

HONG KONG ECONOMIC AND BUSINESS SENTIMENT REPORT 2022

DECEMBER 2021

ISBN: 978-1-922690-05-0

LEGAL NOTICE

The reproduction, adaptation, communication or sale of these materials ('the Materials') is strictly prohibited unless expressly permitted under Division 3 of the Copyright Act 1968 (Cth). For permission to reproduce any part of these materials, please contact the CPA Australia Legal Business Unit - legal@cpaaustralia.com.au.

COPYRIGHT NOTICE

© CPA Australia Ltd (ABN 64 008 392 452) ("CPA Australia"), 2021. All rights reserved.

DISCLAIMER

CPA Australia had used reasonable care and skill in compiling the content of these materials. However, CPA Australia makes no warranty that the materials are accurate and up to date. These materials do not constitute the provision of professional advice whether legal or otherwise. Users should seek their own independent advice prior to relying on or entering into any commitment based on the materials. The materials are purely published for reference purposes alone. CPA Australia, their employees, agents and consultants exclude completely all liability to any person for loss or damage of any kind including but not limited to legal costs, indirect, special or consequential loss or damage (however caused, including by negligence) arising from or relating in any way to the materials and/or any use of the materials. Where any law prohibits the exclusion of such liability, then to the maximum extent permitted by law, CPA Australia's liability for breach of the warranty will, at CPA Australia's option, be limited to the supply of the materials again, or the payment of the cost of having them supplied again.

CONTENTS

INFOGRAPHIC	3
ABOUT THE SURVEY	4
ABOUT CPA AUSTRALIA	4
ACKNOWLEDGEMENTS	4
KEY FINDINGS	5
RECOMMENDATIONS	7
ECONOMIC EXPECTATIONS	9
BUSINESS TRENDS	12
ACTIONS TO IMPROVE COMPETITIVENESS	17
CONCLUSION	19

HONG KONG ECONOMIC AND BUSINESS SENTIMENT SURVEY 2022



ECONOMIC EXPECTATIONS



KEY FACTORS IMPACTING ECONOMIC GROWTH



Cross-border travel



COVID-19

BUSINESS EXPANSION ACTIVITIES IN THE NEXT THREE YEARS



expect their company to expand their business activities

TOP DESTINATIONS FOR EXPANSION*



*Respondents may choose up to three options

BUSINESS TRENDS AND KEY STRATEGIC FOCUSES



TOP BUSINESS STRATEGIC FOCUSES FOR 2022



Innovation and technology, including digital transformation

Attracting, retaining and nurturing talent



Improving business efficiency

Expanding into new markets



ACTIONS TO IMPROVE COMPETITIVENESS



Strengthen Hong Kong's position as an international financial centre



Greater support for innovation and technology



Expand international economic and trade connections

ACTIONS TO STRENGTHEN POSITION AS AN INTERNATIONAL FINANCIAL CENTRE



Support of FinTech and other digital finance innovation



Hong Kong's status as an offshore RMB centre



Support to attract and retain finance talent in Hong Kong

ABOUT THE SURVEY

CPA Australia's Hong Kong Economic and Business Sentiment Report 2022 summarises the results our survey of accounting and finance professionals' views on the state of Hong Kong's economy and business trends in 2022 and beyond.

The survey was conducted from 2 to 18 November 2021. A total of 214 responses were received from accounting and finance professionals in Hong Kong.

Respondents came from a wide variety of industries, with financial services and insurance (25 per cent), accounting (21 per cent) and other professional services (8 per cent) having the largest representation.

Respondents were most likely to work for businesses with fewer than 50 employees (43 per cent) or 1000 or more employees (23 per cent).

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.

ACKNOWLEDGEMENTS

CPA Australia would like to acknowledge the many CPA Australia members who took part in this survey. We would especially like to thank the following members for their input and guidance in shaping this report:

- Mr Janssen Chan FCPA (Aust.) 2021 Divisional President of Greater China CPA Australia
- Mr Eden Wong FCPA (Aust.) 2021 Deputy Divisional President of Greater China CPA Australia
- Mr Anthony Lau FCPA (Aust.) 2020 Divisional President of Greater China CPA Australia
- Mr Peter Lee FCPA (Aust.) 2013 Divisional President of Greater China CPA Australia

KEY FINDINGS

Economic expectations

Improvements in the global and domestic economic environment are reflected in this year's survey results, with many respondents increasingly optimistic about Hong Kong's economic outlook in 2022. Two-thirds of respondents (67 per cent) expect Hong Kong's gross domestic product (GDP) to grow in 2022.

This represents a noticeable improvement in economic confidence from last year's survey, when 75 per cent of respondents expected the Hong Kong economy to contract in 2021.

This more positive outlook is reflected in the forecasts of international institutions. The International Monetary Fund (IMF) is forecasting the city's GDP to grow by 3.5 per cent in 2022, and the Asian Development Bank is projecting Hong Kong's 2022 GDP to increase by 3.4 per cent.

When asked what factors could support Hong Kong's economic growth in 2022, respondents identified "resumption of travel to Hong Kong" (48 per cent), "control over COVID-19" (31 per cent) and "recovery of the global economy" (30 per cent).

However, mounting headwinds such as supply bottlenecks and outbreaks of more contagious COVID-19 variants such as Omicron continue to put pressure on the pace of the global economic recovery. As such, accountants in Hong Kong are heading into 2022 with a cautiously optimistic outlook.

When asked what they expect to be the main challenges to Hong Kong's economy in 2022, respondents were most likely to nominate "restrictions on travel to Hong Kong" (54 per cent),

"further COVID-19 outbreaks" (43 per cent) and "the local political environment" (34 per cent).

This cautiously optimistic sentiment is reflected in forecasts for retail property prices, with 38 per cent of respondents expecting retail property prices to grow in 2022, up from three per cent in 2021. For residential, industrial and office property prices, a respective 59, 38 and 34 per cent of respondents think that prices will grow in 2022, up from 17 per cent, six per cent and three per cent in 2021 respectively.

Business trends

A stronger economic outlook is translating to increased business confidence. Over half of respondents (53 per cent) expect their company's revenue to increase in 2022, up from 2021's forecast of 26 per cent. In contrast, the percentage of respondents expecting their company's revenue to decrease has dropped dramatically from 46 per cent in 2021 to 15 per cent in 2022.

More than one-third of respondents (36 per cent) consider their company's headcount will increase in 2022, significantly higher than the 13 per cent that expected their employer's headcount to increase in 2021.

Respondents are also more positive about their salary expectations, with 59 per cent predicting that their salary will increase in 2022, up from 15 per cent in 2021. Among those who think their salary will increase, 39 per cent believe that the increase will be 5 per cent or more, up 19 percentage points from 2021.

When asked about their company's key strategic focus for 2022, respondents were most likely to select "innovation and technology, including digital

transformation” (41 per cent). This suggests that companies are increasingly seeing the short and long-term value of digitalising their business operations in order to adapt to changing consumer and employee needs brought about by the pandemic.

Consistent with this more forward-thinking focus, “attracting, retaining and nurturing talent” is the second most popular choice (37 per cent). Other key focuses are “improving business efficiency” (36 per cent) and “expanding into new markets” (28 per cent).

Business expansion activities

In the next three years, the regions that respondents consider their business will mainly focus its expansion activities in are: “Mainland China – excluding the Greater Bay Area (GBA) cities” (50 per cent), “within Hong Kong” (40 per cent), “other parts of the GBA” (36 per cent) and “Southeast Asia” (29 per cent).

Only five per cent of respondents said their employer has no plans to expand in the next three years.

Actions to improve competitiveness

The most popular actions respondents suggested the SAR government could implement to improve the

city’s competitiveness are: “strengthen Hong Kong’s position as an international financial centre” (60 per cent), “greater support for innovation and technology” (40 per cent), “expand international economic and trade connections” (35 per cent) and “strengthen cooperation with the rest of the GBA” (32 per cent).

Respondents were most likely to choose supporting FinTech and other digital finance innovation (58 per cent) as the best way to strengthen the city’s position as an international financial centre. Support to attract and retain talent was also a popular choice.

Sustaining Hong Kong’s status as an offshore renminbi (RMB) centre and its low and simple tax system are also considered important to the SAR’s international finance centre status.

CPA Australia regards improving the skills of Hong Kong’s current and future workforce as essential to improving its competitiveness. Respondents identified “creativity and innovation” (60 per cent), “critical thinking and analytical skills” (52 per cent), and “digital and technical skills” (51 per cent) as the top-three skills that employees will need to possess to enhance Hong Kong’s competitiveness.

RECOMMENDATIONS

The SAR government could consider implementing the following measures:

Resume cross-boundary travel

- Develop a roadmap for resuming cross-boundary travel, particularly with Mainland China and ASEAN countries. This should include consideration of quarantine-free travel bubbles, similar to those implemented in other jurisdictions.

Strengthen Hong Kong's position as an international financial centre

- Continue promoting green and sustainable finance. This includes considering incentives and regulatory reforms to encourage financial institutions to expand their offerings of green and sustainable funding options, as well as offering more RMB-denominated green financial products.
- Continue consultation on the design of a simple and efficient framework for the implementation of a global minimum tax.
- Allocate additional revenue generated by the implementation of a minimum tax to areas supporting societal development, including talent acquisition and development, housing supply, financial infrastructure, and innovation and technology.

Expand economic and trade connections

- Continue expanding international economic and trade connections such as establishing more economic and trade offices. We strongly support efforts by the SAR Government to join the Regional Comprehensive Economic Partnership as soon as possible.
- Continue working towards establishing more

free trade agreements and comprehensive double taxation agreements with other economies.

- Allocate additional resources to the Branding, Upgrading and Domestic Sales (BUD) Fund and the SME Export Marketing Fund, and offer more assistance to help local firms expand into markets outside of Hong Kong, including Mainland China and ASEAN countries.

Strengthen support in innovation and technology

- Design and implement incentives that encourage further investment in innovation and technology.
- Encourage the relocation to Hong Kong of advanced manufacturing, such as high-end technologies and BioTech, and trust-based manufacturing, including food safety, medical devices and certified products.

Talent development

- Commission a comprehensive review of the future skills, training and workforce development needs of Hong Kong. Such a review should include assessments of the skills and capabilities of the current workforce, the key skills and competencies that will be in high demand over the medium to long-term, and reforms that may be needed to the education and training system.

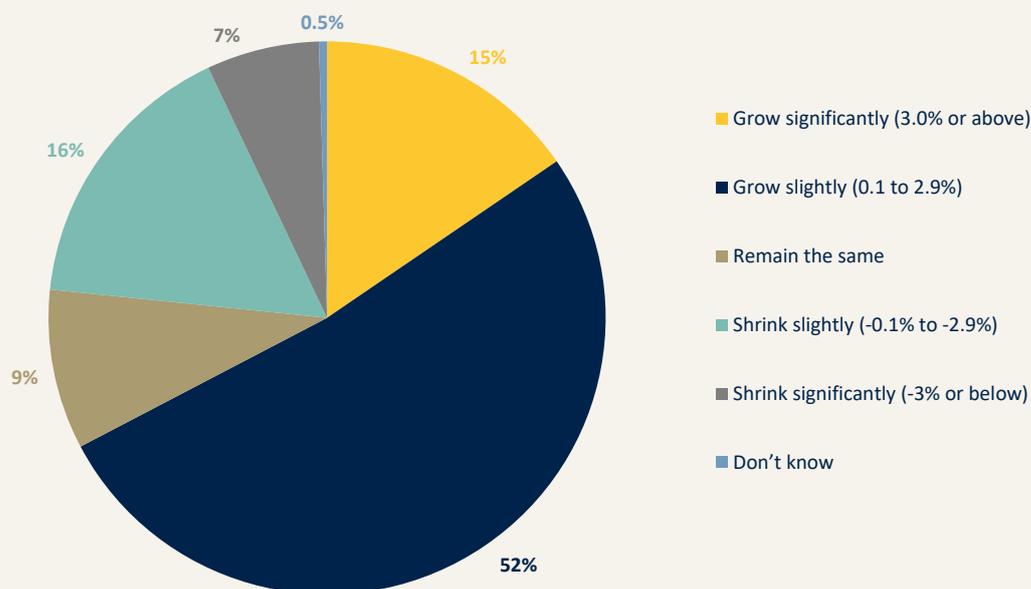
Recommendations for business

For businesses, we suggest that the focus for 2022 should be on positioning for sustainable growth, maintaining a disciplined approach to working capital management, increasing profitability, and identifying growth opportunities. Businesses could consider the following suggestions:

- Undertake a financial health check. This should involve a ratio analysis to compare how the business is performing in key areas compared with similar businesses.
- Conduct a strengths, weaknesses, opportunities and threats (SWOT) analysis to identify strengths and weaknesses; and assess opportunities and threats against external factors such as political, economic, social, technological, legal and environmental influences.
- Evaluate the effectiveness of your current and future business operations, including the right staffing levels to support business recovery, whether the business' online presence is strong and the ability of suppliers to meet requirements.
- Review business operations to look for improvements, such as through digitalisation and automation.
- Encourage a corporate-wide innovative culture and build your talent pool, by providing training to improve creativity and innovation, critical-thinking and analytical skills, and digital and technical skills to employees.
- Explore new opportunities to diversify and expand businesses, especially in the GBA, other parts of Mainland China and ASEAN countries.

ECONOMIC EXPECTATIONS

Figure 1. Hong Kong GDP growth expectations



Question: In your opinion, do you think Hong Kong's GDP in 2022...?
Note: Percentages may not add up to 100 per cent due to rounding.

As the global and local economic recovery continues, the survey results show a positive shift in growth expectations for the Hong Kong economy in 2022. In fact, optimism about economic growth is at its highest level since the 2019 version of this survey.

Sixty-seven per cent of respondents expect GDP to grow in 2022. This represents a significant increase in economic confidence from the last two years, when only 24 per cent and 17 per cent of respondents expected the Hong Kong economy to grow in 2020 and 2021 respectively. Furthermore, the proportion of respondents expecting an economic contraction decreased by 52 percentage points, from 75 per cent in 2021 to 23 per cent in 2022.

However, reflecting a cautiously optimistic outlook, most respondents are forecasting the Hong Kong economy to grow by up to 2.9 per cent. This is below the GDP forecasts made by international organisations such as the IMF (3.5 per cent growth)¹ and the Asian Development Bank (3.4 per cent).²

This discrepancy in growth expectations may indicate that recent positive data on economic activities has yet to be felt in all sectors of the economy. Moreover, some respondents may be more concerned than others about downside risks and uncertainties such as supply chain disruptions, rising inflationary pressure and labour shortages.

However, Hong Kong's economy is likely to continue to recover in 2022 due to supportive government stimulus measures, a rebound in local consumption activities and the continued recovery of the global economy.

¹ International Monetary Fund. (2021). [World Economic Outlook](#).

² Asian Development Bank. (2021). [Asian Development Outlook, September 2021](#).

Challenges to Hong Kong's economy in 2022

Respondents were most likely to consider that “restrictions on travel to Hong Kong” (54 per cent) will be a major constraint to the Hong Kong economy, followed by the threat of “further COVID-19 outbreaks” (43 per cent) and “the local political environment” (34 per cent).

In responding to the pandemic, the government has sought to find a balance between supporting economic growth through re-opening borders and protecting the local community against COVID-19. With Hong Kong effectively managing the pandemic, the government is in a good position to monitor how other jurisdictions are responding and adapt these strategies to the local situation. This could include consideration of quarantine-free travel bubbles with other jurisdictions.

“Global economic uncertainty” (27 per cent), “geopolitical uncertainties” (26 per cent), “risk of slower economic growth in Mainland China” (24 per cent) and “talent shortages” (21 per cent) were also major factors that respondents believe will pose downside risks to Hong Kong's economy in 2022.

Factors expected to contribute to Hong Kong's economic growth in 2022

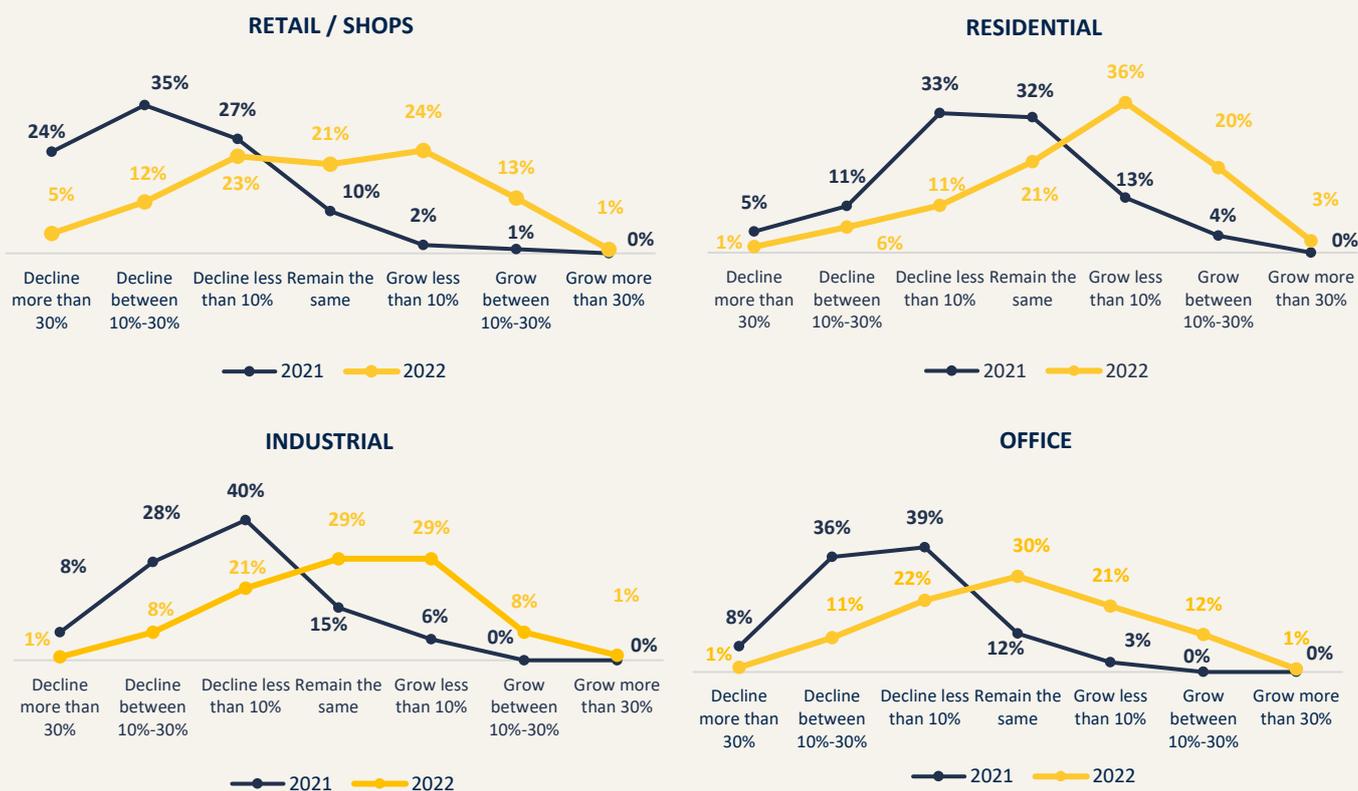
The most frequently chosen factors that respondents believe will contribute to Hong Kong's economic growth in 2022 are “resumption of travel to Hong Kong” (48 per cent), “control over COVID-19” (31 per cent), “recovery of the global economy” (30 per cent) and “growth in Mainland China's economy” (29 per cent).

The results indicate that respondents think the resumption of travel to Hong Kong will be a key factor in facilitating Hong Kong's economic revival, with industries such as tourism set to benefit from the re-opening of borders. It's also likely that the re-opening of borders will facilitate talent and investment flow into Hong Kong, as well as encouraging more business activities.

Effective control of the pandemic remains an important factor for the recovery of business activities and consumer confidence. Global economic recovery and strong economic growth in Mainland China's economy in 2022 should also provide support to Hong Kong's economic growth.

In addition, many respondents also chose the “GBA initiative” (22 per cent) and “Hong Kong's low and simple tax system” (21 per cent) as major contributors to Hong Kong's economic growth in 2022.

Figure 2. Expected changes in property prices



Question: Compared to 2021, by what percentage do you believe Hong Kong's property price will change in 2022?

Note: The percentage of respondents who selected "Don't know" are not shown.

Reflecting the stable local pandemic situation and Hong Kong's overall economic recovery, many respondents expect the property market to regain some of its momentum in 2022. Figure 2 shows that at least half of the survey respondents expect property prices in the retail, industrial, and office sectors to remain the same or rise in 2022, and 80 per cent of respondents expect residential property prices to remain the same or rise in 2022.

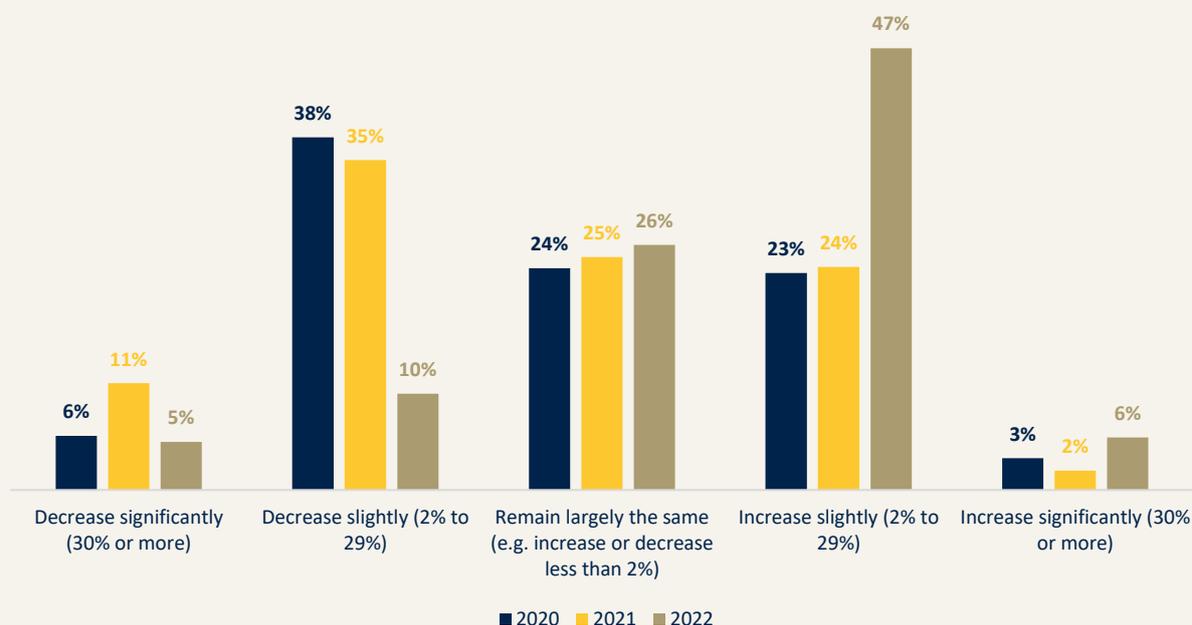
The comparatively rosier expectations for property prices are most noticeable in the residential sector, where 59 per cent of respondents believe residential property prices will rise in 2022, up 42 percentage points from 2021. The improvement in residential property market sentiment is indicative of renewed economic optimism.

In the retail sector, 40 per cent of respondents predict retail property prices will fall in 2022, down 46 percentage points compared to in 2021. The results indicate that while challenges such as restrictions on inbound tourism continue to weigh on retail market conditions, positive signs such as a rebound in retail sales and rising consumer confidence (boosted by the roll-out of the consumption voucher scheme) are leading to a less pessimistic outlook for this sector.

The share of respondents who believe office property prices will decrease in 2022 dipped from 83 per cent in 2021 to 34 per cent. The drop in the proportion of respondents who think that office property prices will decrease can be attributed to a pick-up in demand for office spaces, with most businesses returning to close to pre-pandemic levels of physical operations.

BUSINESS TRENDS

Figure 3. Expected change in company revenue



Question: In comparison to 2021, do you expect your company's revenue in 2022 will...?

- Notes:**
- (1) The percentage of respondents who selected "Don't know" in 2020, 2021 and 2022 is 6 per cent, 3 per cent and 6 per cent respectively.
 - (2) Percentages may not add up to 100 per cent due to rounding.

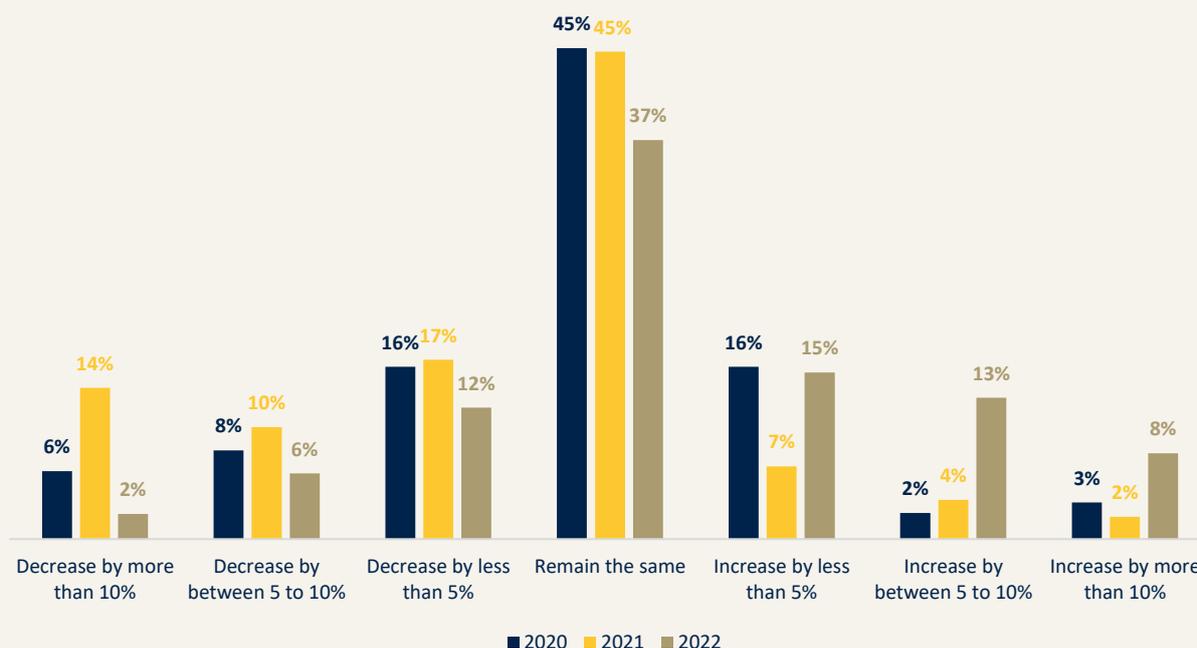
Heading into 2022, a pick-up in business and consumer confidence is expected to boost revenues, with over half of respondents (53 per cent) forecasting their company's revenue to increase in 2022, significantly up from around a quarter of respondents in both 2020 and 2021.

Reflecting improvement in business conditions, only 15 per cent of respondents expect their company's revenue to decline in 2022, well below the 46 per cent in 2021 and 44 per cent in 2020.

When asked to reconsider their expected revenue results for 2021, half of respondents predicted their company's revenue will increase. This is significantly better than expectations for 2021 made in November 2020, where 26 per cent forecast a rise. This indicates that 2021 was more positive for many businesses than expected.

Following two and a half years of challenging business conditions in Hong Kong, an appreciable upswing in business sentiment is likely to benefit the broader economy.

Figure 4. Expected change in headcount



Question: By what percentage range do you think your company’s headcount will change in 2022 from 2021?
Notes: (1) The percentage of respondents who selected “Don’t know” in 2020, 2021 and 2022 is 2 per cent, 2 per cent and 6 per cent respectively.
 (2) Percentages may not add up to 100 per cent due to rounding.

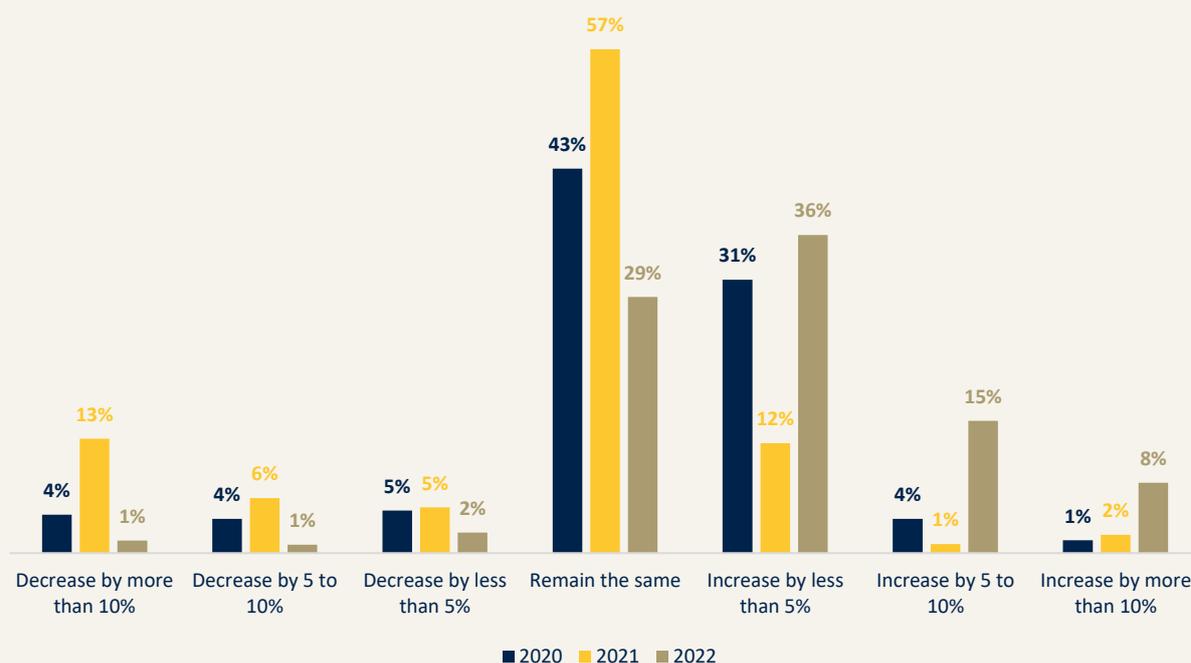
The expected increase in company headcount has improved noticeably from 2021 to 2022, further reflecting a recovery of business confidence.

Figure 4 shows that 36 per cent of respondents expect their business to increase employee numbers, up from 13 per cent in 2021 and 21 per cent in 2020.

On the other hand, the percentage of respondents

expecting to reduce their headcount is down markedly, with 20 per cent expecting a decrease in their company’s headcount in 2022. This is significantly lower than the 41 per cent and 30 per cent registered in 2021 and 2020 respectively.

Figure 5. Expected change in salary



Question: By what percentage range do you think your company's headcount will change in 2022 from 2021?

- Notes:**
- (1) The percentages of respondents who selected "Don't know", "I do not plan to work in the next 12 months" or "Not applicable" in 2020, 2021 and 2022 are 6 per cent, 4 per cent and 7 per cent respectively.
 - (2) Percentages may not add up to 100 per cent due to rounding.

More robust business confidence and stronger expectations for the labour market is translating to higher salary expectations among respondents.

Respondents appear to be more positive about their salary expectation in 2022, with 59 per cent forecasting that their salary will increase, up from just 15 per cent in 2021 and 36 per cent in 2020. Among those who believe that their salary will increase, 39 per cent believe that the increase will be

five per cent or more, up 19 percentage points from 2021. However, overall salary increases are not expected to be large, with respondents being most likely to expect an increase of less than five per cent.

Overall, Figures 3, 4 and 5 show that respondents are displaying significantly stronger confidence in Hong Kong's and their own employment situation in 2022 compared to in 2020 and 2021. This should translate into increased consumer and business confidence.

Figure 6. Key strategic focuses for companies in 2021

Question: Which of the following best describes what you expect to be your company's key strategic focuses for 2022? (Please select up to three options)

Forty-one per cent of respondents chose “innovation and technology, including digital transformation” as a key strategic focus for their company in 2022. This shows that companies are increasingly seeing the value of digitalising their business operations to adapt to changing consumer and employee needs brought about by the COVID-19 pandemic and to stay ahead of continual technological disruption.

This may also illustrate that respondents believe digital transformation could potentially help their company reduce operational costs, improve efficiency and adapt to changing consumer preferences. These are essential elements for companies to sustain themselves and succeed in an ever-changing environment.

Demonstrating more optimistic expectations of changes in company headcount in 2022, as well as soaring demand for talent in Hong Kong and globally,

the second most popular strategic focus is “attracting, retaining and nurturing talent”.

Improving business sentiment is reflected in a decrease in the percentage of respondents stating their company will focus on strategies appropriate for tougher conditions, such as “improving cash flow” which dropped from 36 per cent in last year's survey to 23 cent in this year's survey and “improving business efficiency” which dropped from 46 per cent to 36 per cent.

Other results

Respondents from companies with 100 or more employees were most likely to choose “attracting, retaining and nurturing talent” (51 per cent) as their key strategic focus in 2022.

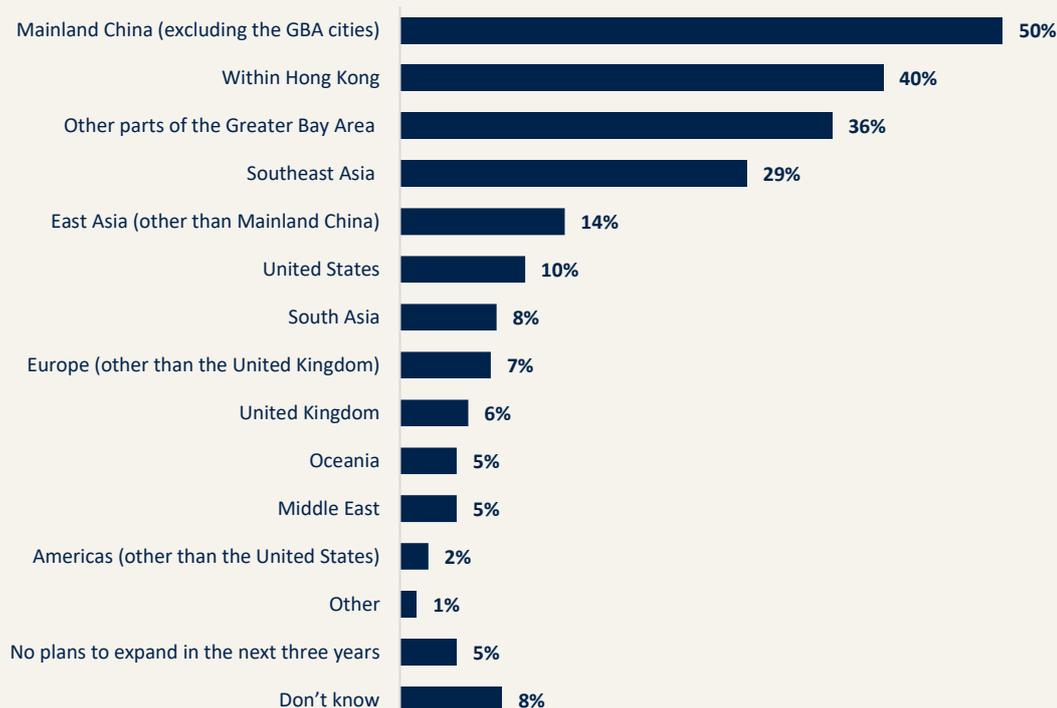
Respondents from companies with less than 100 employees were most likely to choose “improving

business efficiency” (43 per cent) as their key strategic focus in 2022.

Respondents from companies that expect revenue to grow in 2022 were most likely to choose “innovation and technology, including digital transformation” (47 per cent).

Respondents from companies that expect revenue to remain largely the same or shrink in 2022 were most likely to choose “improve business efficiency” (38 per cent).

Figure 7. Business expansion plans in the next three years



Question: In the next three years, which of the following regions do you expect your company will mainly focus its expansion activities? (Please select up to three options)

Figure 7 shows that an overwhelming majority of respondents think their business will expand its activities in the next three years, with only five per cent reporting that their business has no plans to expand.

The top three expansion destinations are all within the Greater China region, with Mainland China being the most common location, followed by Hong Kong and other parts of the GBA. The preference for businesses to expand within the Greater China region indicates the confidence many Hong Kong businesses

have in China’s economy and economic policies such as the GBA. It’s also likely that efforts in Mainland China to improve the business environment, such as reducing taxes and fees as stipulated in the 14th Five-Year Plan, as well as Hong Kong’s traditional strengths such as a simple tax regime and free flow of capital, are encouraging Hong Kong businesses to grow within the region.

Outside of the Greater China region, the most popular area for potential expansion is Southeast Asia.

ACTIONS TO IMPROVE COMPETITIVENESS

Figure 8. Actions to improve Hong Kong's competitiveness



Question: In order of priority, please rank the top three (3) measures you believe the Hong Kong government should implement to improve Hong Kong's international competitiveness?

Figure 8 shows that the most popular actions respondents think the Hong Kong government should implement to improve the city's international competitiveness are to "strengthen Hong Kong's position as an international financial centre" (60 per cent), "greater support for innovation and technology" (40 per cent) and "expand international economic and trade connections" (35 per cent).

In relation to the actions required to strengthen Hong Kong's position as an international financial centre, respondents were most likely to nominate "support of FinTech and other digital finance innovation". They also thought that increasing support to attract and retain talent was also important.

Respondents were also of the view that to maintain Hong Kong's position as an international finance

centre, the SAR government should continue with policies that maintain Hong Kong's status as an offshore RMB centre and the city's low and simple tax system.

We recognise that the government has undertaken and is about to undertake various reforms to boost Hong Kong's standing as an international financial hub. These include:

- unveiling the "FinTech 2025" strategy
- the Memorandum of Understanding between the Hong Kong Monetary Authority and the People's Bank of China to link their respective FinTech regulatory sandboxes to allow concurrent trials of cross-boundary FinTech initiatives

- development of a central bank digital currency
- offering of RMB-denominated green bonds
- the Wealth Management Connect scheme
- other connect schemes such as the Bond Connect and the Insurance Connect
- leveraging on the expansion of the Qianhai economic cooperation zone and
- incentives to increase the presence of family offices from high-net-worth individuals.

Measures announced in the Hong Kong Chief Executive's Policy Address 2021, such as increasing the land and infrastructure available for innovation and technology, promoting reindustrialisation and supporting universities' research, should also facilitate the development of Hong Kong into an international innovation and technology hub.

Other results

When asked to prioritise their suggestions for improving the city's international competitiveness, respondents were most likely to nominate strengthening Hong Kong's position as an international financial centre as the highest priority. This is followed by "increase land and housing supply" and "strengthen cooperation with the rest of the GBA".

When asked to prioritise their suggestions for strengthening Hong Kong's position as an international financial centre, respondents were most likely to pick "Hong Kong's low and simple tax system" as their highest-ranked measure. Retaining this competitive advantage should be one of the Hong Kong government's key objective as it implements a global minimum tax rate in accordance with international agreements.

Employment skills needed to enhance Hong Kong's competitiveness

When asked what employment skills are needed to enhance Hong Kong's competitiveness, respondents nominated the same three employment skills as they had last year: creativity and innovation (60 per cent), critical thinking and analytical skills (52 per cent), and digital and technical skills (51 per cent).

Addressing the demand for these skills will need a mixture of short and longer-term policy initiatives including:

- attracting talent from other markets
- upskilling and reskilling the current workforce
- training the next generation of the workforce.

CONCLUSION

According to official government estimates, after two consecutive years of economic contraction, Hong Kong's GDP is forecast to rebound, growing 6.4 per cent in 2021. However, factors such as cross-boundary travel restrictions, further COVID-19 outbreaks and potential supply bottlenecks will continue to impact Hong Kong's economic and business growth in 2022.

With respondents predicting economic growth will be moderate in 2022, the survey suggests the city will need to strengthen its traditional competitive advantages, such as its financial services sector, and look for new drivers of economic growth and

competitiveness, such as in innovation and technology. The focus on bolstering traditional strengths and diversifying the economy should be a cornerstone of Hong Kong's economic strategy and will position it well for future development.

To position for themselves for future growth, Hong Kong businesses should consider investing in and effectively using technology and enhancing their digital capability, and attracting, nurturing and retaining talent. They should also consider expansion opportunities such as in Mainland China including other parts of the GBA, as well as ASEAN countries.

