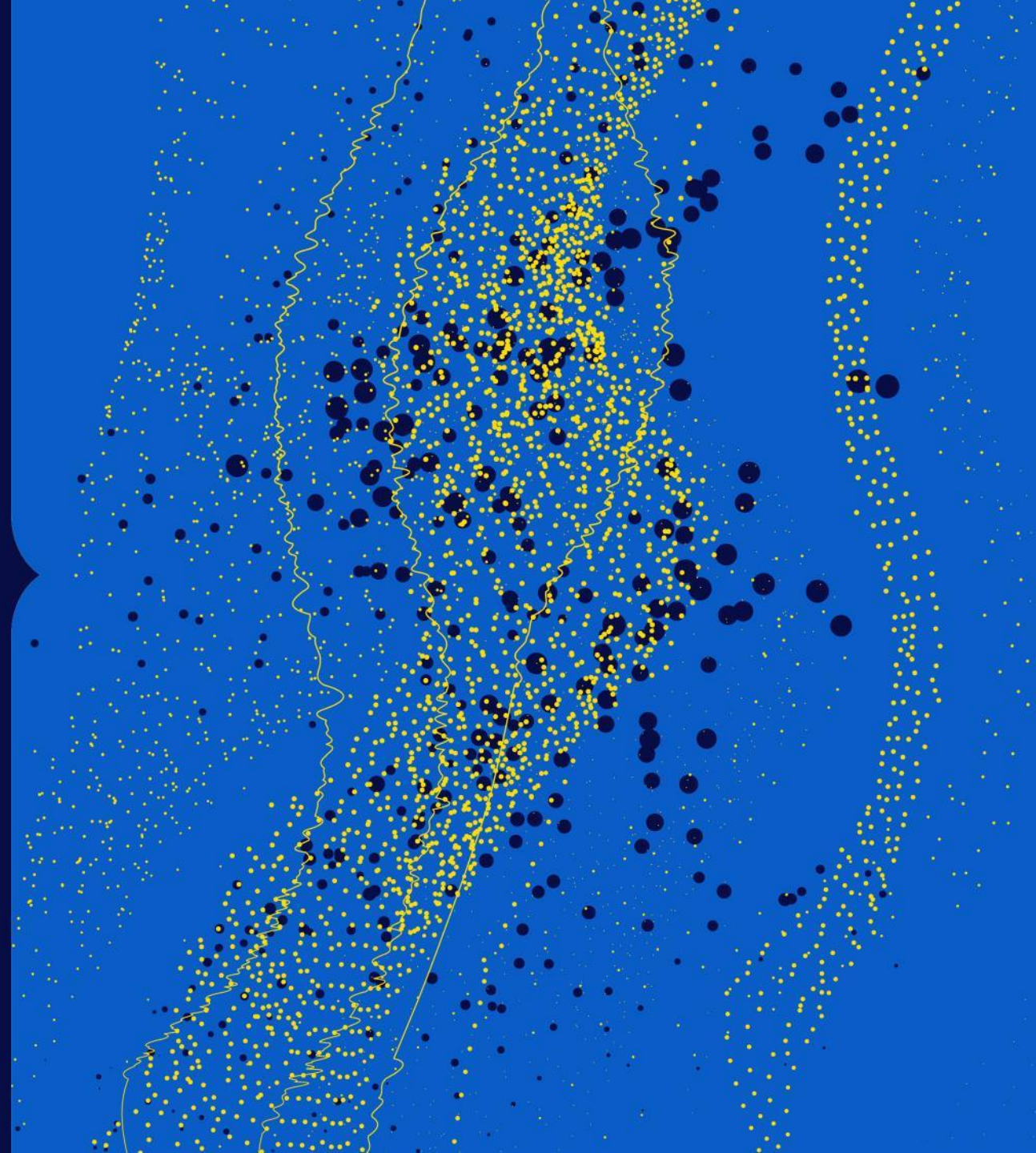


HONG KONG ECONOMIC AND BUSINESS SENTIMENT SURVEY 2023

December 2022



Purpose of the survey

To capture the views of Hong Kong-based accounting and finance professionals on a range of topics related to Hong Kong's economic and business outlook in 2023, including:

- Economic forecasts for 2023
- Property price forecasts for 2023
- Business and salary trends
- Business challenges and strategic focuses
- Measures to improve Hong Kong's competitiveness

About the survey

- The survey was conducted from 15 to 23 November 2022.
- 210 responses were received from accounting and finance professionals in Hong Kong.
- Respondents came from a variety of different industries. CPA professional services (29 per cent), financial services and insurance (20 per cent), retail (nine per cent), consulting (eight per cent) and other professional services (six per cent), comprised the largest share.
- Forty-eight per cent of respondents worked for companies with fewer than 100 employees and 49 per cent worked for companies with 100 or more employees. Three per cent were not working.

Key findings

- Nearly half (47 per cent) expect Hong Kong's GDP to grow in 2023
- Technology and e-commerce, healthcare, and financial services and insurance are considered the sectors with the greatest growth potential in 2023
- Most respondents forecast Hong Kong's property prices to drop in 2023. Fifty-nine per cent predict a fall in retail/shops prices and 54 per cent predict a fall in residential prices
- Respondents are much more likely to expect their company's revenue to increase in 2023 (43 per cent) than decrease (21 per cent)
- Talent shortages, policy and regulatory changes and weak demand are the top three challenges facing business in 2023
- Investing in innovation and technology, improving business efficiency and cost management are the top three strategic focuses for business in 2023

ECONOMIC SENTIMENT

Nearly half expect Hong Kong's GDP to grow in 2023

In your opinion, do you think Hong Kong's GDP in 2023 will...?

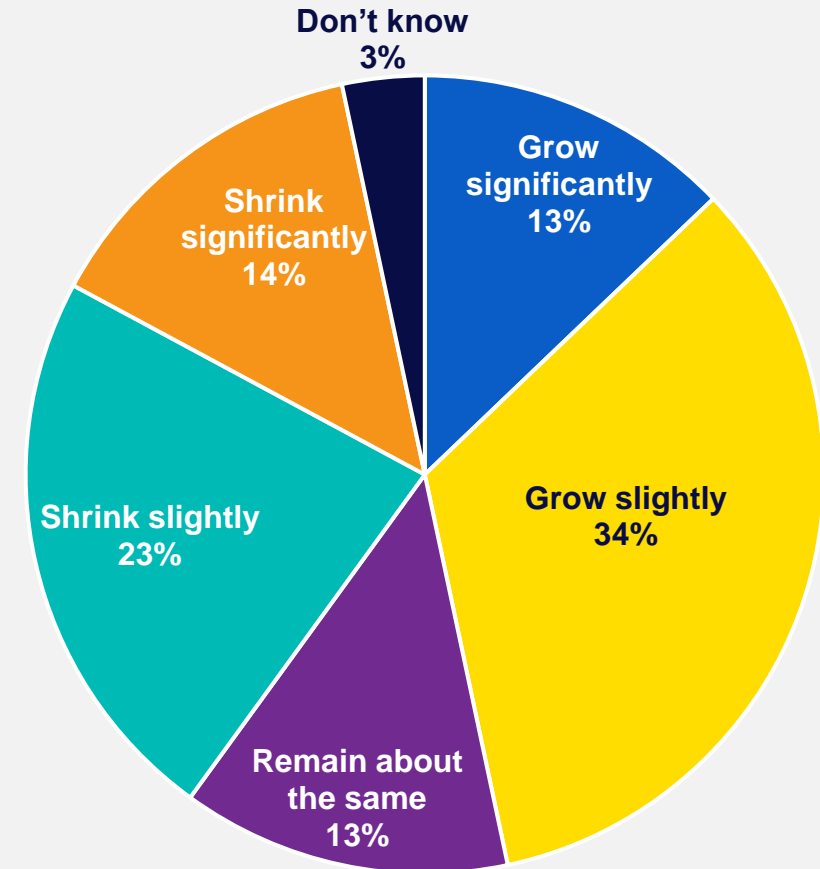
47%

expect Hong Kong's GDP to **grow**

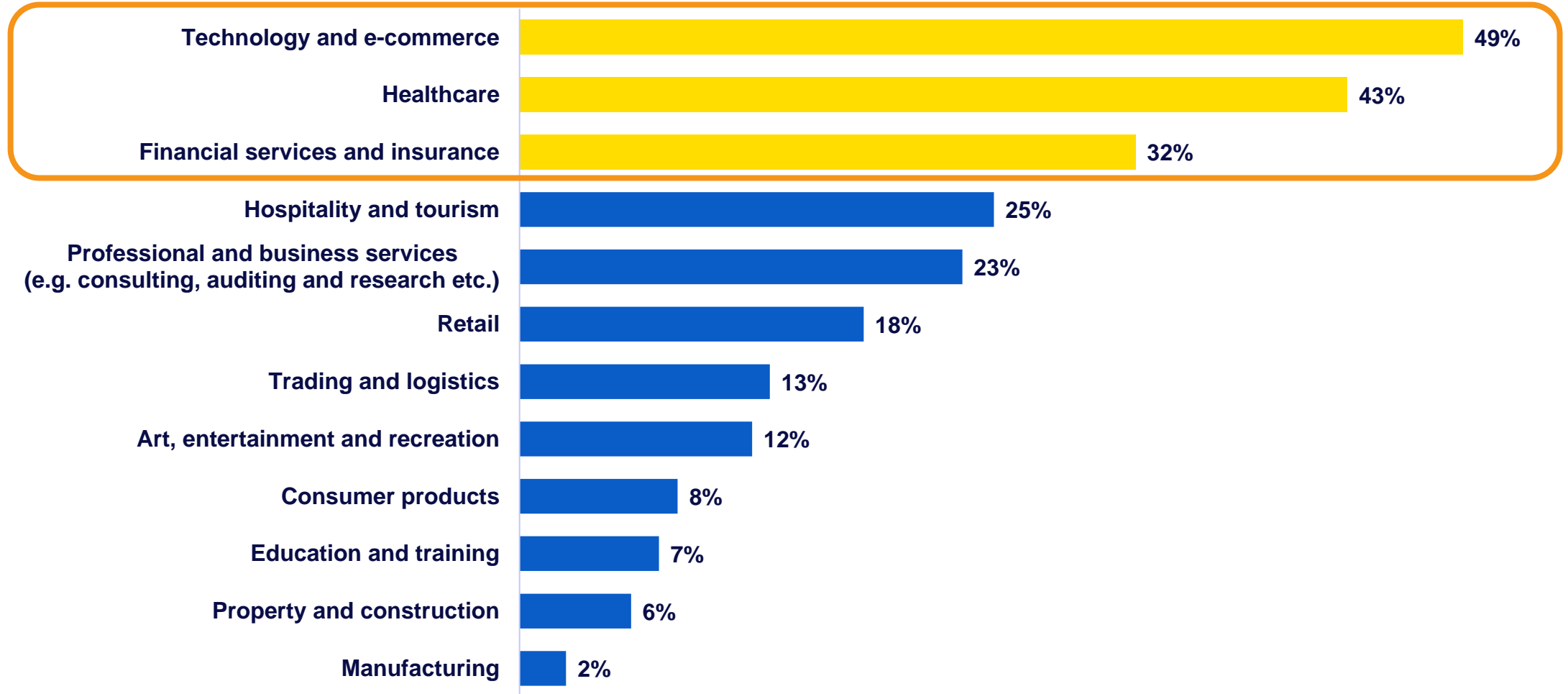
13%

expect Hong Kong's GDP to **remain about the same**

Note: Grow significantly (3% or more), Grow slightly (0.1%-2.9%), Shrink slightly (0.1-2.9%), Shrink significantly (3% or more)



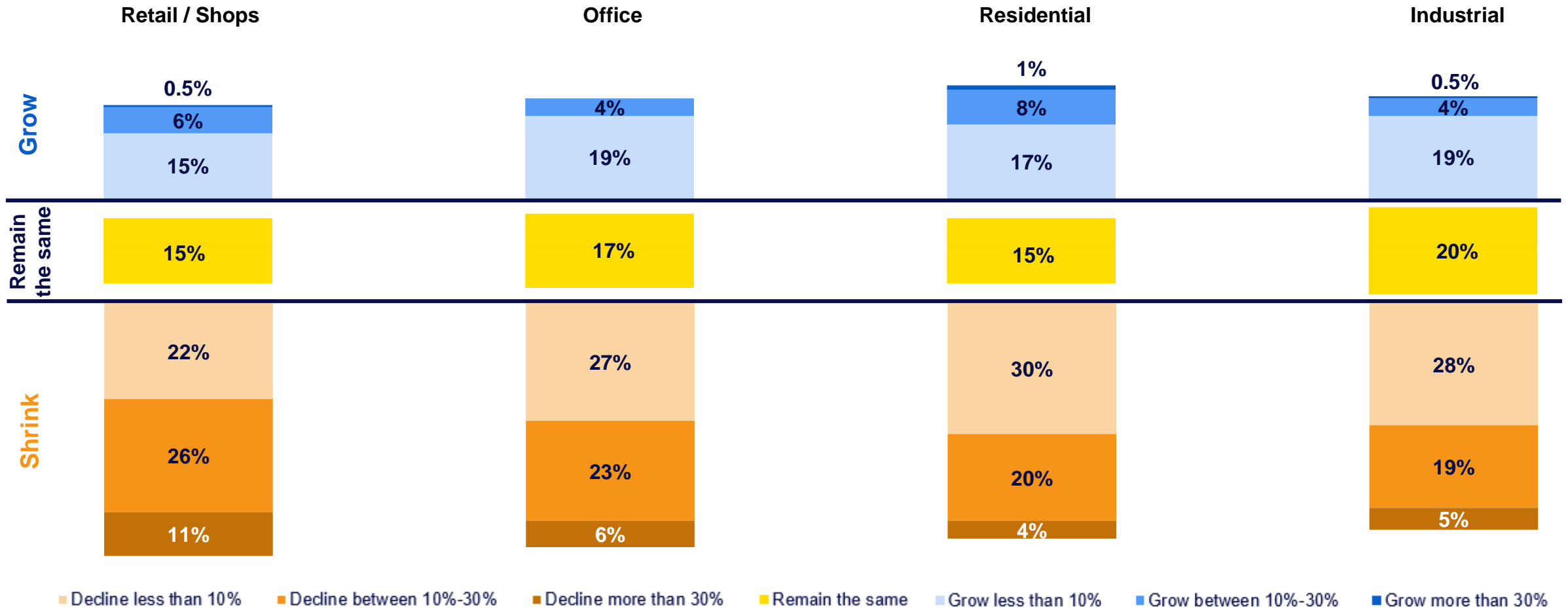
Respondents believe that the technology and e-commerce industry has the greatest growth potential in 2023



Question: Compared to 2022, which of the following industries do you think have the greatest growth potential in 2023?

Hong Kong's property sector is in for a difficult 2023 with over half forecasting property prices to fall

Expected changes in property prices in 2023 by sector



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.

BUSINESS TRENDS

Respondents are much more likely to expect their company's revenue to increase than decrease in 2023

Compared to 2022, do you expect your company's revenue in 2023 will...?

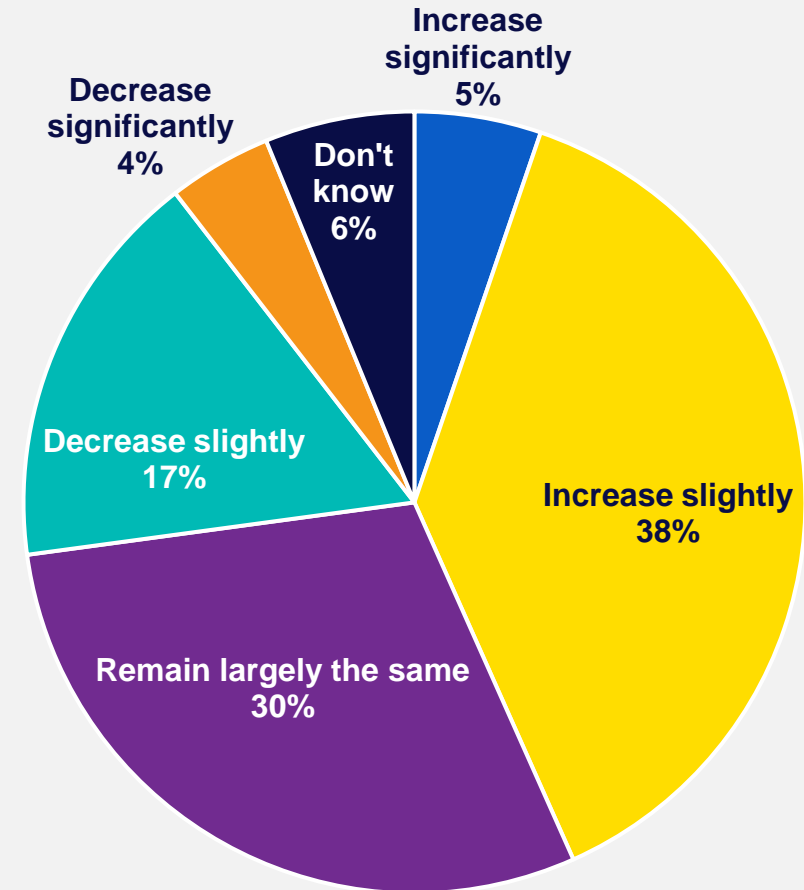
43%

expect their company's revenue to **increase**

21%

expect their company's revenue will **decrease**

Note: 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)



Four-in-10 expect their company to freeze headcount and three-in-10 expect an increase in 2023

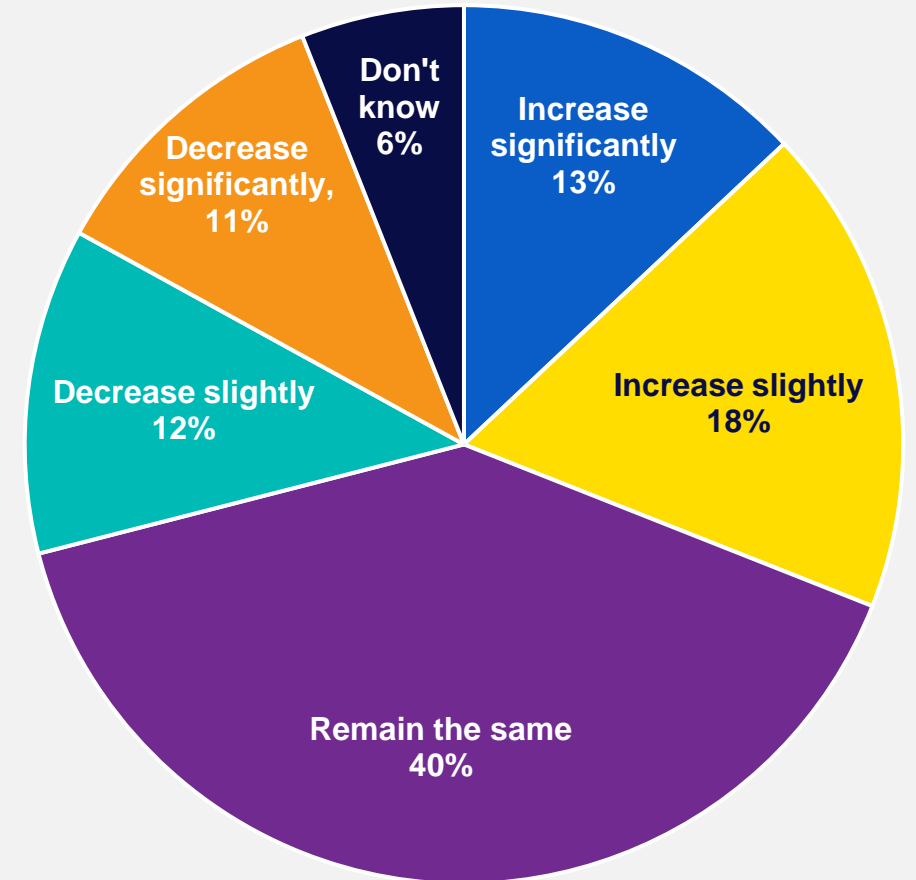
Compared to 2022, do you expect your company's headcount in 2023 will...?

31%

expect their company's headcount will **increase**

40%

expect their company's headcount will **remain the same**



Note: Increase significantly (5% or more), Increase slightly (less than 5%), Decrease slightly (less than 5%), Decrease significantly (5% or more)

Nearly half expect their salary to rise in 2023

Compared to 2022, do you expect your salary in 2023 will...?

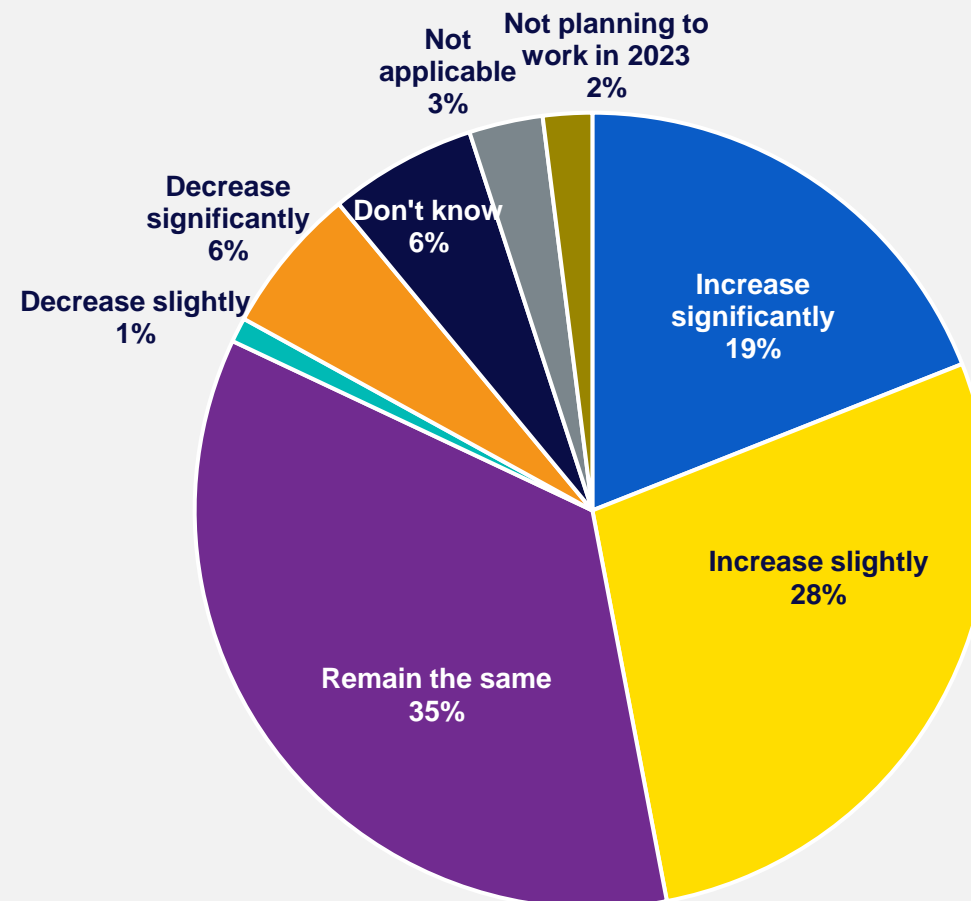
47%

expect their salary will **increase**

35%

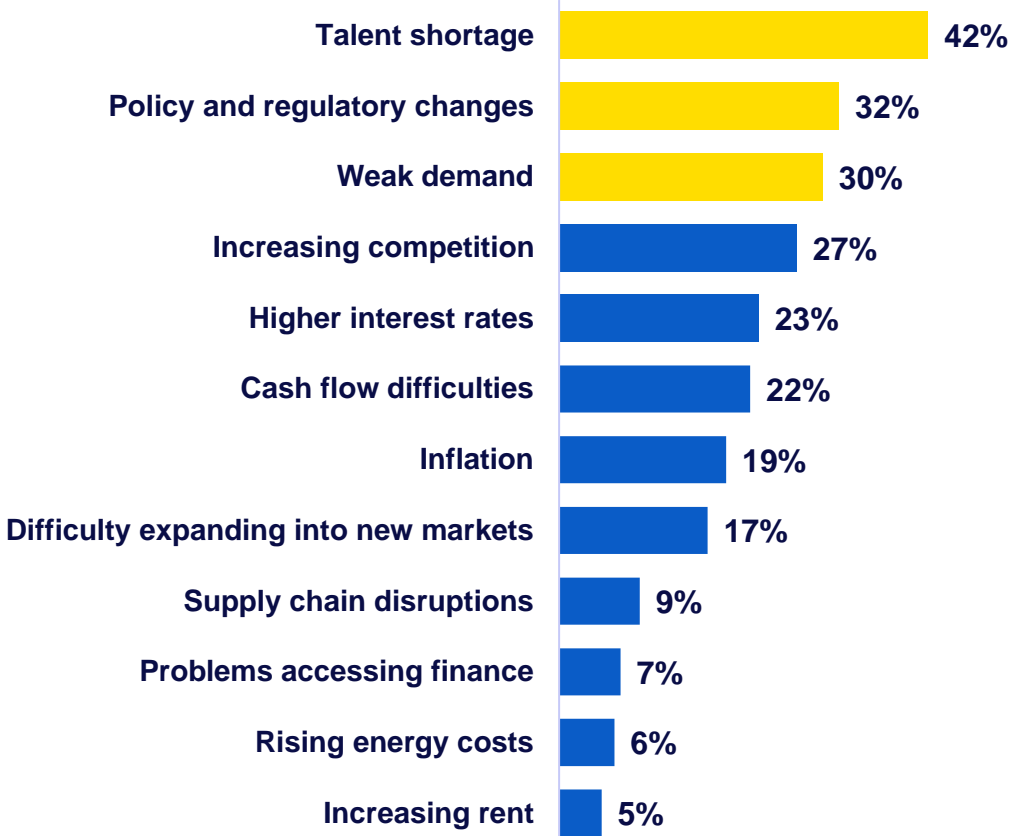
expect their salary will **remain the same**

Note: Increase significantly (5% or more), Increase slightly (less than 5%), Decrease slightly (less than 5%), Decrease significantly (5% or more)

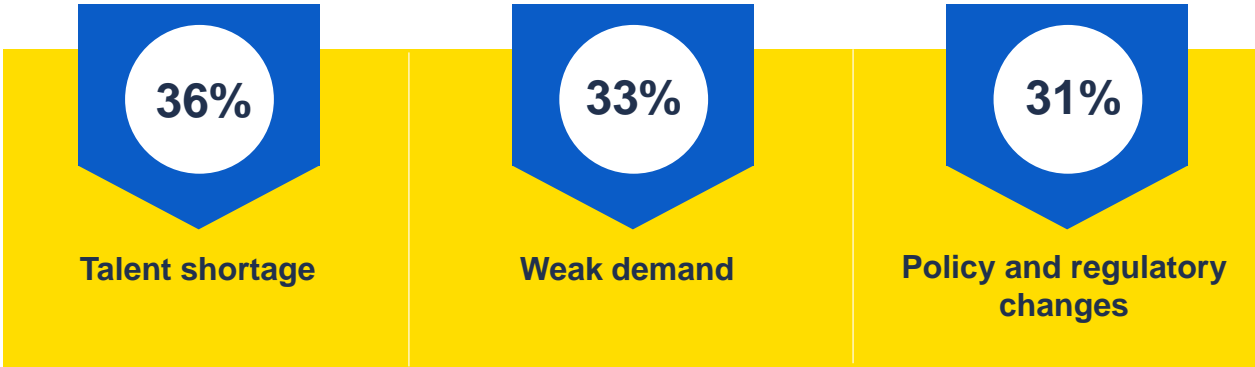


A talent shortage is the top challenge for businesses

Overall



Small businesses (fewer than 100 employees)

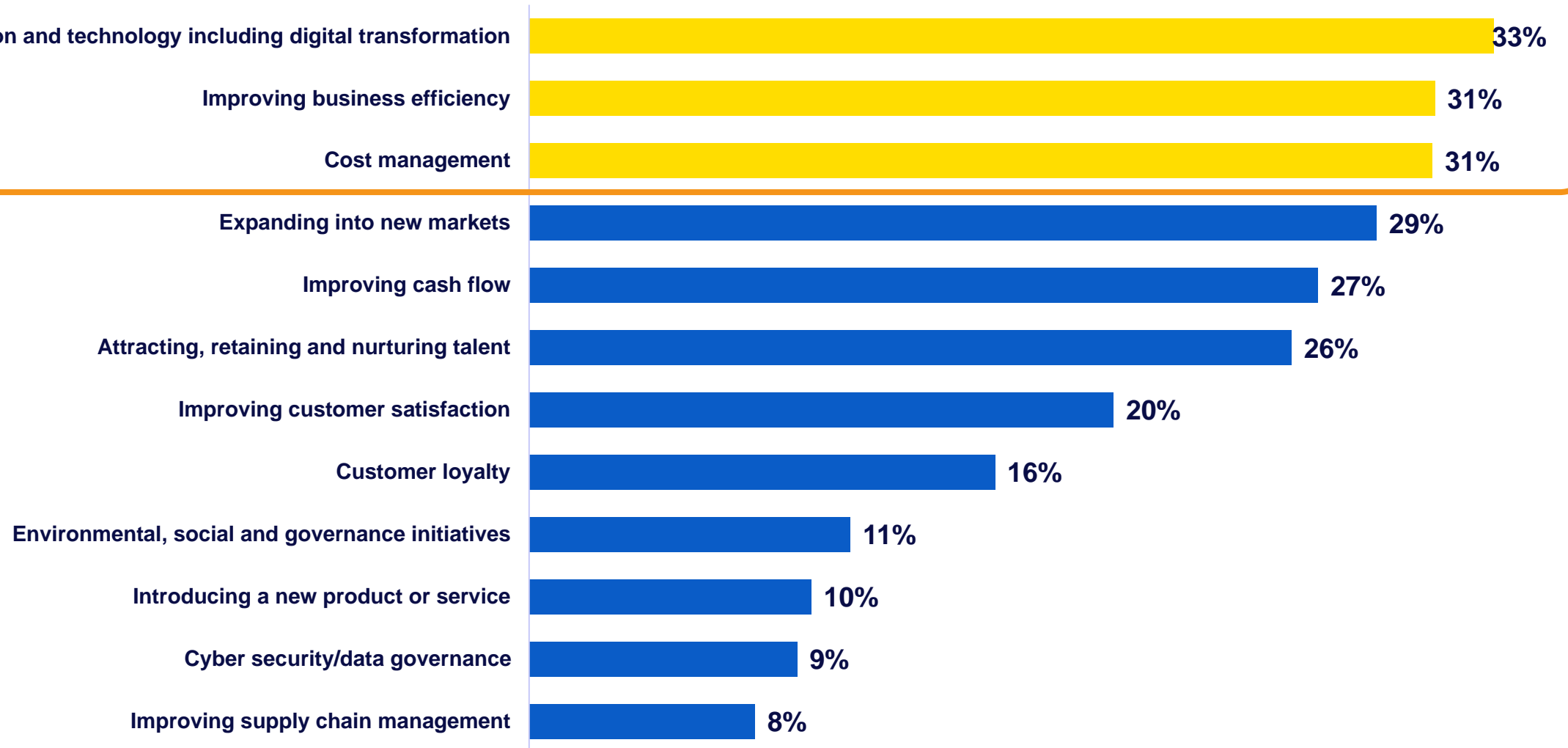


Large businesses (100 employees or above)



Question: Which of the following do you think will be the major challenges for your company in 2023?

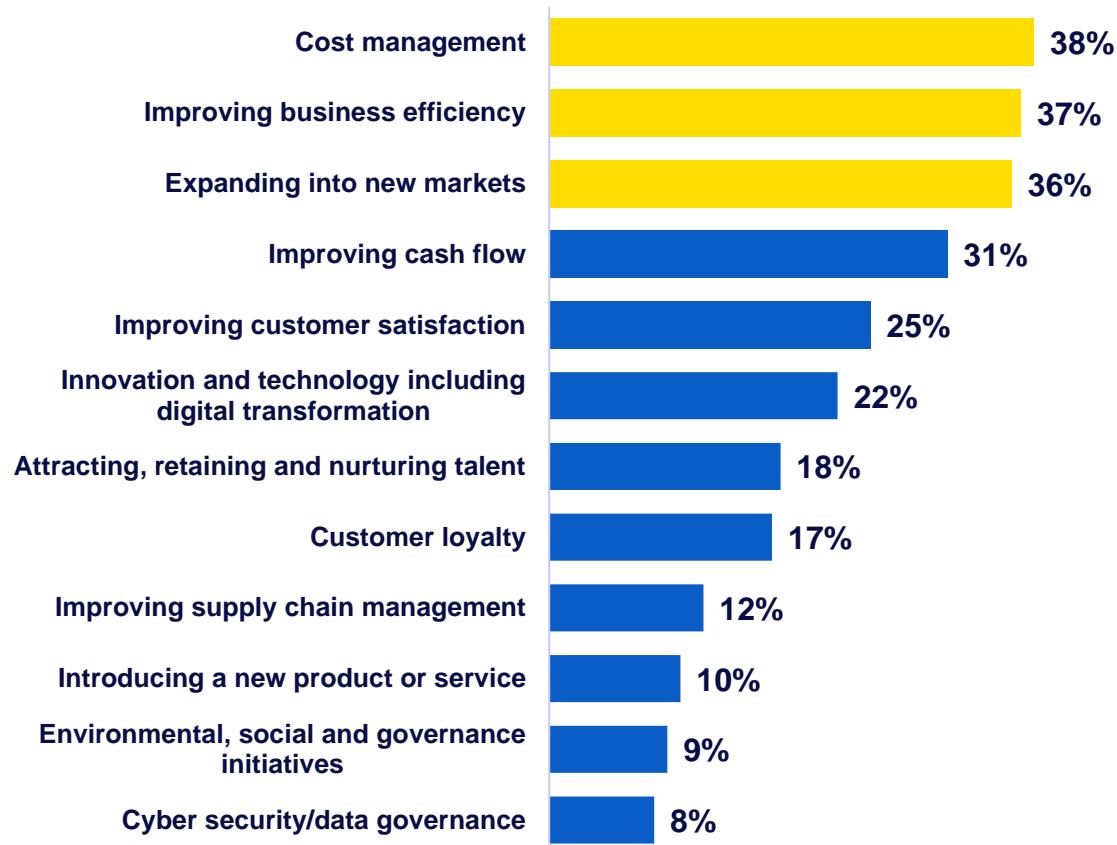
One third of businesses intend to focus on innovation and technology in 2023



Question: Which of the following best describes what you expect to be your company's key strategic focuses for 2023?

Small business most likely to focus on cost management while larger businesses most likely to focus on innovation and technology

Businesses with fewer than 100 employees



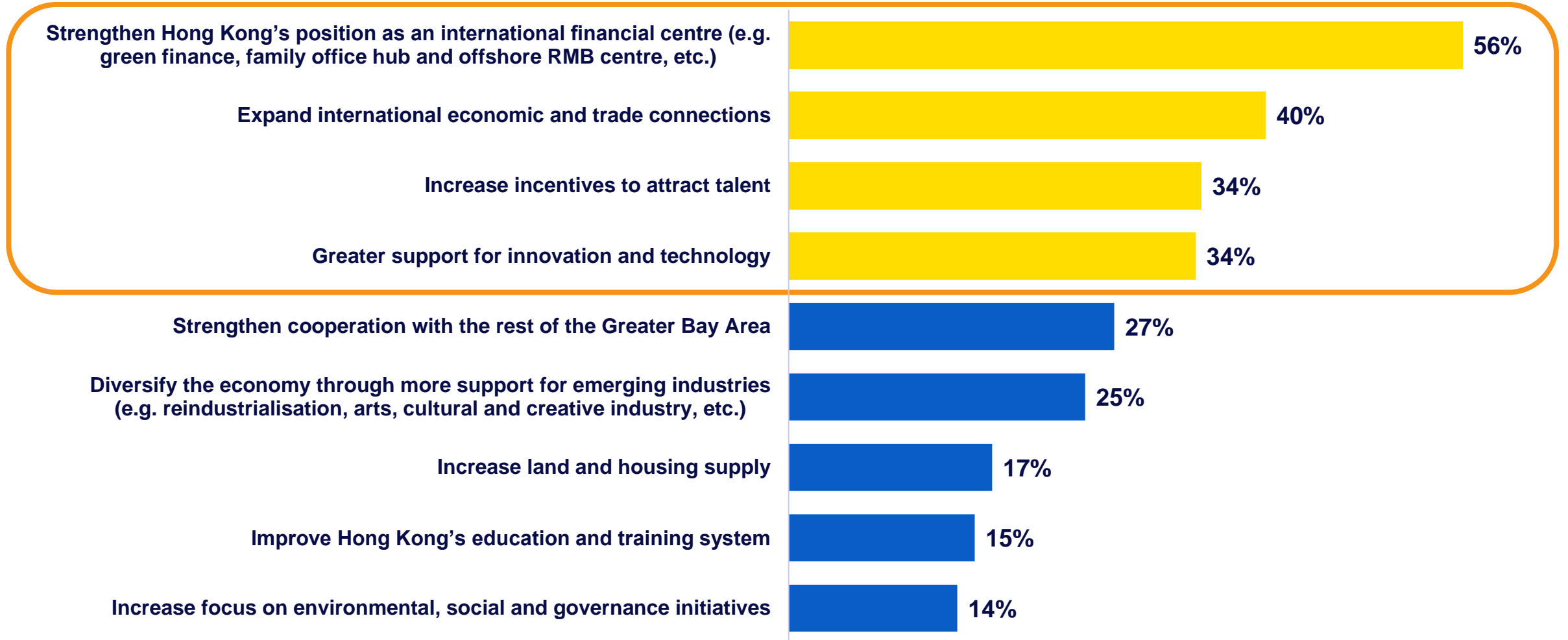
Businesses with 100 or more employees



Question: Which of the following best describes what you expect to be your company's key strategic focuses for 2023?

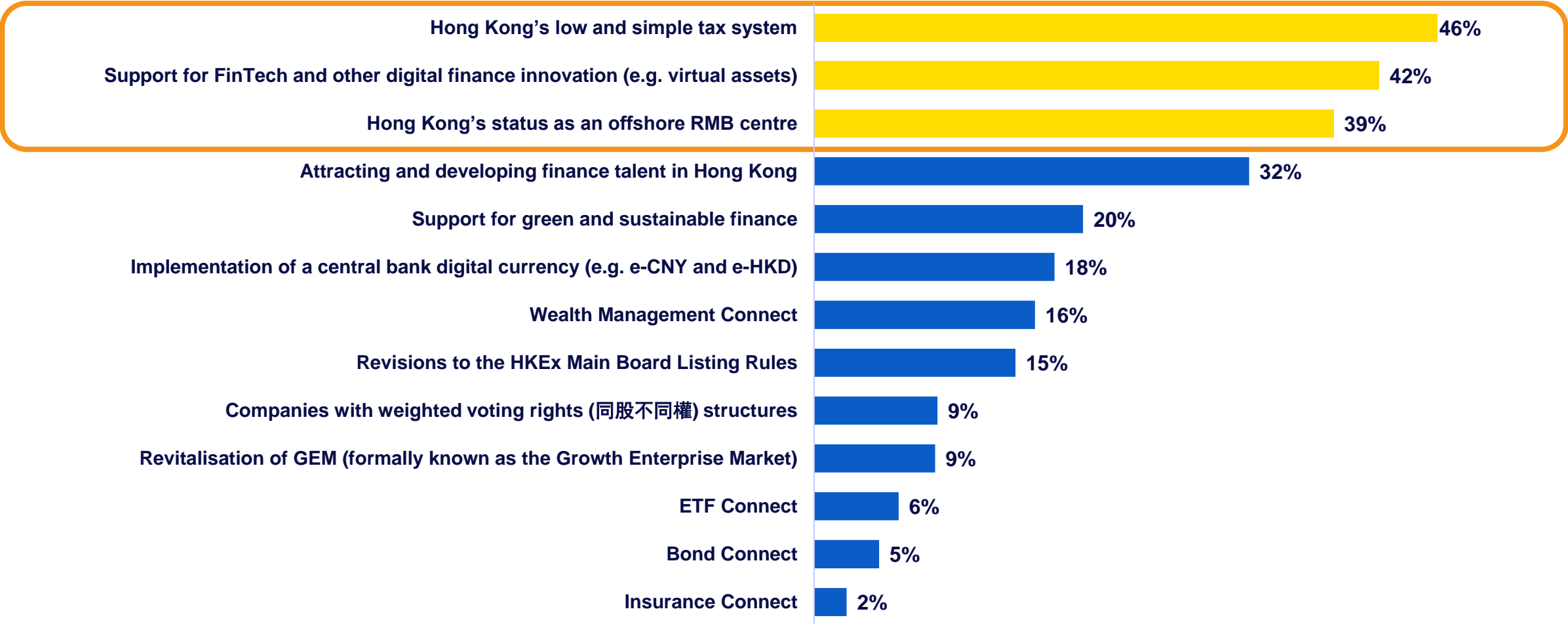
International competitiveness

Strengthening Hong Kong's position as an IFC nominated as most likely to improve its international competitiveness



Question: Which of the following do you believe the Hong Kong government should implement to improve Hong Kong's international competitiveness?

Maintaining Hong Kong's low and simple tax system considered the most important measure to strengthening the SAR's role as an international financial centre



Question: Which of the following measures do you think will most likely strengthen Hong Kong's position as an international financial centre in the next three years?

Recommendations

Recommendations for the government

Enhance Hong Kong's role as a super connector



- Expedite the resumption of restriction-free cross-border travel
- Continue expanding international economic and trade connections, such as joining the Regional Comprehensive Economic Partnership and increasing the number of free trade agreements
- Strengthen Hong Kong's position as an international financial centre by continuing to support strategic opportunities including green and sustainable finance, FinTech, virtual assets and family offices
- Enhance communication and engagement with stakeholders to ensure businesses are aware of, and prepared for policy and regulatory changes
- Announce further measures that attract, retain and develop talent, for example expanding the scope of mutual recognition of professional qualifications with other jurisdictions

Recommendations for businesses

Respond to a challenging environment



- Implement an appropriate digital transformation or technology strategy to improve business efficiency
- Stay alert to tax and regulatory changes and identify potential gaps between existing practices and new requirements
- Seek professional advice to help manage costs including financing and borrowing costs
- Review human resources policies for ways to attract and retain talent, such as providing flexible working arrangements
- Upskill and reskill employees by delivering training programs or seeking external expertise
- Access government support schemes to identify, diversify and expand into new markets