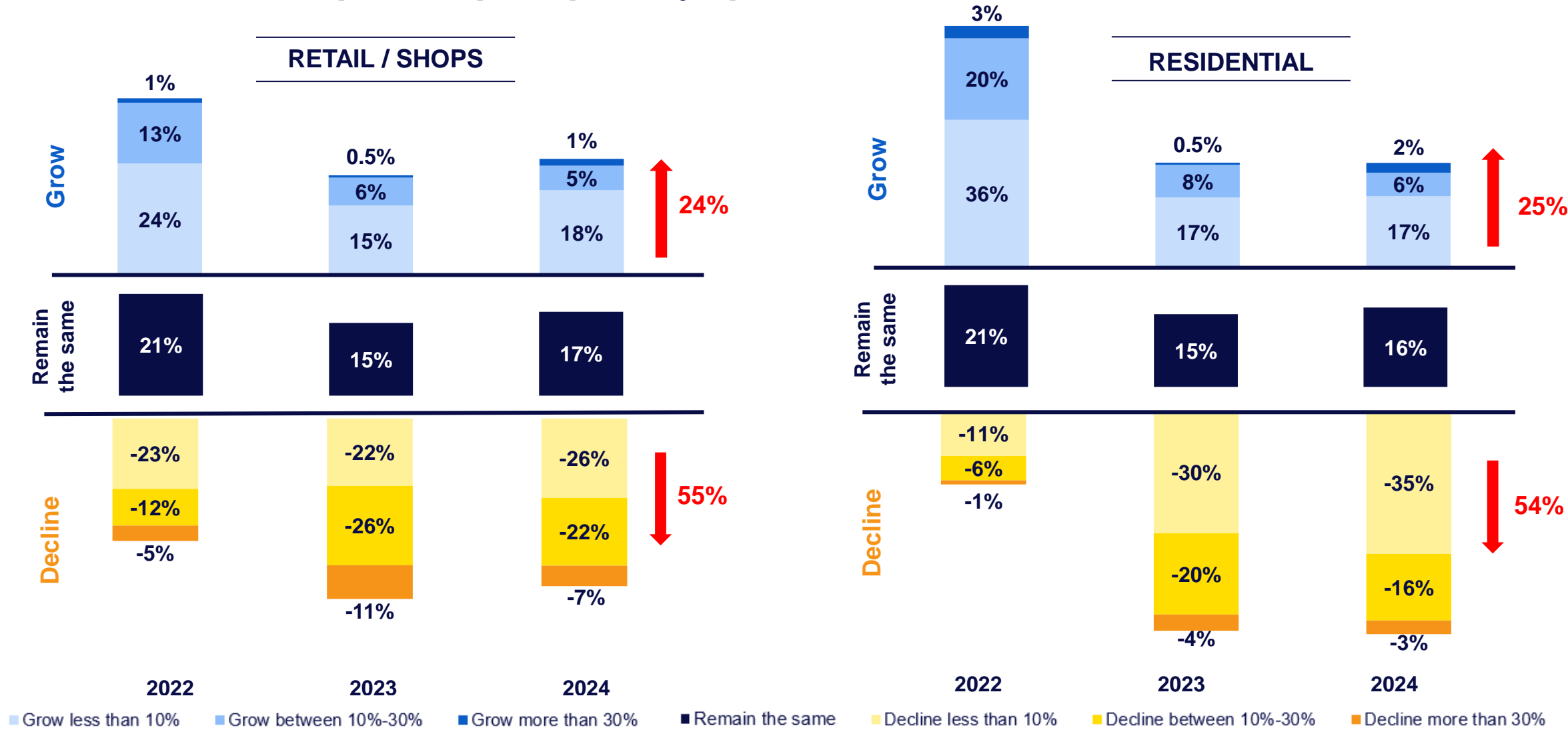
31%

expect Hong Kong's GDP to
shrink



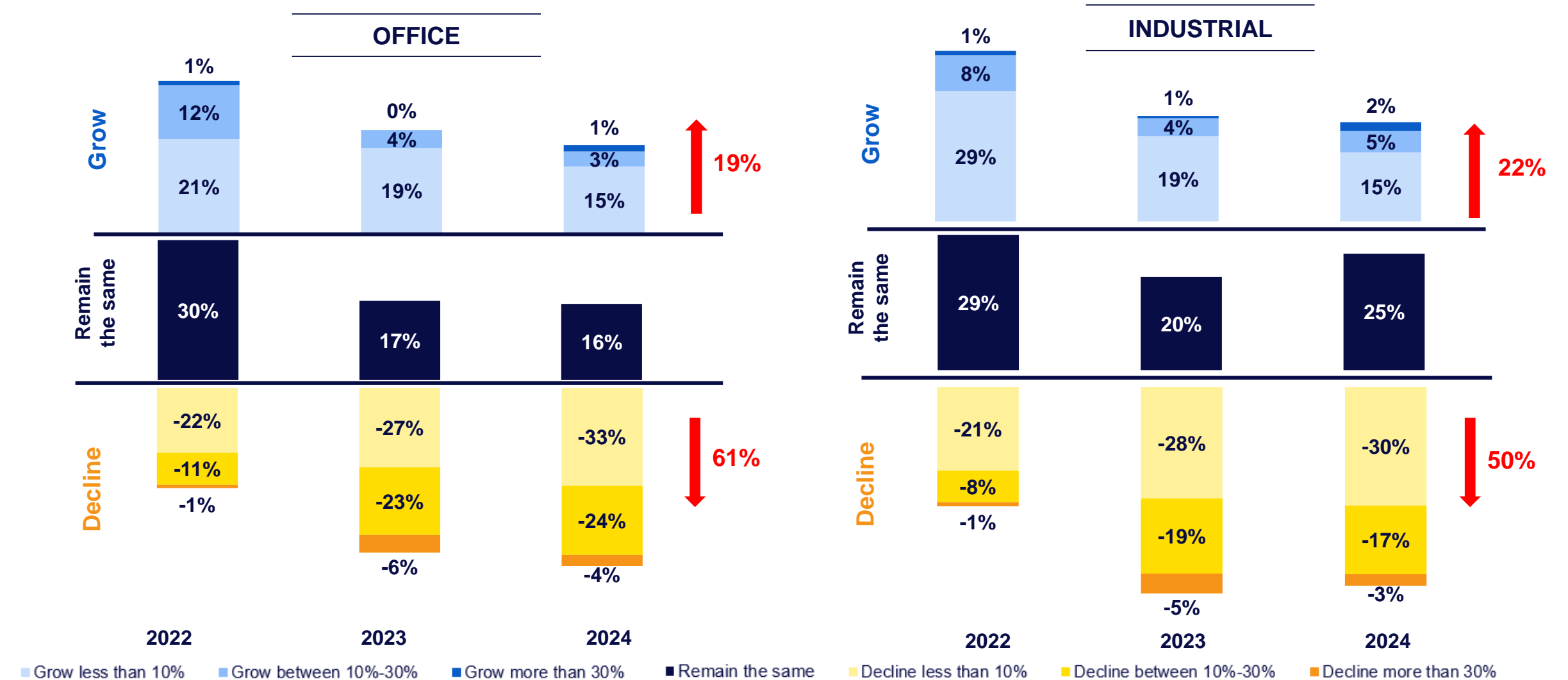
Note: Grow significantly (3% or more), Grow slightly (0.1%-2.9%), Remain about the same (shrink 0.1% to grow 0.1%), Shrink slightly (0.1-2.9%), Shrink significantly (3% or more)

Over half expect property prices to decline



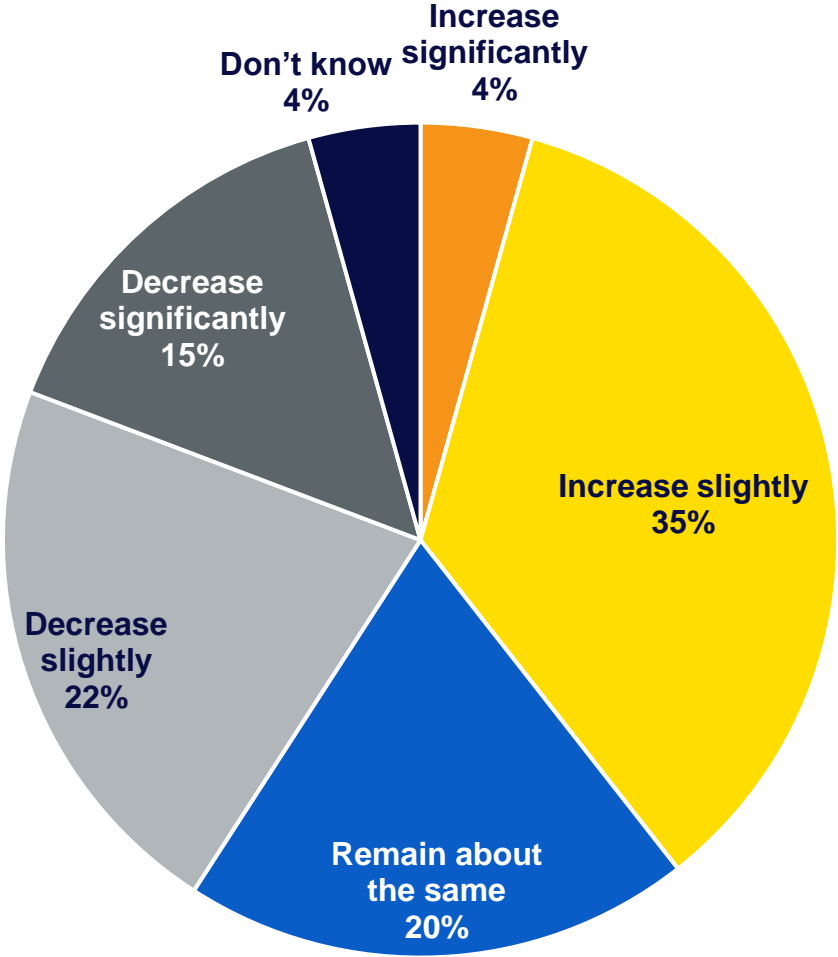
Question: Compared to today, by what percentage do you believe Hong Kong's property prices will change by the end of 2023?
Note: Respondents who selected 'Don't know' are not shown.

Over half expect property prices to decline



Question: Compared to today, by what percentage do you believe Hong Kong's property prices will change by the end of 2023?
Note: Respondents who selected 'Don't know' are not shown.

Outlook for IPOs subdued

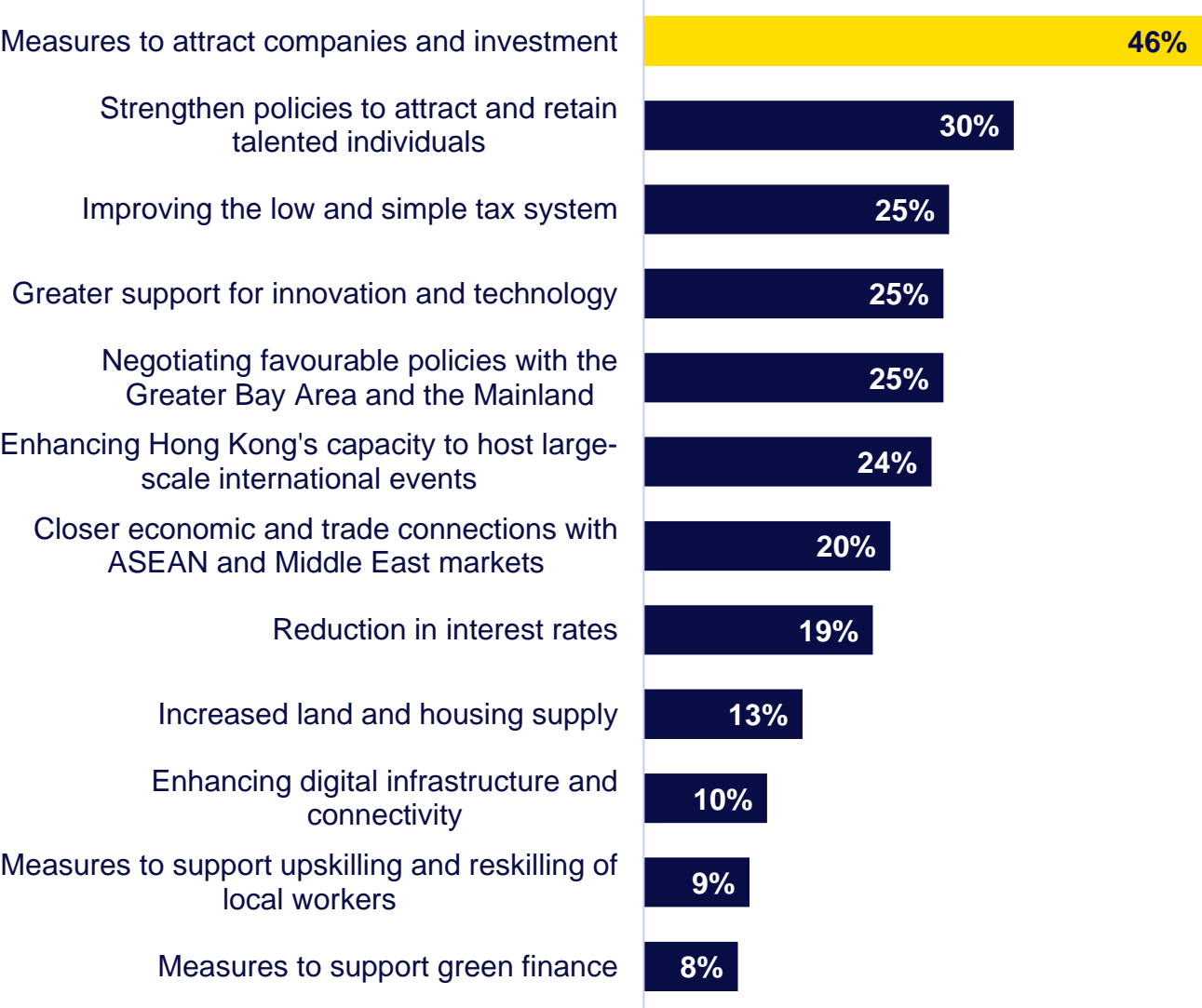


Note: Grow significantly (3% or more), Grow slightly (0.1%-2.9%), Remain about the same (shrink 0.1% to grow 0.1%), Shrink slightly (0.1-2.9%), Shrink significantly (3% or more)

Question: Compared to today, by what percentage do you believe Hong Kong's property prices will change by the end of 2022/2023/2024?

Further policies to boost Hong Kong's international competitiveness

To bolster the economy and enhance Hong Kong's international competitiveness, 46 per cent of respondents would like the government to implement further measures to attract companies and investments to the SAR. To complement such a policy, nearly a third of respondents would also like the government to strengthen policies to attract and retain talent.



BUSINESS SENTIMENT



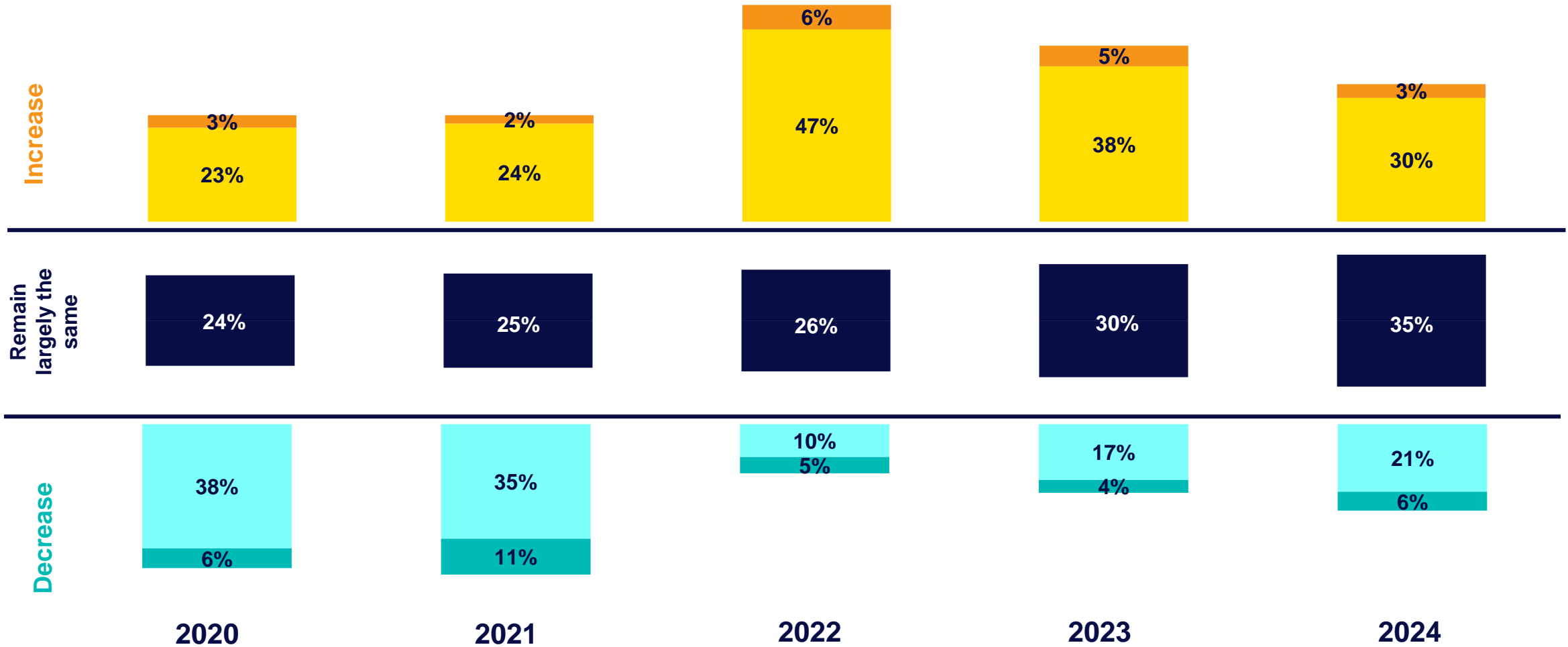
BUSINESSES SENTIMENT CAUTIOUS IN 2024

Hong Kong's businesses have been recovering from the disruption caused by COVID-19. However, business sentiment for 2024 amongst the city's accounting and finance professionals can best be described as cautious.

Only a third of respondents expect their employer's revenue to increase in 2024. The main challenges being weak customer demand and an increase in operating costs.

In response to this expected environment, the primary strategic focus for business has shifted to cost management from investment in innovation and technology.

Compared to 2023, do you expect your company's revenue in 2024 will...?



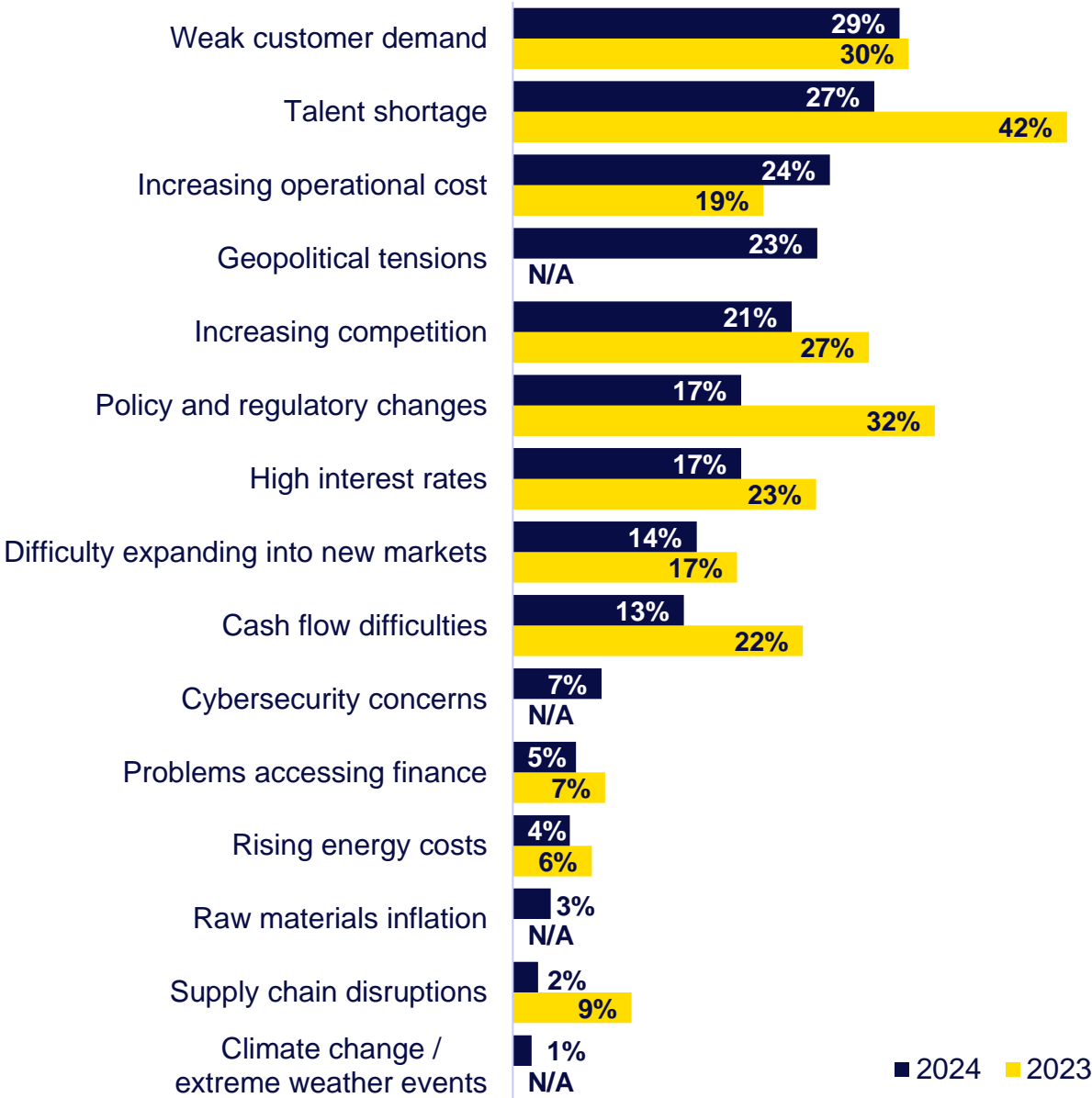
■ Increase significantly (30% or more)
 ■ Increase slightly (2% to 29%)
 ■ Remain largely the same (increase or decrease less than 2%)
 ■ Decrease slightly (2% to 29%)
 ■ Decrease significantly (30% or more)

Weak customer demand seen as the top challenge in 2024

Accounting and finance professionals anticipate that weak customer demand will be the primary challenge for their employer in 2024.

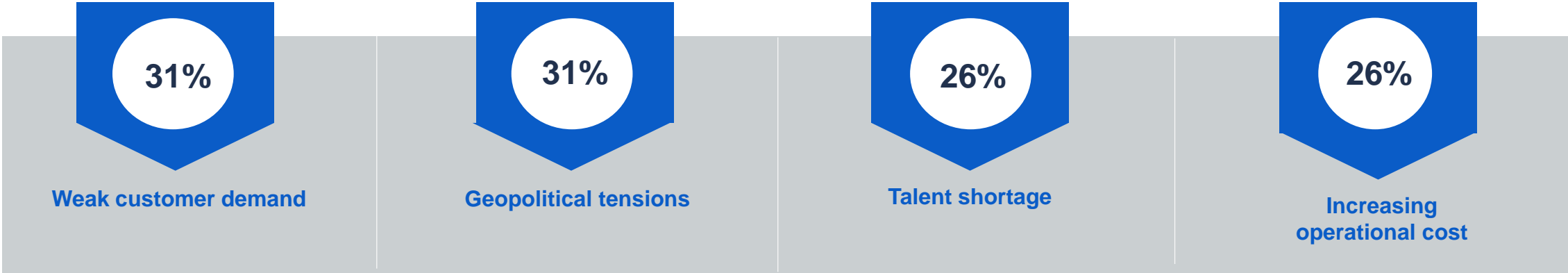
While talent shortages remain an important challenge, the percentage of respondents choosing that as one of their employer's largest challenges has fallen a notable 15 percentage points from the 2023 results. On the other hand, respondents were more likely to choose increasing operational costs as a key challenge in this survey.

The large decline in the percentage of respondents selecting policy and regulatory changes as a key challenge is noteworthy. It possibly reflects a more stable policy environment and better engagement between government and business on policy design.

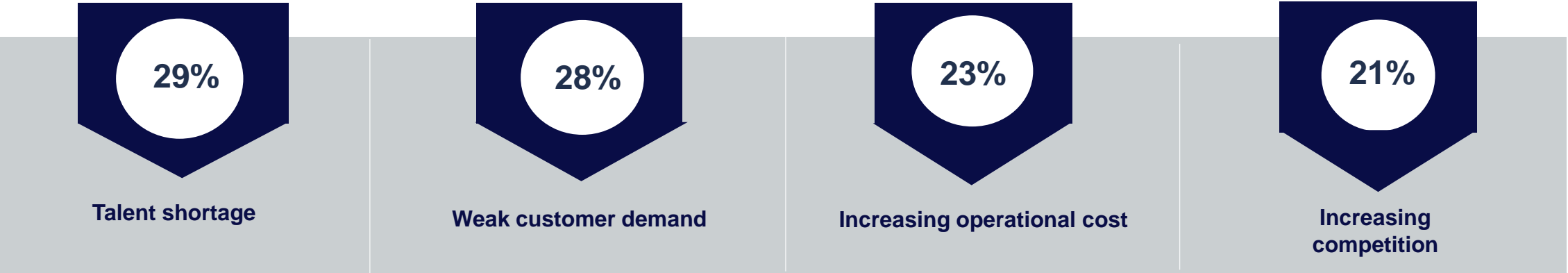


Top business challenges in 2024 – by business size

Large businesses (100 employees or above)



Small businesses (Under 100 employees)



BUSINESS STRATEGY

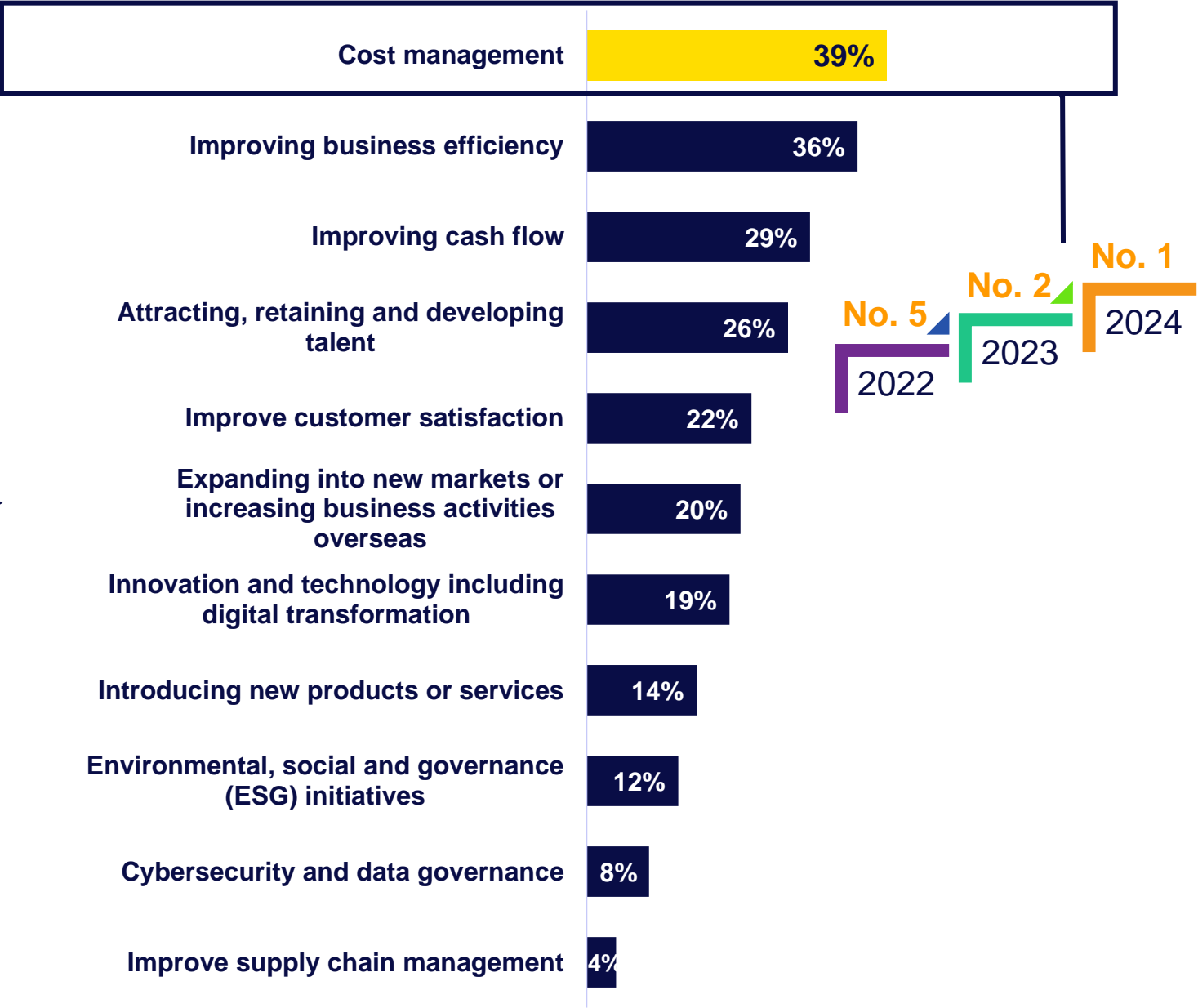


Cost management is the top strategic focus in 2024

Cost management has emerged as the top strategic focus for companies in 2024, with nearly 40 per cent selecting it. This represents a notable shift compared to previous years, where 27 per cent selected it as one of their company's top strategic focuses in 2022, and 31 per cent in 2023.

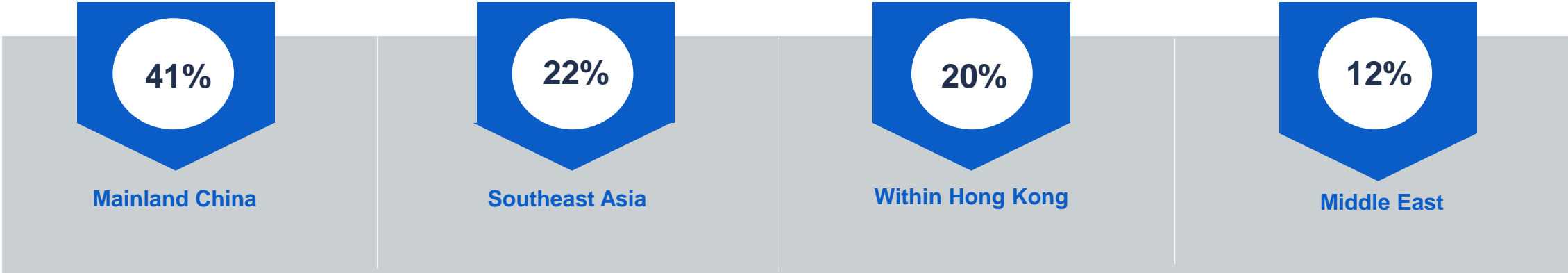
Following closely behind are strategies focused on improving business efficiency and enhancing cash flow.

These top three strategies for 2024 are a prudent reaction to expected weaker revenue growth and increased cost-pressures. They reflect a more cautious approach for companies as they navigate the current business environment.



Expansion destinations over the next three years – by business size

Large businesses (100 employees or above)



Small businesses (Under 100 employees)

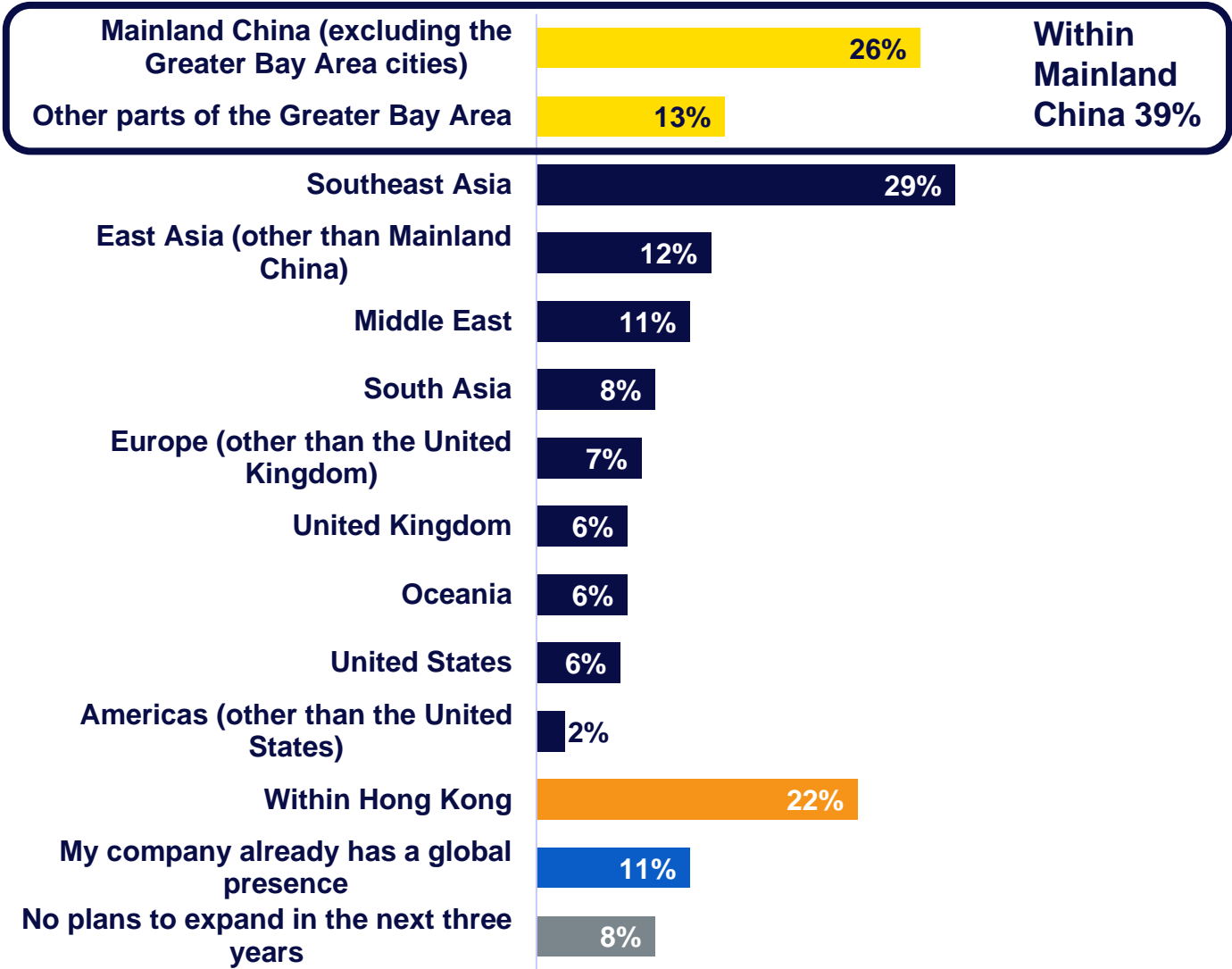


Mainland China and Southeast Asia remain preferred expansion destinations

Mainland China and Southeast Asia remain the most popular destinations for expansion by Hong Kong businesses over the next three years.

The government's efforts to establish closer ties with the Middle East appear to be bearing fruit. 11 per cent are considering expanding into that region over the next three years, up from 6 per cent in 2021.

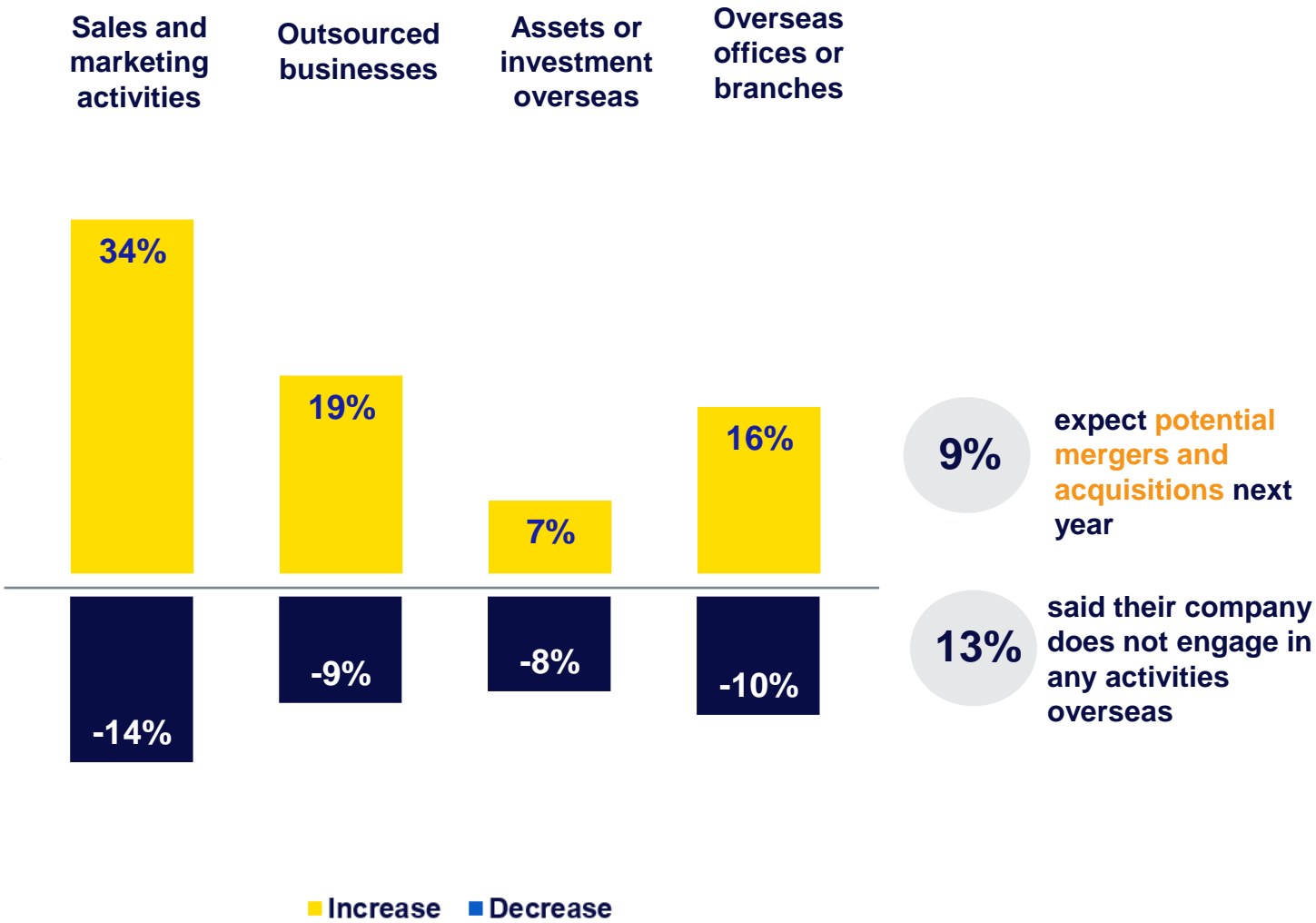
A sizeable 22 per cent plan to focus their expansion activities within Hong Kong itself.



Businesses most likely to expand sales and marketing activities overseas

A significant portion of companies are anticipating expanding their business activities overseas. More than one-third of respondents expect their company will increase sales and marketing efforts internationally.

Reflecting the strong strategic focus on cost management, 19 per cent expect to increase the outsourcing of business operations overseas.



Staff-related measures top ESG priorities

Nearly all respondents indicate their companies have undertaken some type of ESG actions. Only 13 per cent reported that their company does not undertake any ESG practices.

Among the top practices, those related to staff were prioritised. Workplace equity, diversity and inclusion were identified as the top ESG practice followed by staff health and safety. Additionally, 21 per cent of respondents reported that their company is developing a long-term ESG strategy.



HUMAN RESOURCE TRENDS



HIRING INTENTIONS RELATIVELY POSITIVE AND MOST OPTING FOR CAREER STABILITY

Nearly four in ten expect an increase in their company's headcount next year, with smaller businesses more likely to hire. With businesses taking a more conservative approach to their strategy in 2024, this result is interesting and possibly reflects on-going issues filling roles caused by talent shortages.

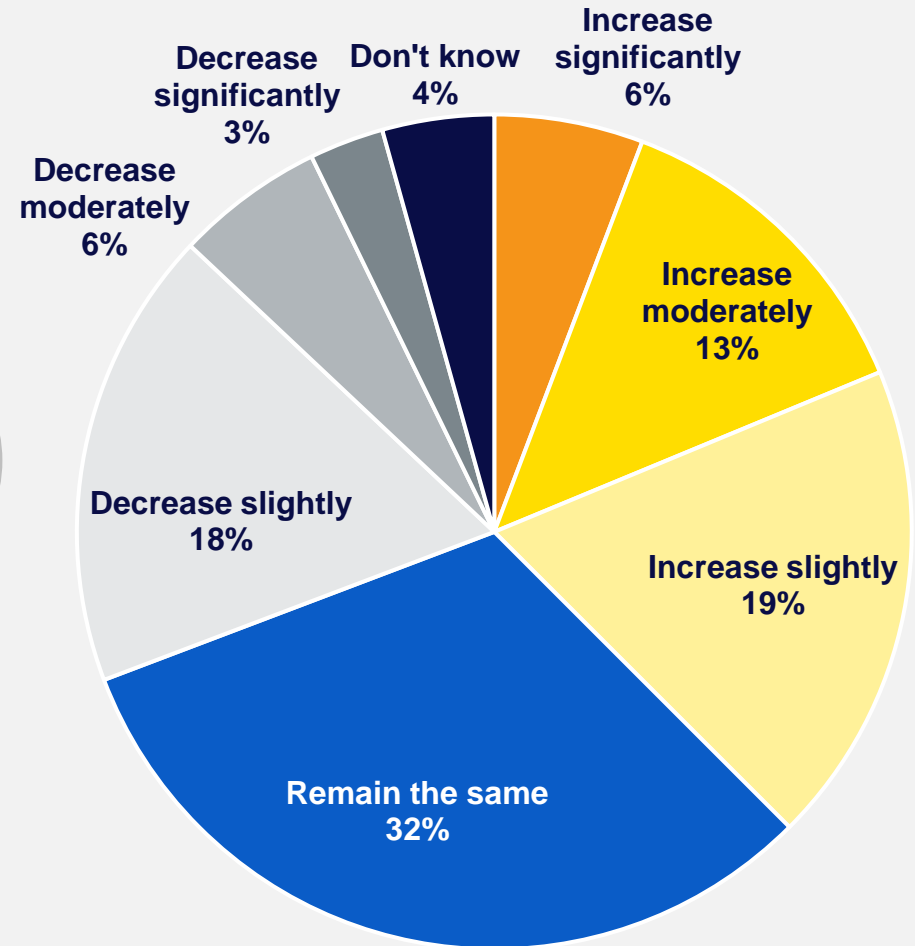
Over half of the respondents surveyed anticipate a salary increase. Of those expecting an increase, most predict a modest increase of less than 5 per cent. When it comes to career progression, accounting and finance professionals favour certainty in 2024. Most of them are seeking internal promotions or opting to not seek change.

Compared to 2023, do you expect your company's headcount in 2024 will...?

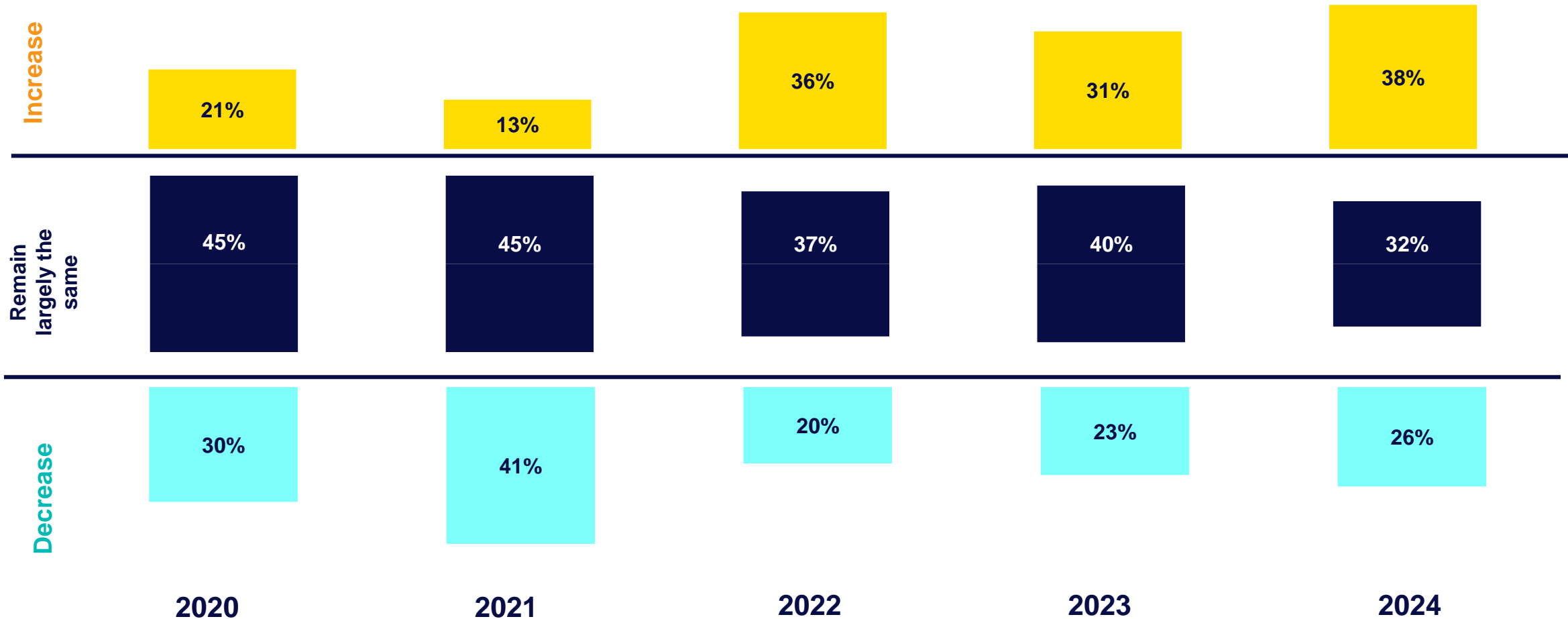
70%

expect their company's headcount to **increase** or **remain the same**

Note: Increase significantly (10% or more), Increase moderately (between 5 to 10%), Increase slightly (less than 5%), Decrease slightly (less than 5%), Decrease moderately (between 5 to 10%), Decrease significantly (5% or more)

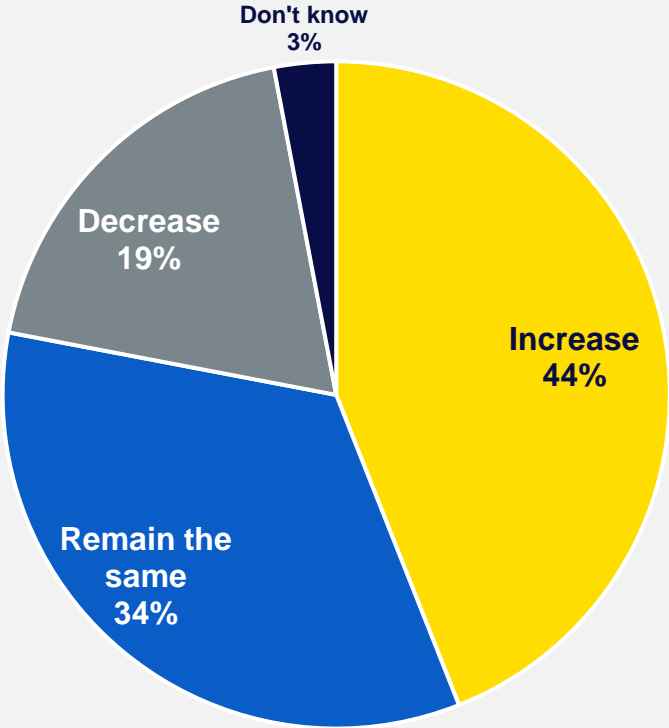


Compared to 2023, do you expect your company's headcount in 2024 will...?

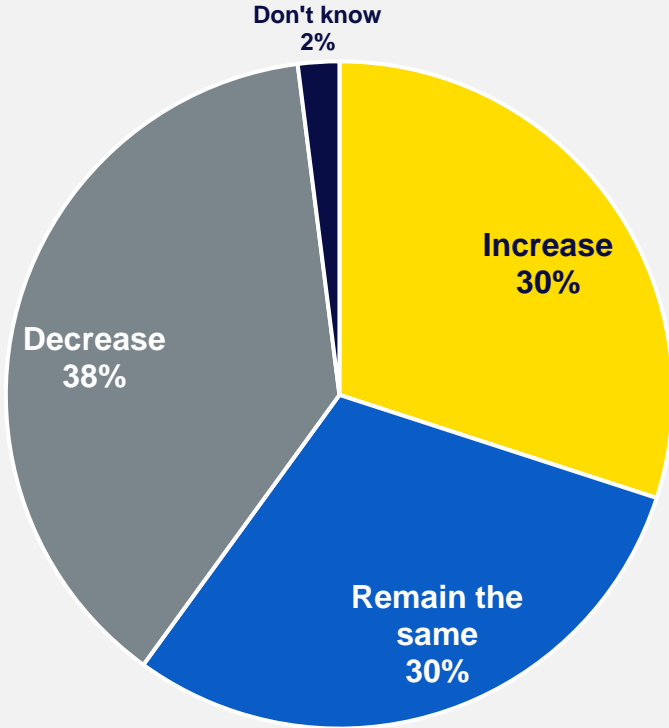


Change in headcount in 2024 – by business size

Small businesses (fewer than 100 employees)



Large businesses (100 employees or above)

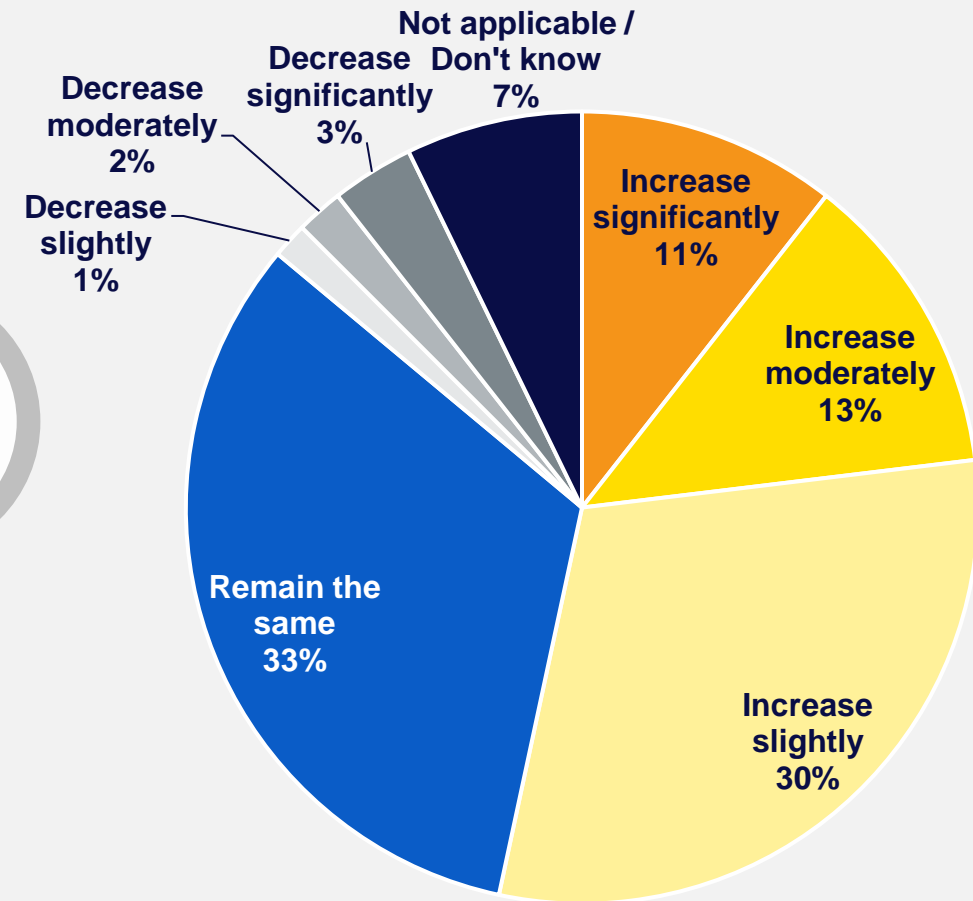


Compared to 2023, do you expect your salary in 2024 will...?

54%

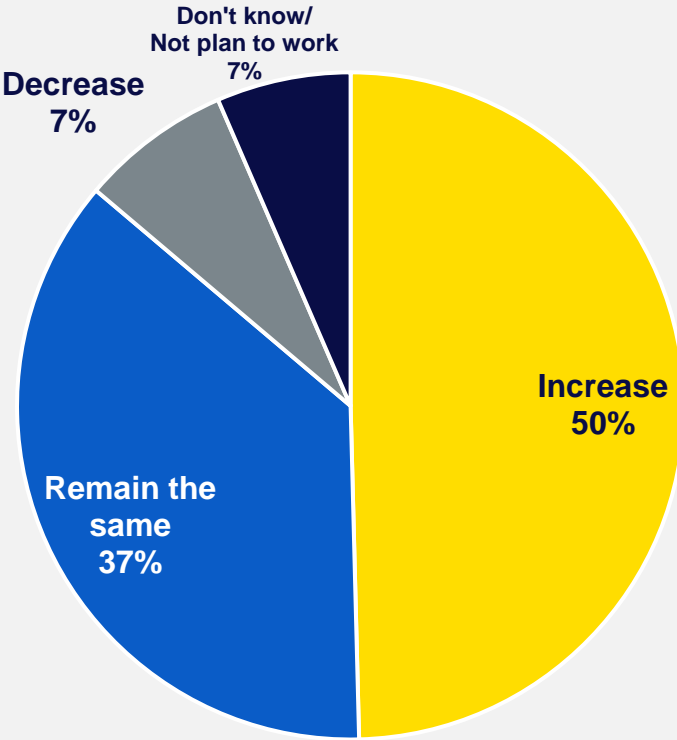
expect their salary will **increase**

Note: Increase significantly (10% or more), Increase moderately (between 5 to 10%), Increase slightly (less than 5%), Decrease slightly (less than 5%), Decrease moderately (between 5 to 10%), Decrease significantly (5% or more)

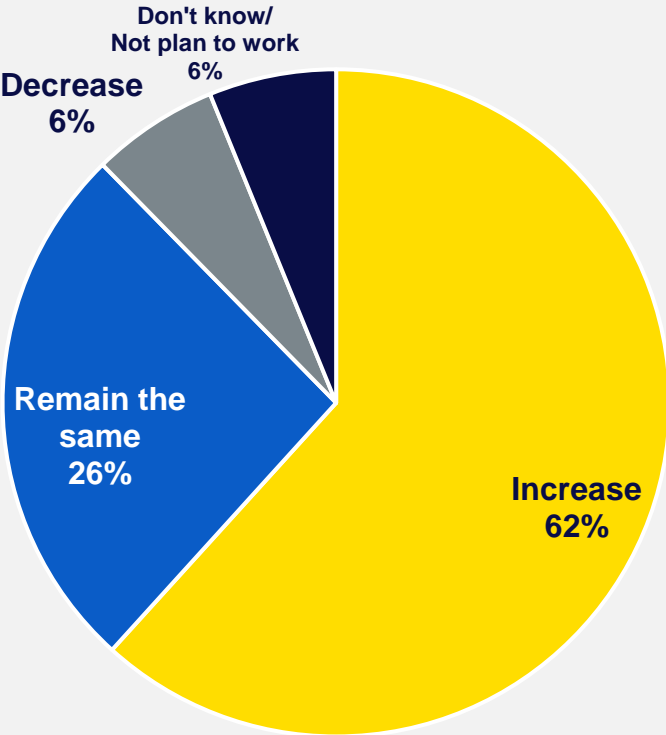


Change in salary in 2024 – by business size

Small businesses (fewer than 100 employees)



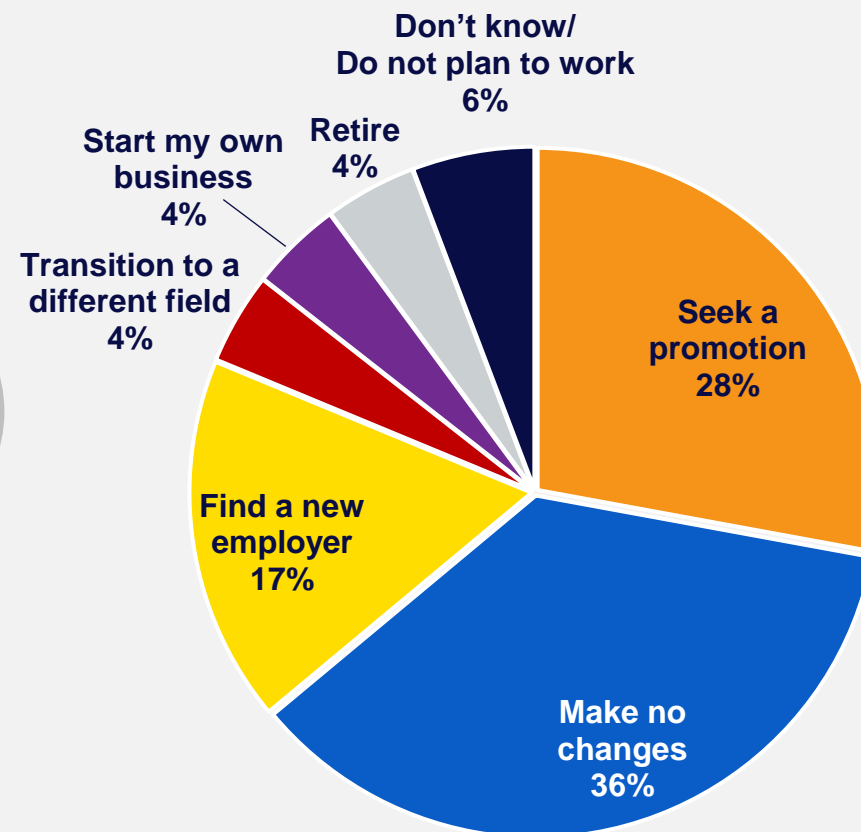
Large businesses (100 employees or above)



Thinking of your career, in the next 12 months do you plan to ...?

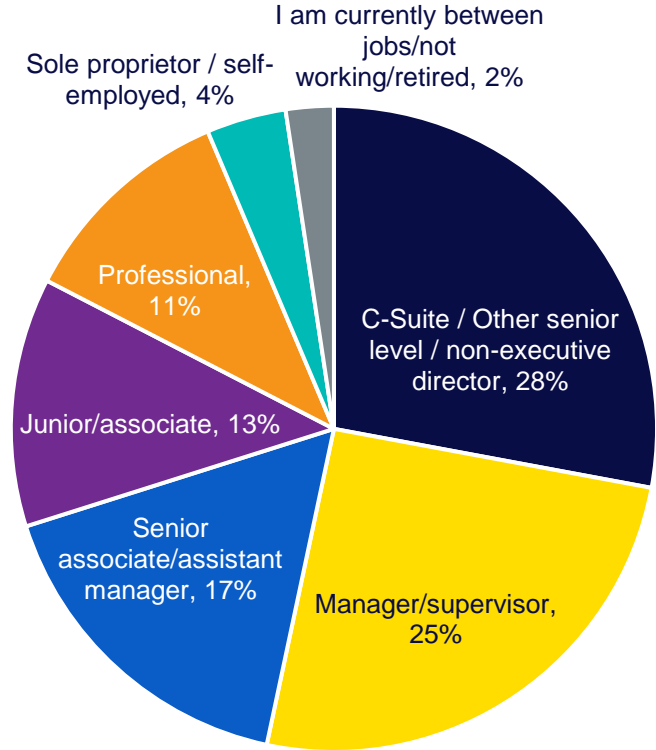
64%

plan to **seek a promotion** or **make no changes**

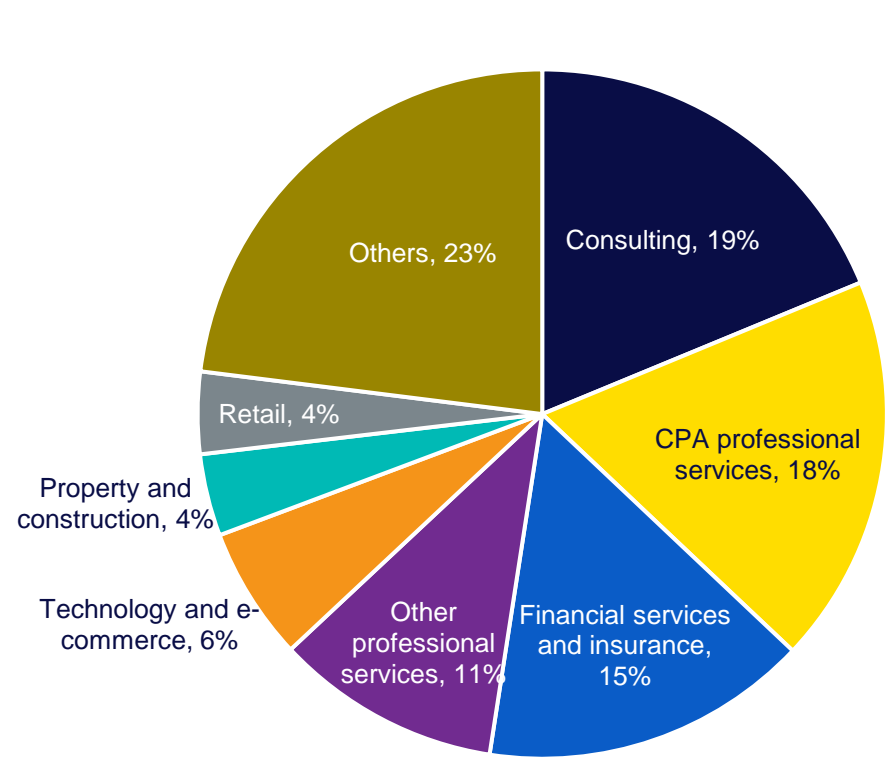


Survey demographics

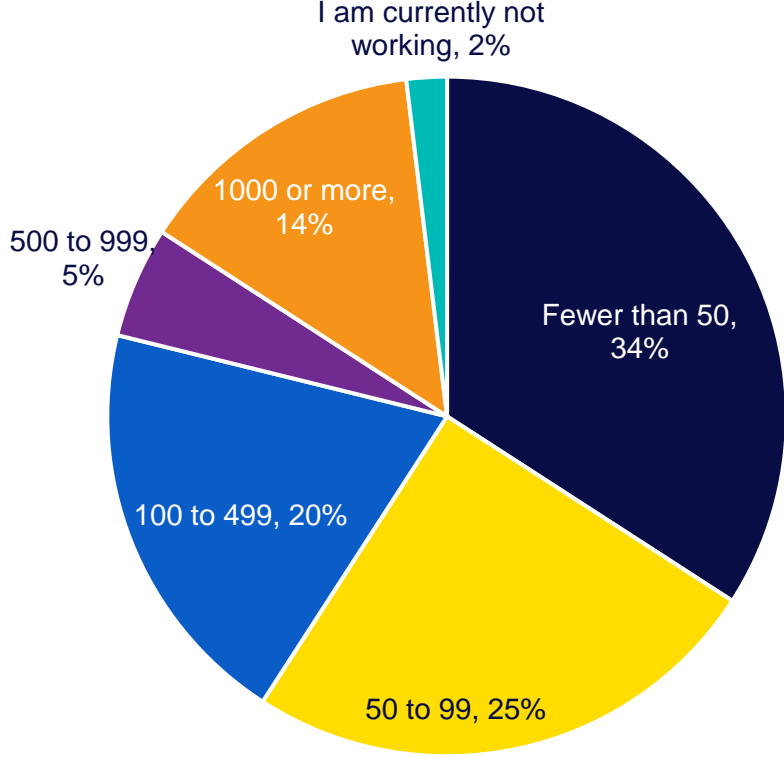
Demographics



Positions



Industry



Business size

Recommendations

Recommendations for the government

Hong Kong as a super value adder



- Amplify efforts to promote Hong Kong as a 'super value-adder', including increasing incentives and support to attract capital and companies in emerging industries to the city
- Expedite the operation of Hong Kong Investment Corporation Limited and investment immigration scheme to attract companies and investments to Hong Kong
- Implementing an IPO Connect scheme to enable Mainland investors to participate in Hong Kong IPOs
- Implement further measures to attract and retain talent, e.g., further promoting flexible work arrangements to employers and increasing maternity leave
- Organise more international conventions, events and activities to increase global exposure and attract tourists
- Continue to closely monitor and respond to the property market with pragmatic policies

Recommendations for businesses



- Seek professional advice to help manage costs (such as financing and borrowing costs) and improve cash flow
- Analyse changes in customer behavior and create new customer demand through innovation or adding value
- Reduce operating costs through outsourcing non-core businesses
- Implement policies that promote equality, diversity and inclusivity in the workplace
- Identify, diversify and expand business into new markets