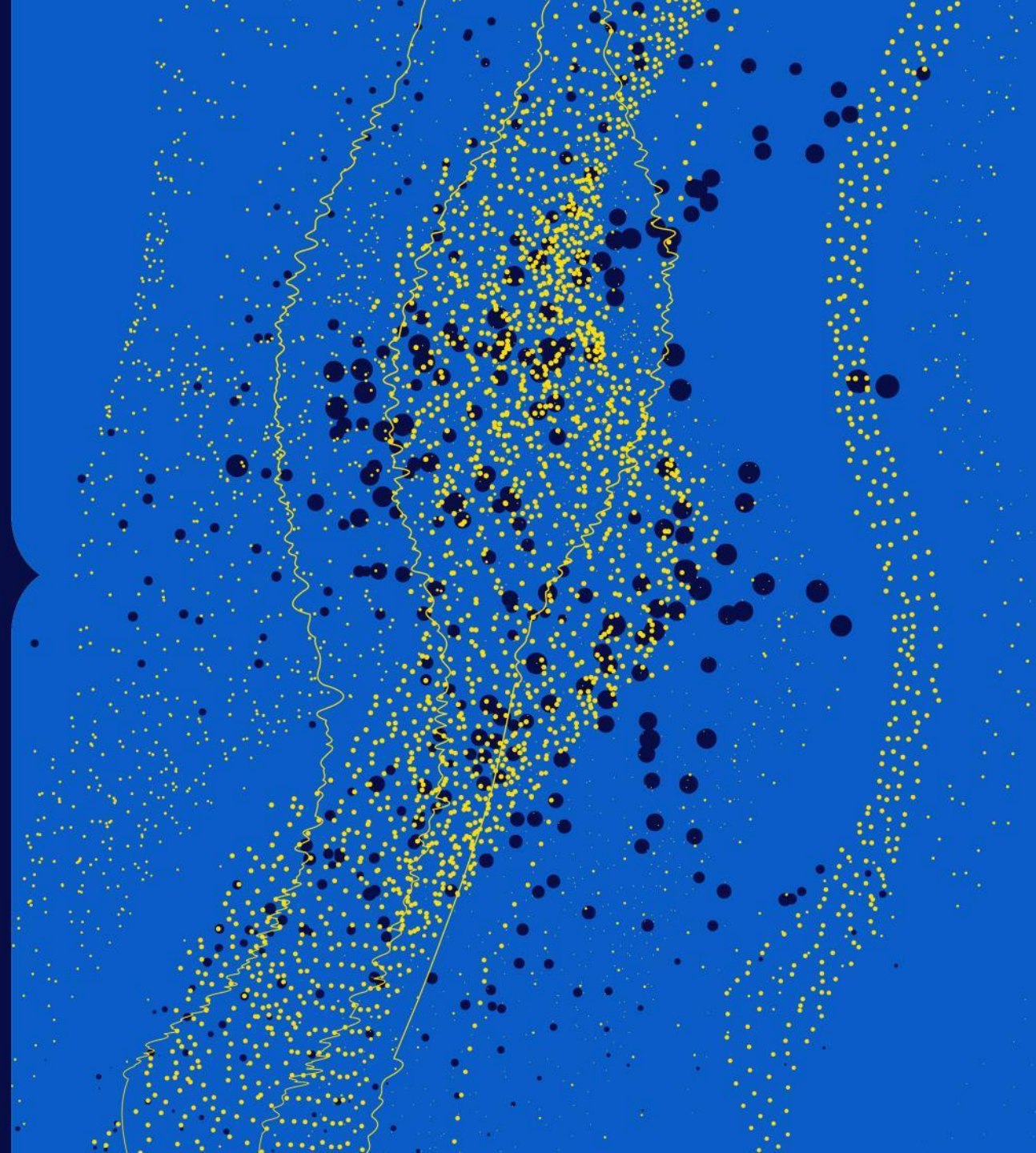


CPA Australia Hong Kong Economic and Business Sentiment Survey 2025

December 2024



ISBN

978-1-922690-59-3

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About this survey

- The survey was conducted from 10 October to 19 November 2024.
- 568 responses were received from executives and accounting and finance professionals in Hong Kong.
- Respondents came from a variety of industries, with financial services and insurance (17 per cent), CPA professional services (9 per cent) and technology and e-commerce (9 per cent), comprising the largest share.
- 25 per cent of respondents came from companies with fewer than 100 employees, 63 per cent from companies with between 100 to 1000 employees, and 13 per cent from companies with over 1000 employees.
- 80 per cent of respondents hold executive positions (including c-suite, non-executive director, sole proprietor or other senior level).
- 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 impacts and personal salary.

Executive summary

Overall, economic sentiment among executives and finance professionals in Hong Kong is optimistic. Most expect Hong Kong's economy to grow and the value of funds raised through IPOs in the city to increase in 2025. However, there is uncertainty regarding property prices.

While over half of participants rated Hong Kong's international competitiveness positively, challenges remain. These include shifts in consumer patterns in Mainland China, and uncertainty over US-China relations.

Nearly half of the respondents expect the revenue generated by their company to increase in 2025, especially among larger and mid-sized firms. Cost management continues to be a strategic priority for many companies for the upcoming year, although less so than this year. There is a rising focus on generating new income sources, expanding into new markets, and investing in innovation.

Key expected business challenges for 2025 include weak customer demand, cash flow difficulties, and talent shortages. In terms of changes in business activities, investment in advanced technology and digitalisation is expected to be a top priority, along with growth in sales and marketing efforts and potential expansion outside Hong Kong. Notably, larger companies are more inclined to pursue mergers, enhance technology investments, and address ESG-related initiatives.

Reflecting a positive outlook for 2025, over half of the respondents anticipate headcount increases in 2025, with 64 per cent of larger firms planning to expand their workforce, compared to only 14 per cent of smaller firms. Nearly 60 per cent of respondents expect salary increases of between 1 per cent to 10 per cent.

ECONOMIC SENTIMENT



Optimistic economic outlook for 2025

- Executives and accounting and finance professionals show a relatively optimistic outlook for Hong Kong's economy. Over 60 per cent anticipate the local economy to grow next year. Over 60 per cent also anticipate an increase in funds raised through IPOs in the SAR next year.
- Despite this optimism, the direction of property prices across all sectors is highly uncertain. The proportion of respondents expecting property prices to increase is nearly equal to those predicting a decline.
- More than half rated Hong Kong's international competitiveness as "fairly high" or "extremely high".
- The city's tax system was identified as the most significant advantage, followed by supportive policies from Mainland China and Hong Kong's common law system.
- However, the primary challenge for next year is changes in consumer patterns, such as increasing numbers of Hong Kong people going to the Mainland to spend. This may be contributing to the large percentage of respondents forecasting retail property prices to decline next year. Not surprising, many are concerned over possible increasing tensions in US-China relations.

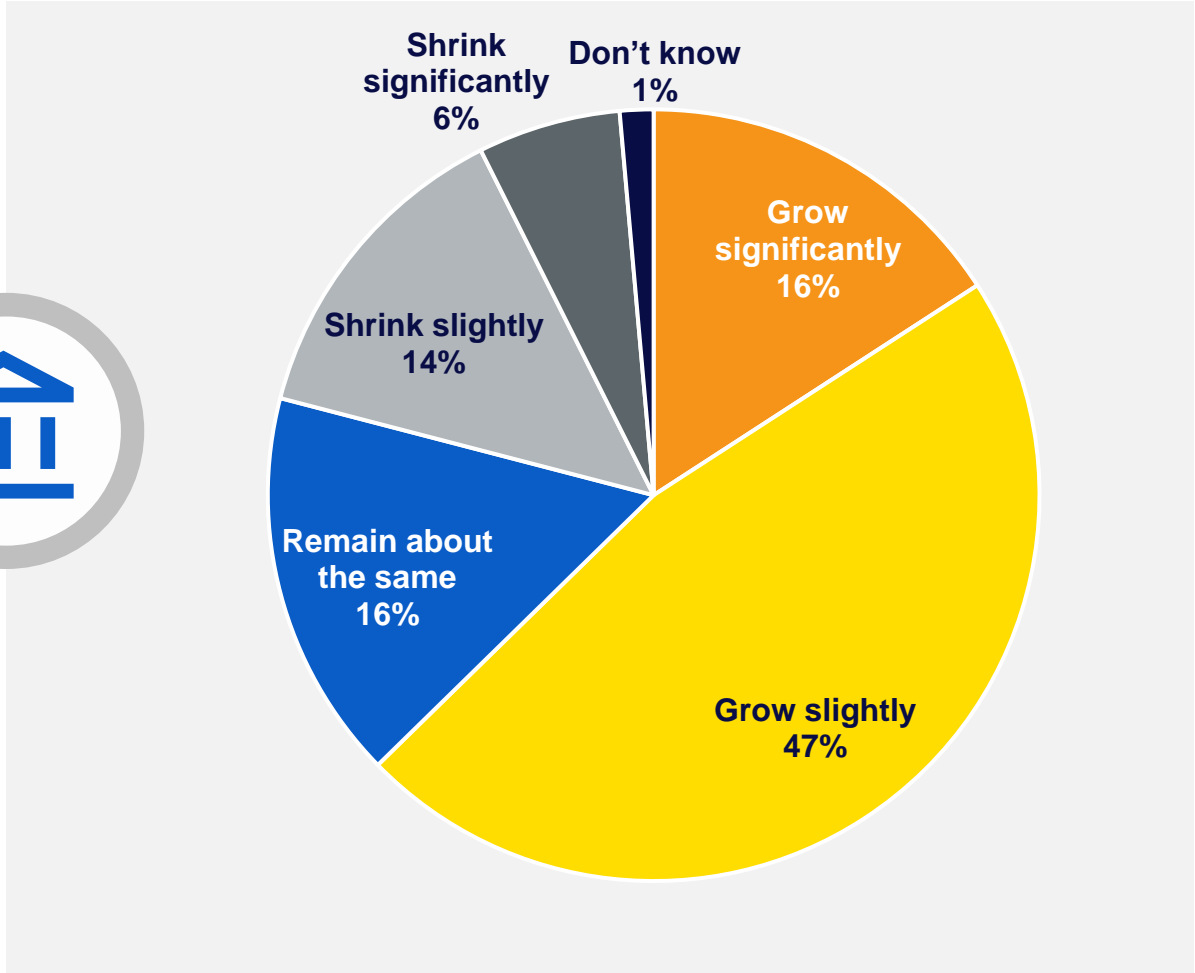
In your opinion, Hong Kong's GDP in 2025 will...?

63%

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

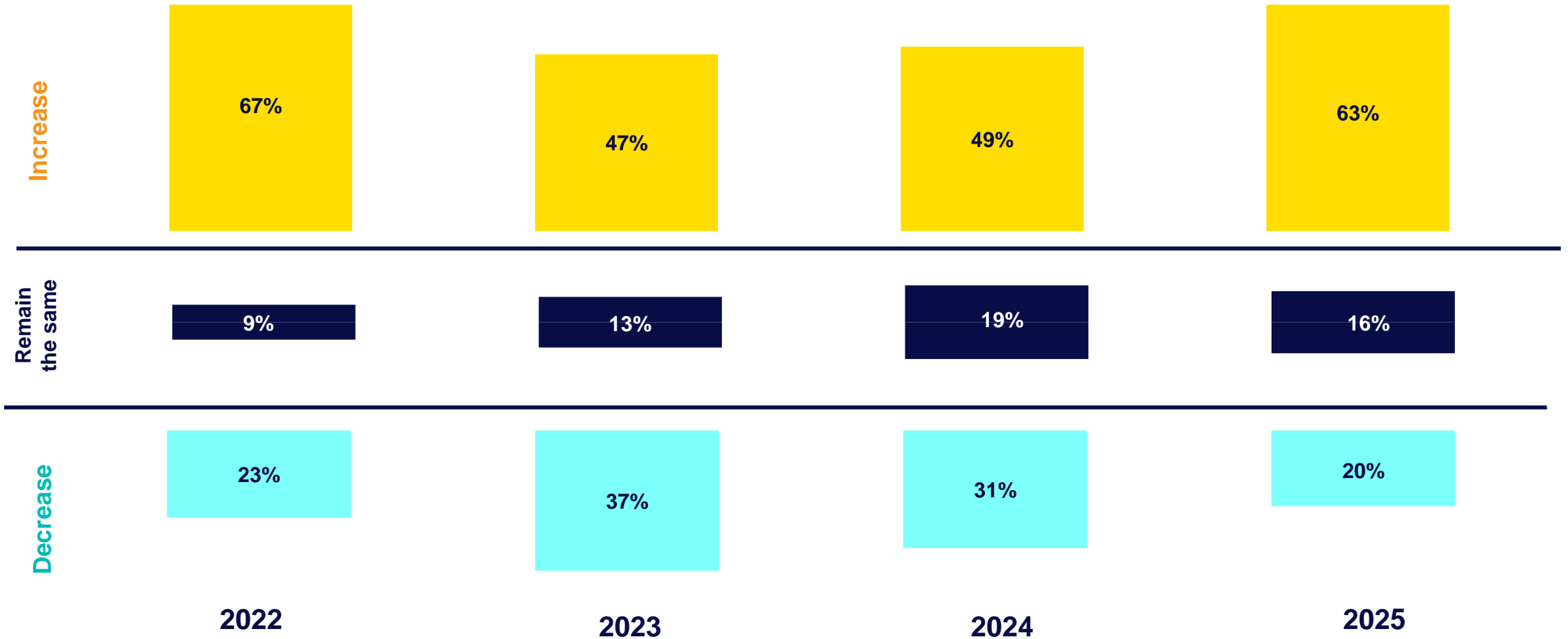
16%

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



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)

Projections for Hong Kong's GDP in the next 12 months

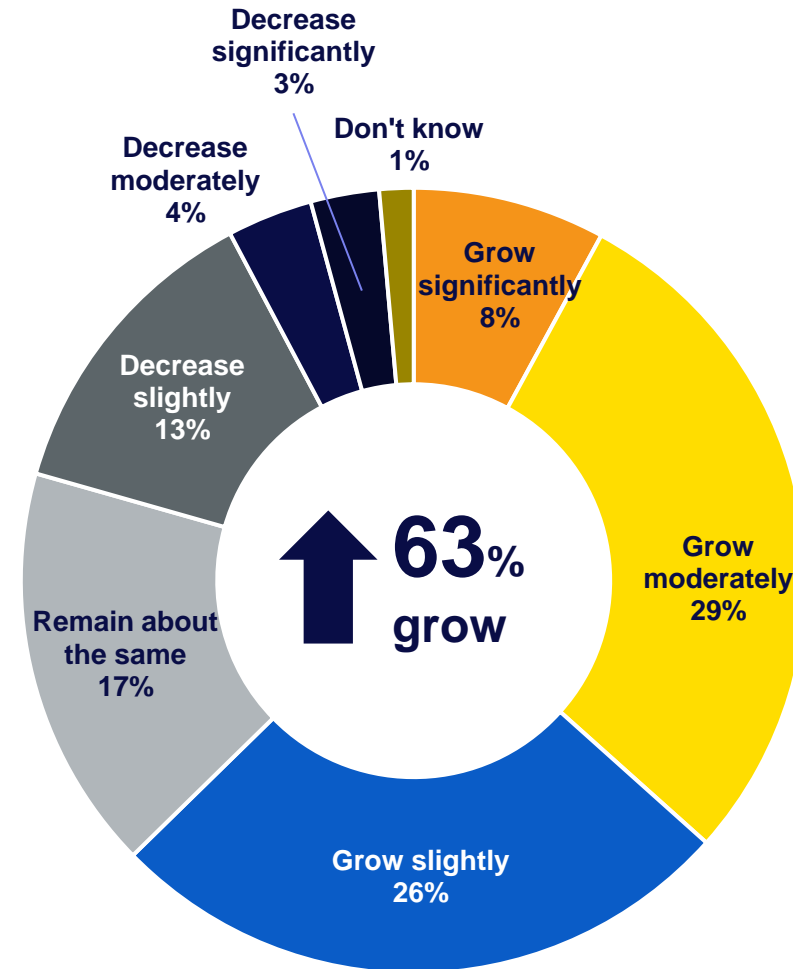


Grow significantly (3% or more), Grow slightly (0.1%-2.9%), Remain about the same (shrink 0.1% to grow 0.1%), Shrink slightly (0.1-2.9%), Shrink significantly (3% or more)

Note: Respondents who selected 'Don't know' are not shown.

Outlook for Hong Kong's IPO market is optimistic

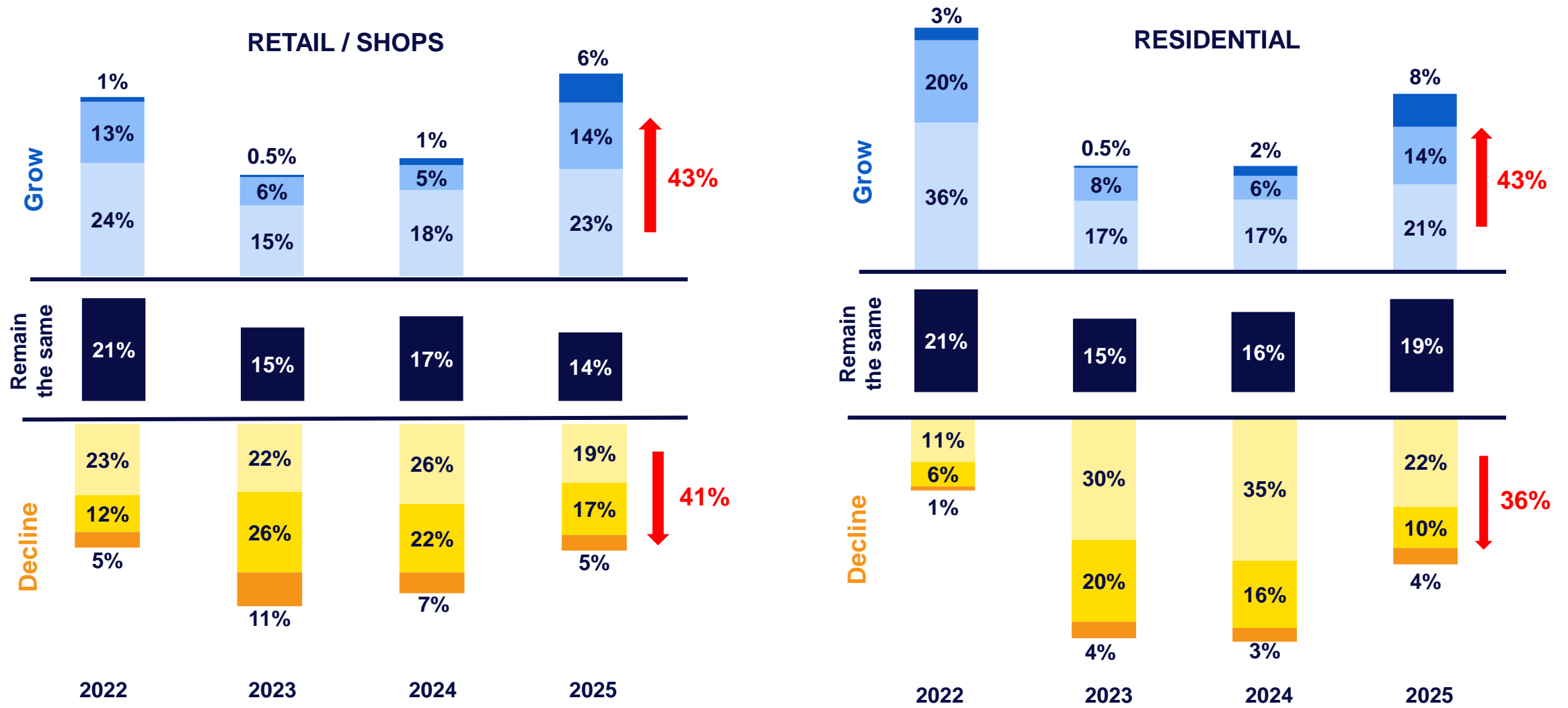
63 per cent of respondents forecast the value of total funds raised through IPOs in Hong Kong in 2025 to increase



Note: Grow significantly (30% or more), Grow moderately (10%-30%), Grow slightly (less than 10%), Remain about the same, Shrink slightly (less than 10%), Shrink moderately (10-30%) Shrink significantly (30% or more)

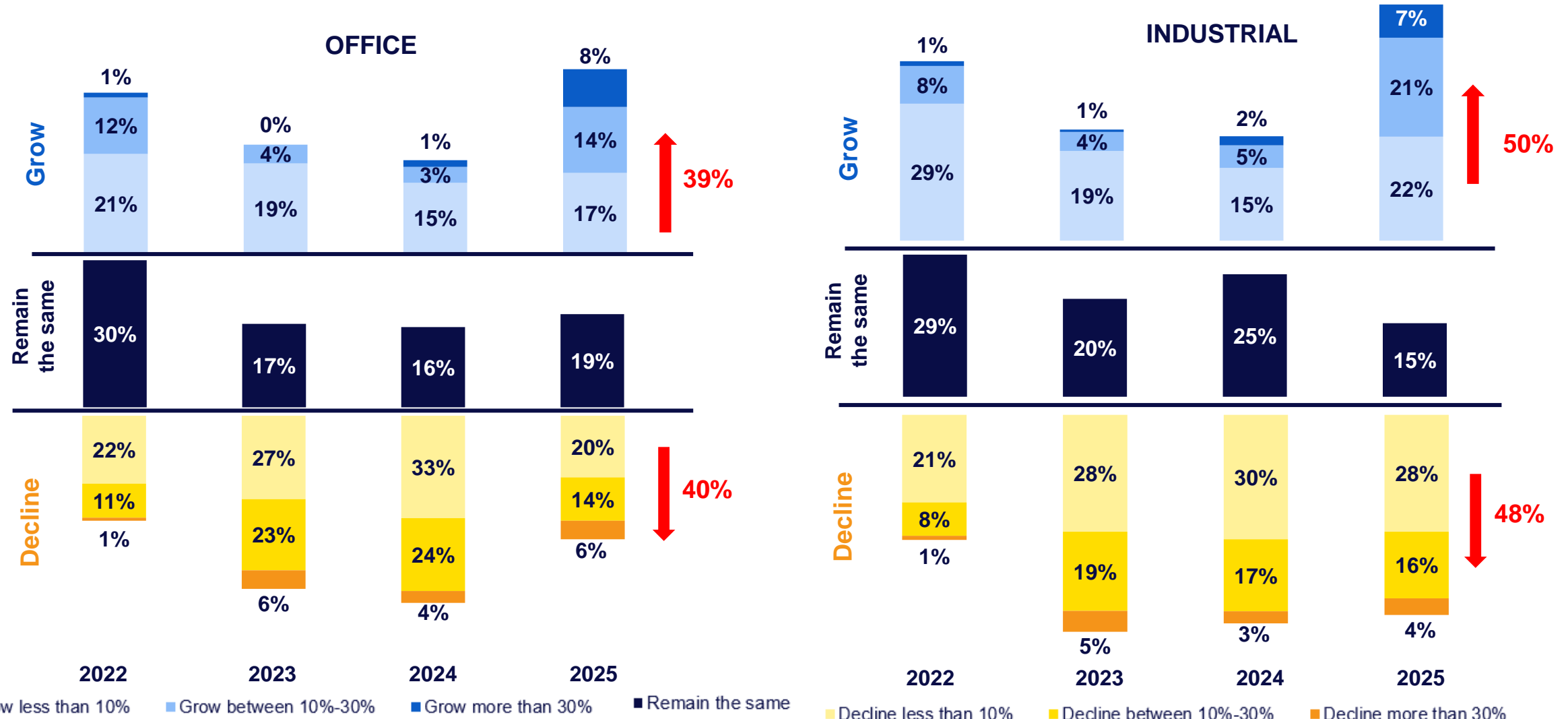
Question: Compared to 2024, by what percentage do you believe the value of total funds raised through Initial Public Offerings (IPOs) in Hong Kong will change in 2025?

Mixed predications on the direction of property prices reflects a high degree of uncertainty, although compared to the previous two years, it is somewhat more positive



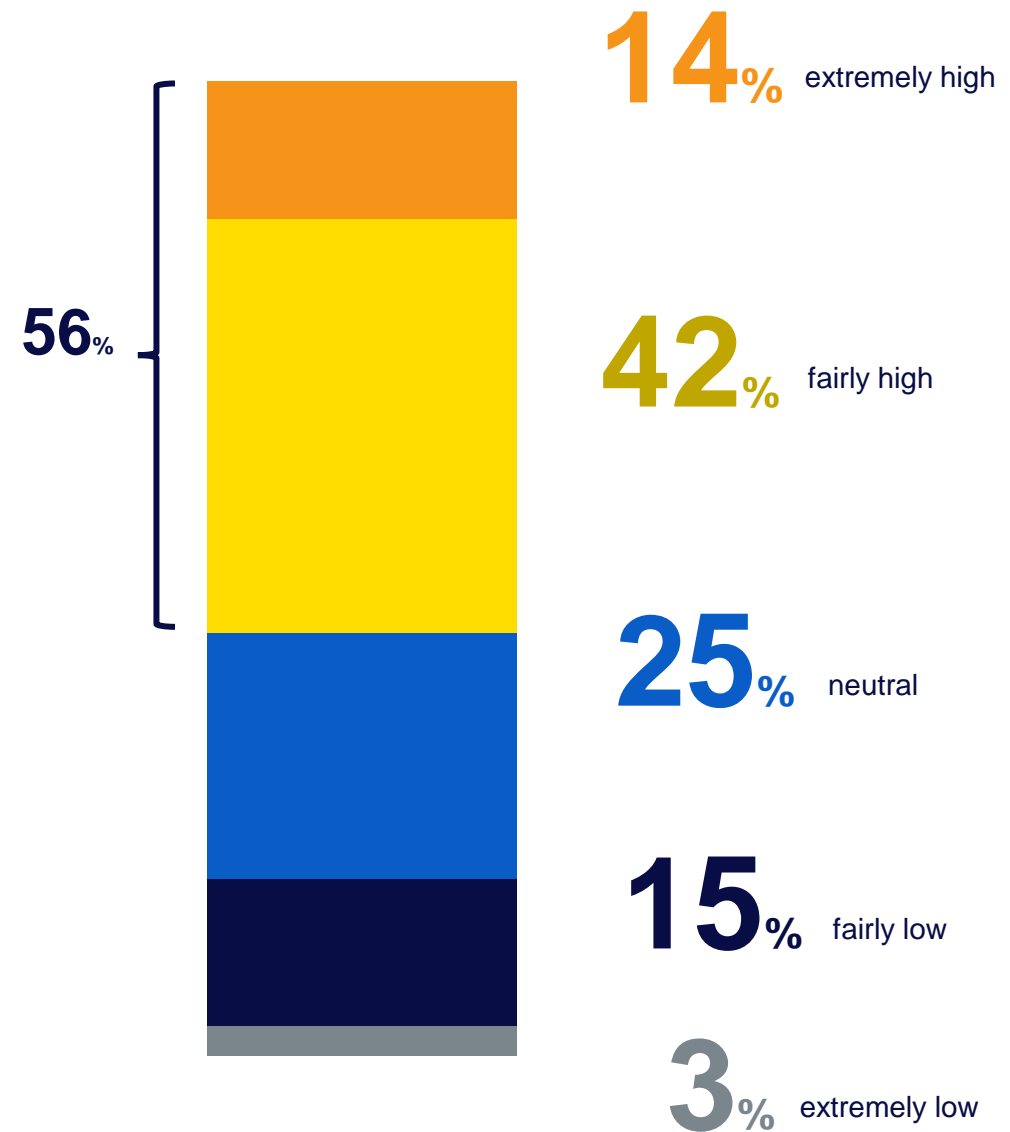
Question: Compared to today, by what percentage do you believe Hong Kong's property prices will change by the end of 2025?
 Note: Respondents who selected 'Don't know' are not shown.

Mixed predications on the direction of property prices reflects a high degree of uncertainty, although compared to the previous two years, it is somewhat more positive



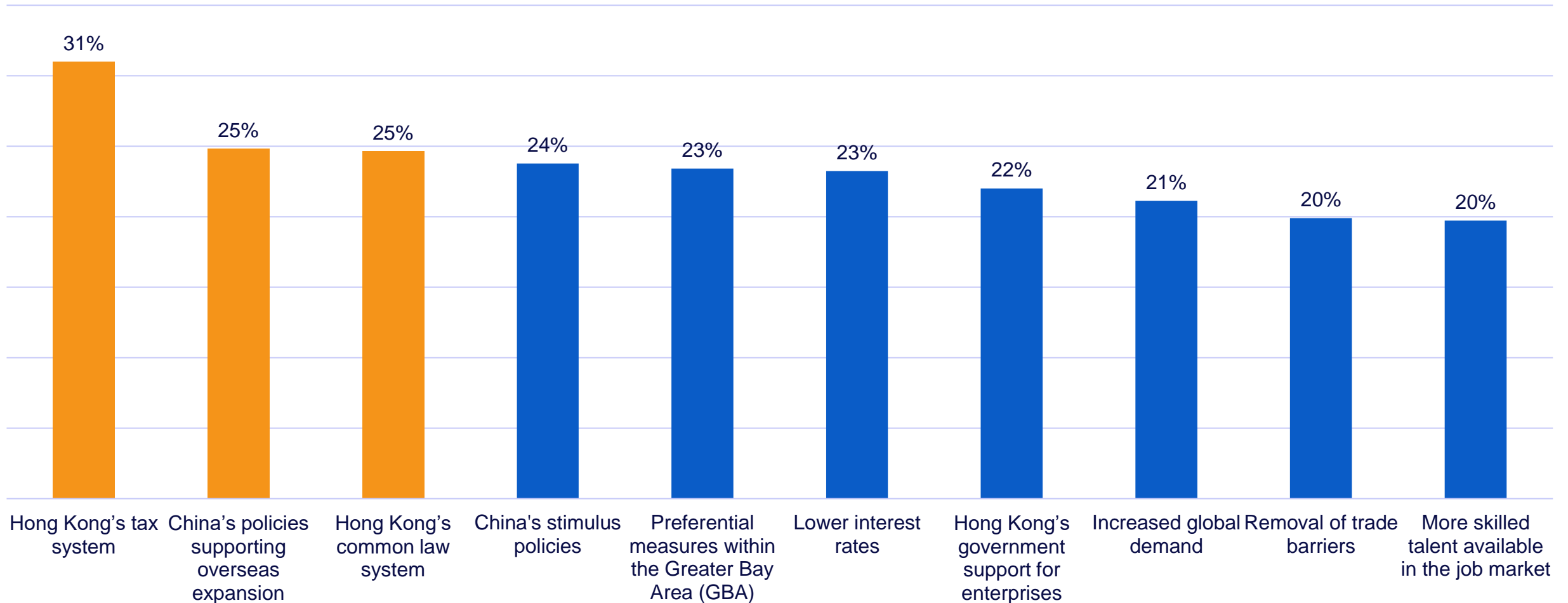
Question: Compared to today, by what percentage do you believe Hong Kong's property prices will change by the end of 2025?
 Note: Respondents who selected 'Don't know' are not shown.

Most respondents rated Hong Kong's international competitiveness as high



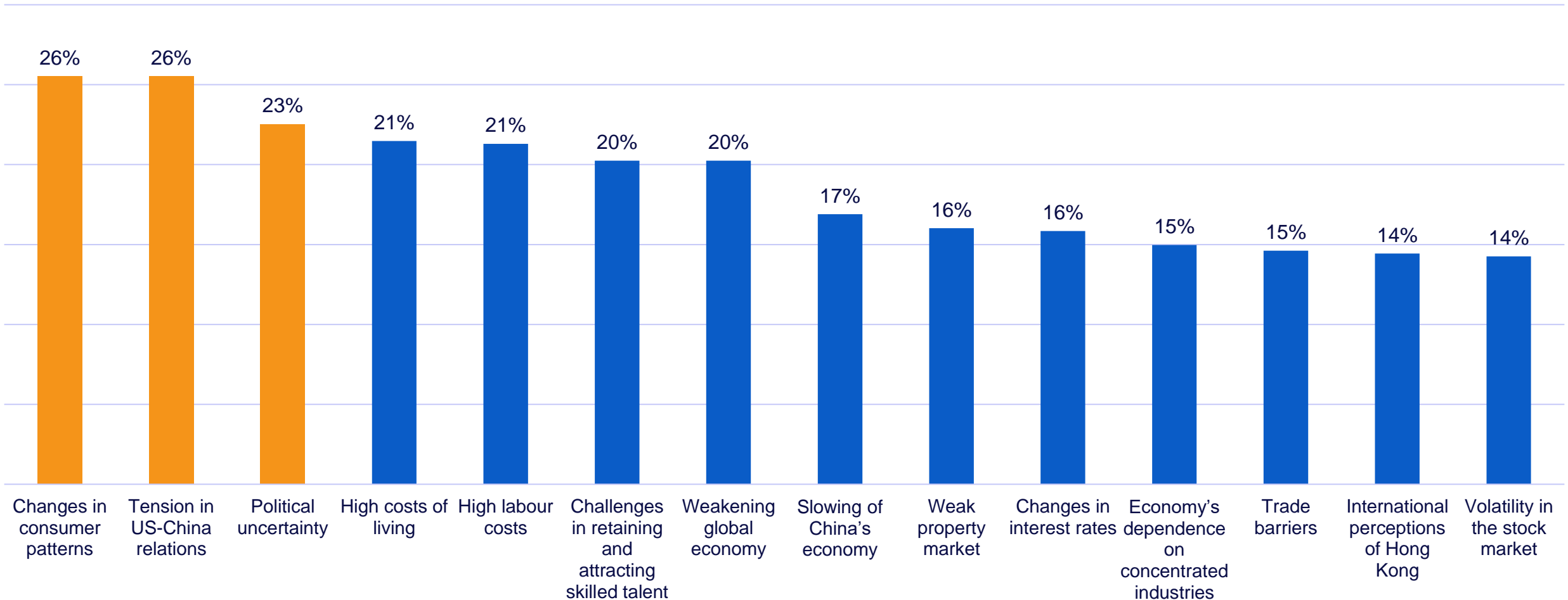
Hong Kong's tax system rated as the largest positive contributor to the city's economic and business environment in 2025

What are the largest positive drivers for Hong Kong's economy and business environment in 2025?



Changes in consumer patterns and tension in US-China relations seen as the biggest challenges for Hong Kong's economy and business in 2025

What are the biggest challenges for Hong Kong's economy and business environment in 2025?



BUSINESS SENTIMENT



Business sentiment is mostly positive

- Nearly half of the executives and accounting and finance professionals surveyed in Hong Kong anticipate an increase in company revenue in 2025. This optimism is more prevalent among larger and mid-sized companies, while most small businesses anticipate their revenue will remain largely unchanged or decline.
- Cost management continues to be the priority strategic focus for Hong Kong companies in 2025. However, the percentage of respondents identifying it as their top focus has declined from 39 per cent in the last survey to 27 per cent in this survey.
- This suggests a transition towards generating new income sources, with expansion into new markets ranking as the second-top focus and investment in innovation and technology following closely in third.
- Weak customer demand remains the top business challenge in Hong Kong. This is followed by cash flow difficulties and talent shortages. Notably, larger businesses are more impacted by talent and supply chain issues, while small businesses are more frequently impacted by weak customer demand.

Compared to 2024, do you expect your company's revenue in 2025 will...?



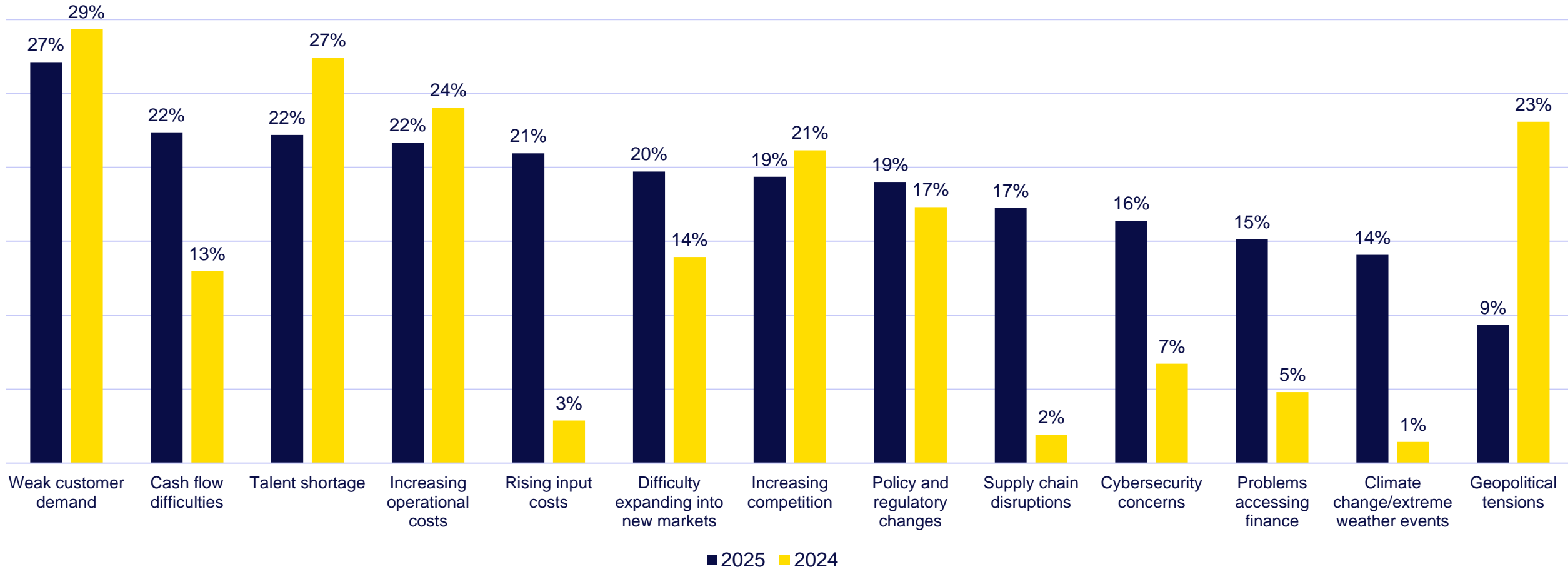
Company's top strategic focus for 2025

Cost management continues to be the most popular strategic focus for Hong Kong small businesses in 2025, although less so than in previous years.



Weak customer demand continues to be the biggest business challenge

Key business challenges for 2025 – by year



Key business challenges for 2025 – by business size

500 or above employees



28% Talent shortage



23% Weak customer demand



23% Supply chain disruptions

Between 50 to 500 employees



27% Weak customer demand



25% Increasing operational costs

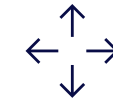


22% Cash flow difficulties

Fewer than 50 employees



40% Weak customer demand



29% Policy and regulatory changes



27% Cash flow difficulties

BUSINESS STRATEGY

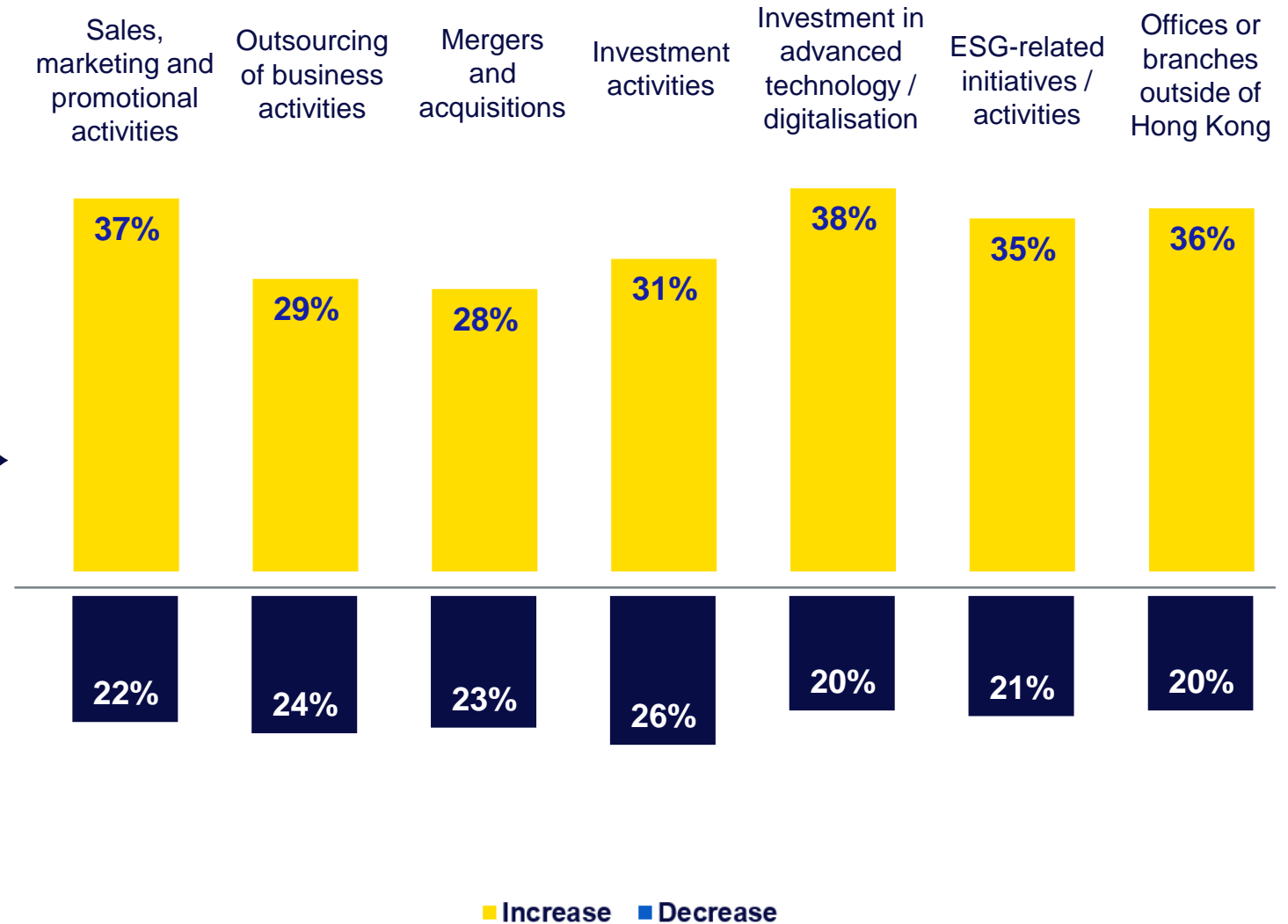


Business activities mainly increase or remain unchanged

- Executives and accounting and finance professionals in Hong Kong are more likely to anticipate an increase in investment in advanced technology and digitalisation in 2025. This is followed by anticipated growth in sales, marketing, and promotional activities, as well as plans to expand outside of Hong Kong.
- Notably, larger businesses are significantly more likely to engage in mergers and acquisitions, enhance their investment in technology, and pursue ESG-related initiatives compared to smaller businesses.
- When it comes to preferred expansion destinations, Mainland China ranks highest, followed by East Asia and Southeast Asia.
- Regarding the impacts of ESG on business, the most frequently cited challenges is compliance with regulations and standards, and increased costs associated with compliance. However, ESG activities also make notable positive contributions to business, especially cost savings.

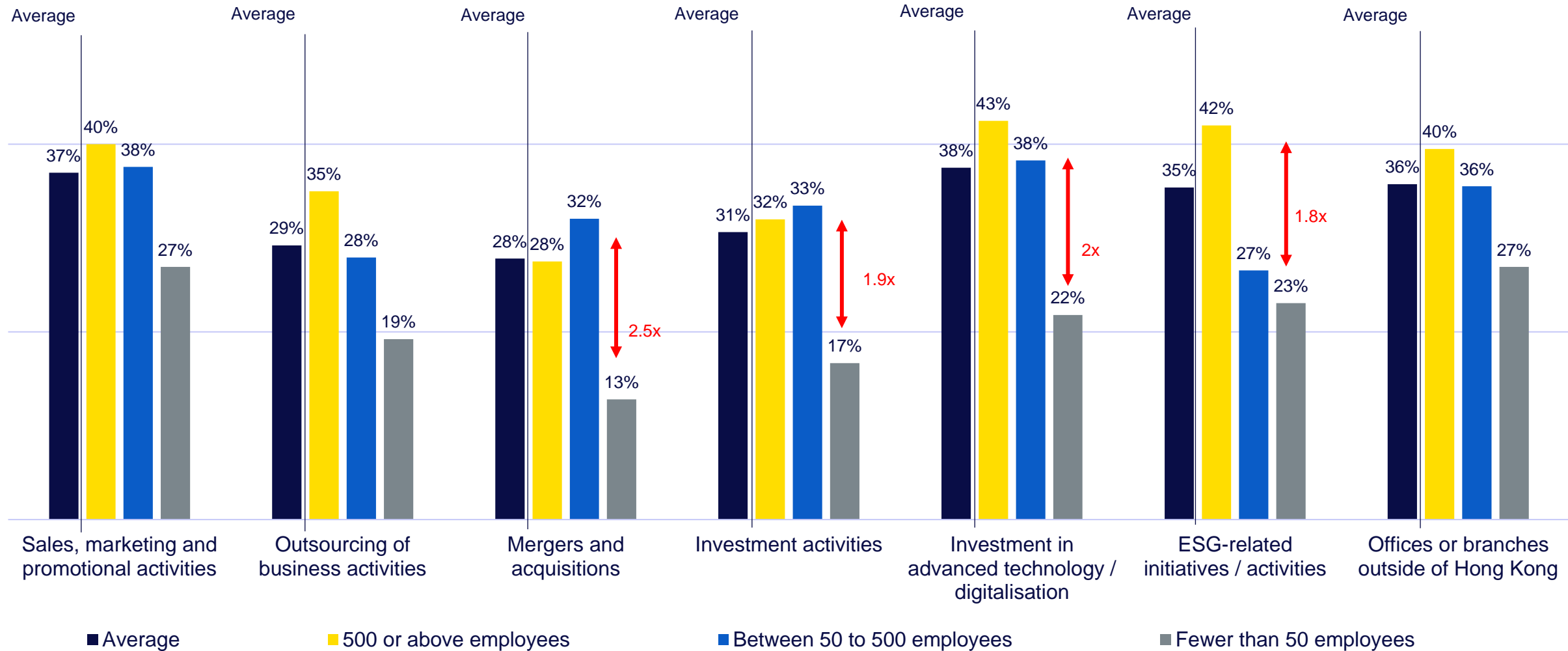
Expected changes in business activities for 2025

Respondents are most likely to expect their company will increase their investment in advanced technologies in 2025.



Note: Respondents who selected "Remain the same" and 'Don't know' are not shown.
 Question: Compared to 2024, do you expect your company's business activities in 2025 will...?

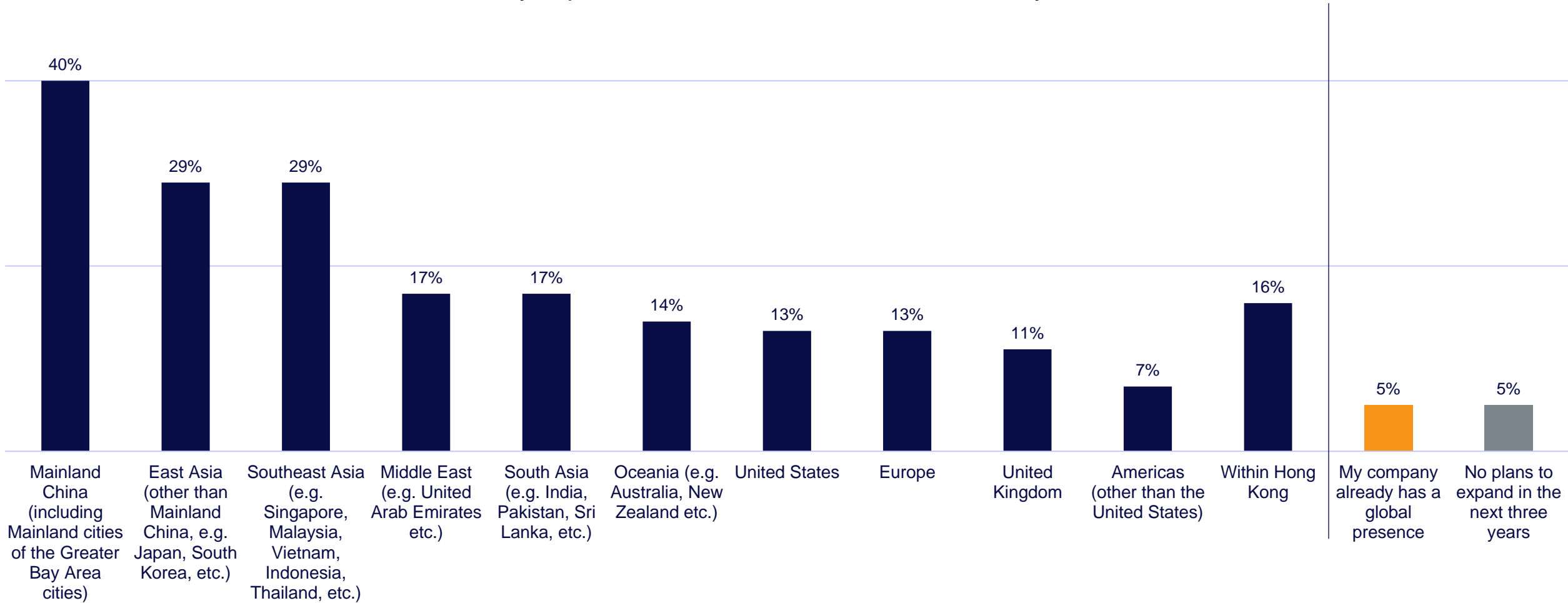
Activities Hong Kong business are most likely to increase in 2025 – by business size



Note: Respondents who selected "Increase" on the question - compared to 2024, do you expect your company's business activities in 2025 will...?

Mainland China remains the most popular possible expansion destination for Hong Kong businesses

Most likely expansion destination over the next three years



Expansion destination – by business size

500 or above employees



Mainland China
(including Greater Bay
Area Mainland cities)

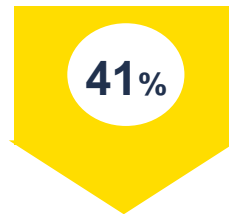


East Asia (other than
Mainland China, e.g.
Japan, South Korea, etc.)



Southeast Asia (e.g.
Singapore, Malaysia,
Vietnam, Indonesia,
Thailand, etc.)

Between 50 to 500 employees



Mainland China
(including Greater Bay
Area Mainland cities)



Southeast Asia (e.g.
Singapore, Malaysia,
Vietnam, Indonesia,
Thailand, etc.)



East Asia (other than
Mainland China, e.g.
Japan, South Korea, etc.)

Fewer than 50 employees



Mainland China
(including Greater Bay
Area Mainland cities)



Within Hong Kong



Southeast Asia (e.g.
Singapore, Malaysia,
Vietnam, Indonesia,
Thailand, etc.)

ESG impacts on businesses

Compliance burden and costs are the biggest impacts ESG is having on Hong Kong businesses, although for many, it is also generating cost savings and improving employee retention and recruitment



Question: What is the biggest impact of ESG (Environmental, Social, and Governance) on your business?

HUMAN RESOURCE TRENDS



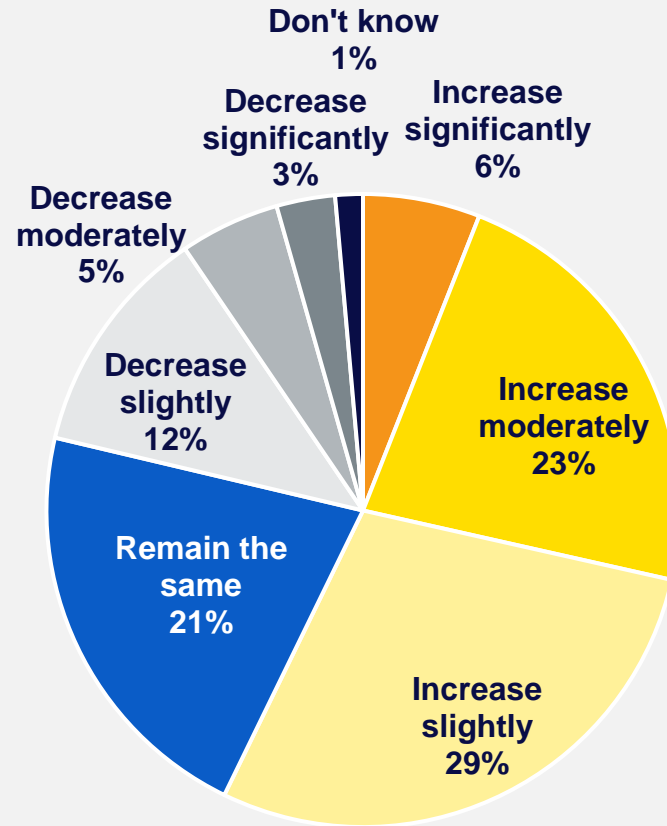
Reflecting positive business and economic sentiment, most businesses anticipate increasing their headcount in 2025

- Over half of the respondents anticipate their companies will increase their headcount in 2025, a significant 19 percentage point increase from the previous year.
- Larger businesses are substantially more likely to expect to expand their workforce, with 64 per cent indicating plans for headcount increases, compared to only 14 per cent of smaller firms.
- Nearly 60 per cent of respondents expect their salaries to rise between one and ten per cent in 2025, with a higher proportion of employees in larger businesses anticipating salary increases compared to their counterparts in smaller firms.

Compared to 2024, do you expect your company's headcount in 2025 will...?

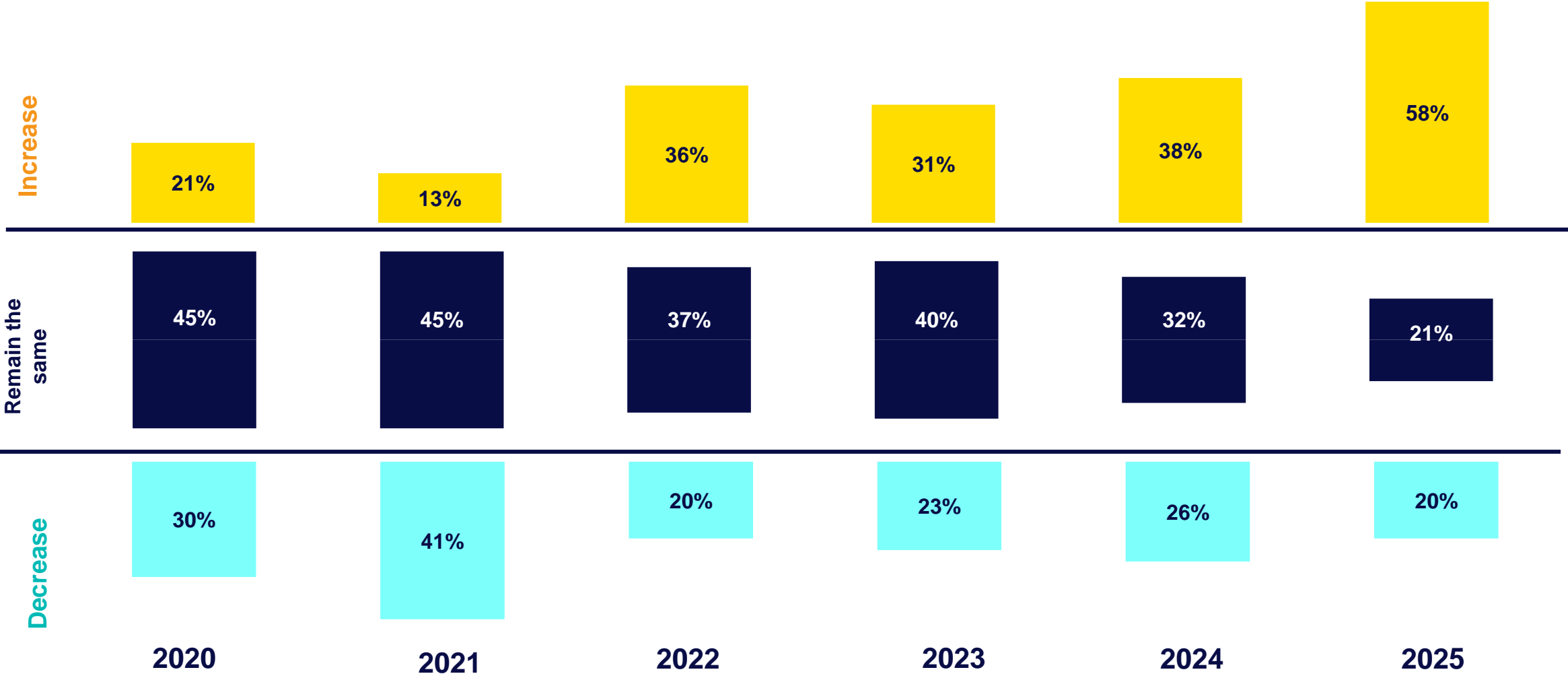
58%

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



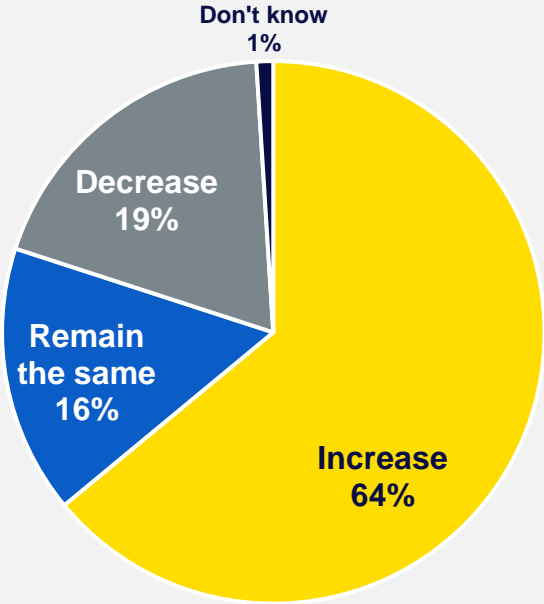
Note: Increase significantly (10% or more), Increase moderately (between 5 to 10%), Increase slightly (less than 5%), Decrease slightly (less than 5%), Decrease moderately (between 5 to 10%), Decrease significantly (5% or more)

Compared to 2024, do you expect your company's headcount in 2025 will...?

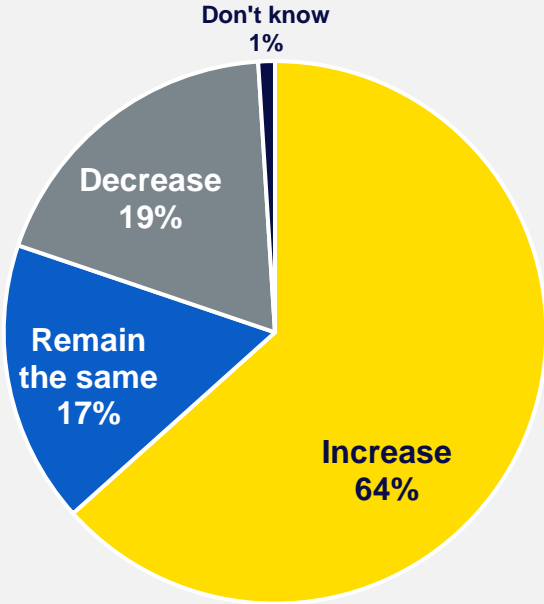


Change in headcount in 2025 – by business size

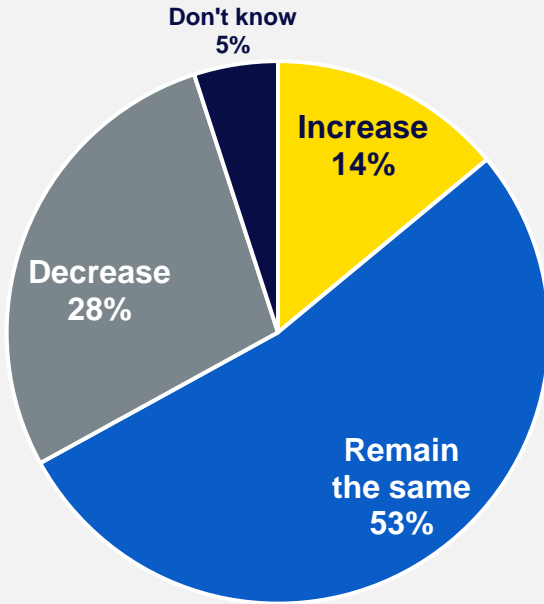
500 or above employees



Between 50 to 500 employees



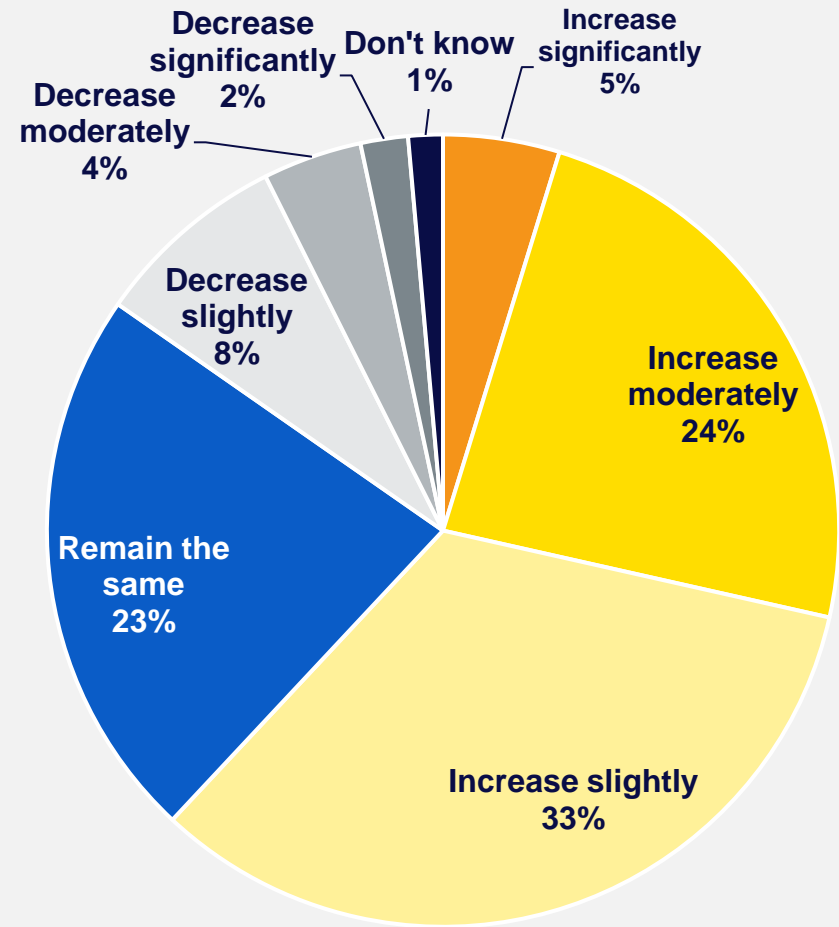
Fewer than 50 employees



Compared to 2024, do you expect your salary in 2025 will...?

62%

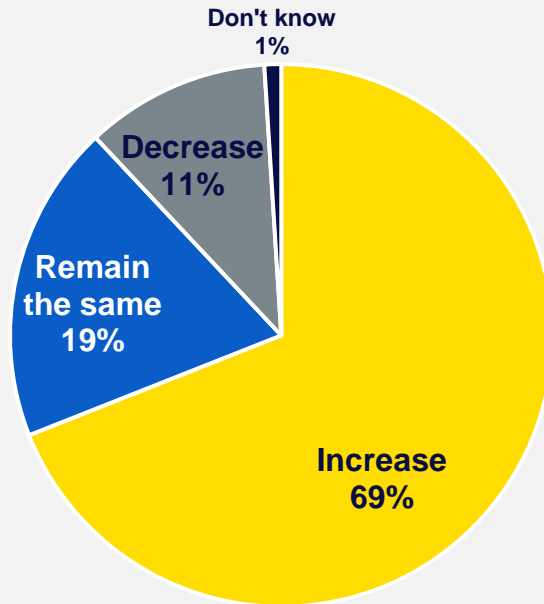
expect their salary will **increase**



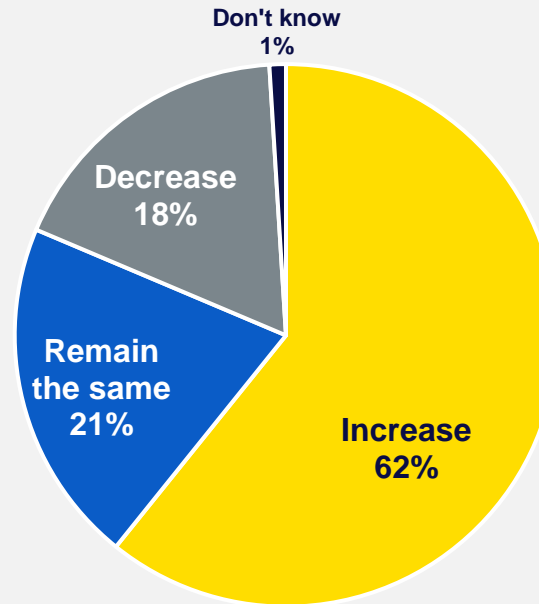
Note: Increase significantly (10% or more), Increase moderately (between 5 to 10%), Increase slightly (less than 5%), Decrease slightly (less than 5%), Decrease moderately (between 5 to 10%), Decrease significantly (5% or more)

Change in salary in 2025 – by business size

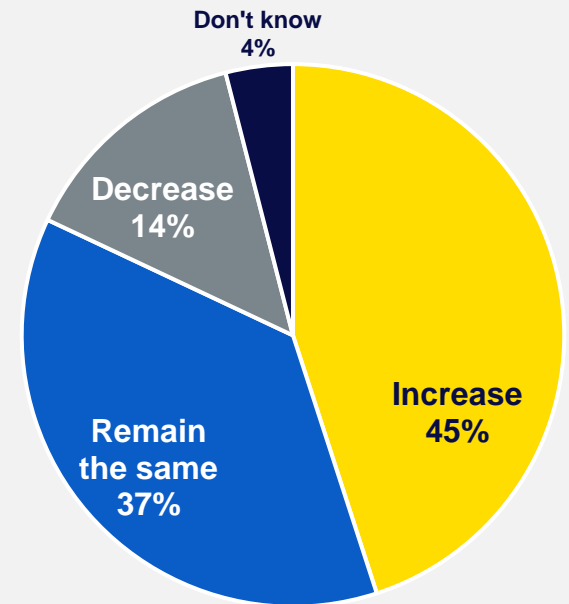
500 or above employees



Between 50 to 500 employees

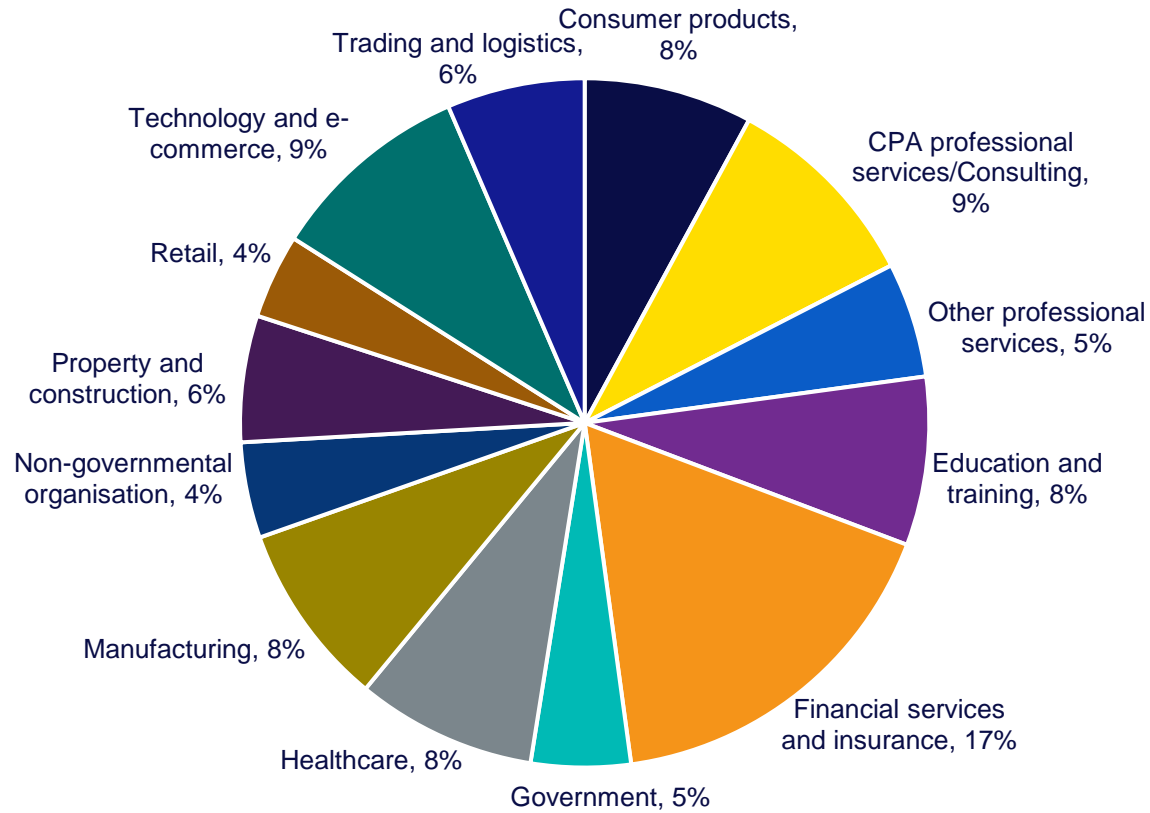


Fewer than 50 employees

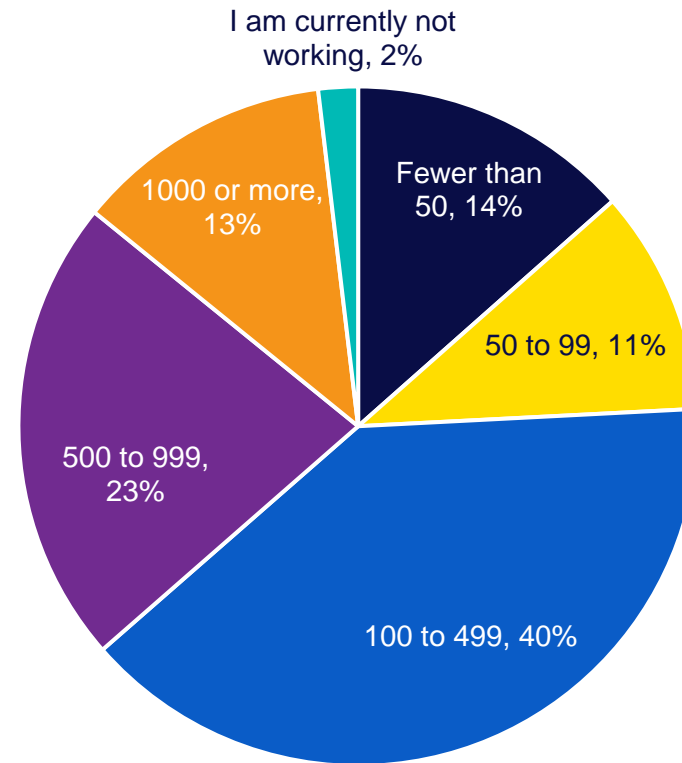


Survey demographics

Demographics

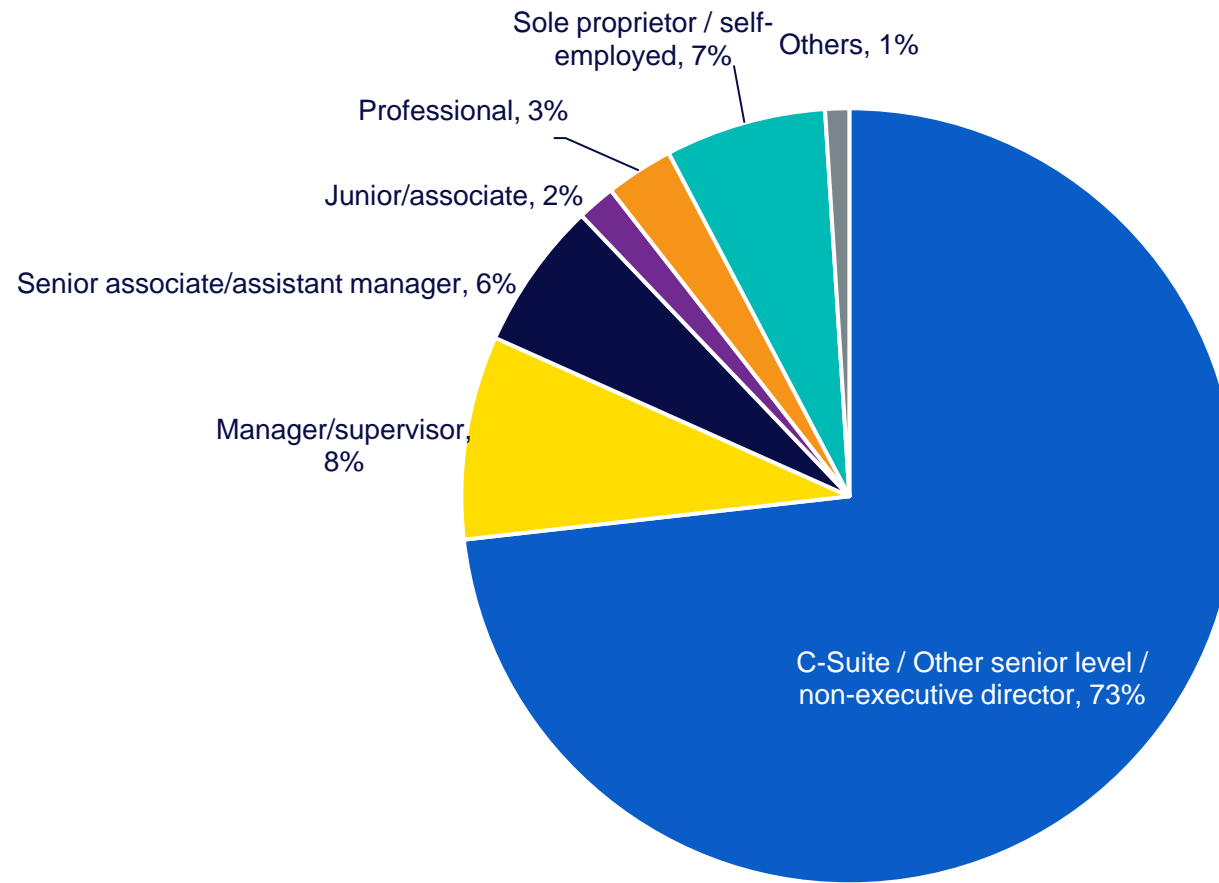


Industry



Business size

Demographics



Positions

Recommendations

Recommendations for the government



- Implement an IPO Connect scheme to enable Mainland investors to participate in Hong Kong IPOs
- Provide SMEs access to funding and skills to assist them to integrate ESG into their business models
- Develop a Digital Enterprise Blueprint and implement incentive to support SMEs in adopting AI solutions and improving cyber resilience
- Continue to provide support and incentives to business to help them diversify into new markets
- Implement strategies that attract tourists and encourage locals to spend in Hong Kong, such as incentives to attract world-renowned events to Hong Kong
- Review guideline on flexible work arrangements for employers and increase maternity leave and paternity leave to attract and retain talent
- 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
- Review human resources policies for ways to attract and retain talent, such as providing flexible working arrangements
- Access government support schemes to identify, diversify and expand into new markets