

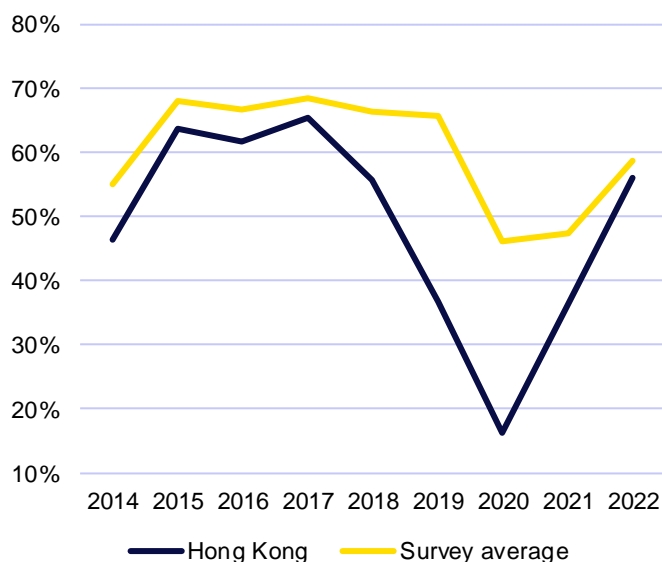
CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2022-2023

Hong Kong market summary

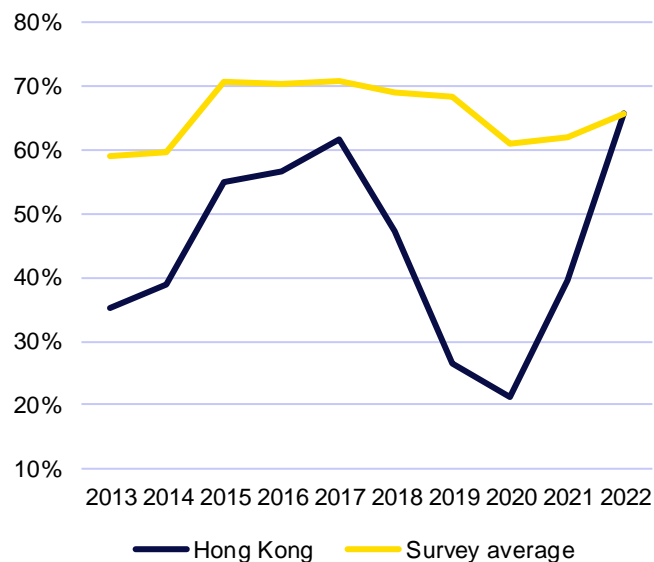
Hong Kong¹

Business and economic conditions

Small businesses that reported growing in the previous 12 months



Small businesses that expect to grow in the next 12 months



	Hong Kong 2022	Survey average 2022	Rank 2022	Hong Kong 2021	Rank 2021	Hong Kong 2020	Hong Kong 2019	Hong Kong 2018
Businesses that grew in the last 12 months	56.1%	58.6%	6/11	36.5%	8/11	16.3%	37.0%	55.9%
Businesses that expect to grow in the next 12 months	65.7%	65.7%	6/11	39.7%	11/11	21.2%	26.4%	47.3%
Businesses that expect the local economy to grow in the next 12 months	65.4%	62.5%	6/11	42.6%	11/11	13.4%	17.5%	29.0%
Satisfied or very satisfied with the financial return of the business ²	76.5%	68.9%	4/11	N/A	N/A	N/A	N/A	N/A

¹ For the purpose of this survey, data collected from small businesses in Hong Kong and Taiwan are shown separately from the data collected for the rest of China.

² Limited to owner, director, CEO/managing director or principal.

2022 was a stronger year for Hong Kong's small businesses than 2021. More than half (56.1 per cent) of Hong Kong small businesses grew last year, rebounding strongly to pre-2019 levels.

Hong Kong small businesses expect 2023 to be an even better year. The relaxation of travel restrictions and border reopening with Mainland China should provide impetus for further business recovery. Nearly two out of three (65.7 per cent) predicted their business will grow next year, the highest result for Hong Kong since the city came out of the global financial crisis in 2010.

Small businesses are also more optimistic about Hong Kong's economy. 65.4 per cent anticipate Hong Kong's economy to grow in 2023, up 22.8 percentage points from 2022.

The satisfaction Hong Kong's small business owners have with the financial return they are receiving is high despite several difficult years.

Use of technology

	Hong Kong 2022	Survey average 2022	Rank 2022	Hong Kong 2021	Rank 2021	Hong Kong 2020	Hong Kong 2019	Hong Kong 2018
More than 10 per cent of revenue came from online sales	78.2%	67.9%	3/11	52.9%	6/11	44.4%	43.2%	43.7%
Did not use social media for business purposes	13.1%	15.4%	7/11	19.4%	5/11	19.6%	16.8%	16.1%
Investment in technology by the business over the past 12 months has improved profitability	64.1%	55.2%	4/11	39.7%	6/11	25.2%	29.7%	32.6%
Technology the business invested in most heavily over the past 12 months	Artificial intelligence, machine learning and chatbots	Computer equipment	N/A	Website	N/A	Computer equipment	Computer equipment	Computer equipment
Consider the business likely to be cyberattacked in next 12 months	73.1%	47.2%	2/11	34.8%	8/11	30.1%	31.7%	42.3%
Reviewed the business' cybersecurity protections in past six months	60.6%	46.0%	1/11	37.7%	9/11	39.5%	39.3%	53.8%
More than 10 per cent of sales is received through digital payment options such as Octopus, Alipay, WeChat Pay, PayMe, Tap & Go	83.7%	73.7%	3/11	58.9%	6/11	57.2%	54.2%	51.9%
Sought advice from IT consultants/specialists	42.0%	28.6%	2/11	21.6%	5/11	15.7%	N/A	N/A
Business operation is frequently or very frequently affected by internet connectivity issues	25.3%	30.5%	5/11	N/A	N/A	N/A	N/A	N/A

There have been noticeable improvements in technology use among Hong Kong small businesses in 2022. These include:

- Hong Kong's small businesses are strong users of new payment technologies, such as Alipay, WeChat Pay and PayMe. 83.7 per cent generated more than 10 per cent of their sales through these payment options, up strongly from 58.9 per cent in 2021.
- Most Hong Kong small businesses generate revenue through online sales. 78.2 per cent received more than 10 per cent of their revenue online, compared to 52.9 per cent in 2021.
- Most Hong Kong small businesses use social media for business. Only 13.1 per cent do not use social media, compared with 30.4 per cent in Australia and 34.1 per cent in New Zealand.
- High growth businesses in Hong Kong have shifted their investment focus from established technologies like computer equipment and websites to artificial intelligence. This signals their desire to move up the value chain and achieve higher growth.
- A substantial number (42 per cent) of Hong Kong small businesses sought advice from IT consultants or specialists, the second highest of the surveyed markets.

The strong returns generated by such investments are helping to drive this focus on technology. Almost two-thirds (64.1 per cent) reported their investment in technology last year improved their profitability, the highest on record for Hong Kong.

Other factors helping to drive this strong technology focus include:

- changing consumer behaviour brought on by COVID-19 and the government's e-consumption voucher scheme
- the high-level of digital adoption in Mainland China and the importance of that market to Hong Kong's small businesses
- concerns over labour and rental costs
- efforts to improve efficiency and reduce human errors.

Hong Kong's small businesses are concerned about cybersecurity. 60.6 per cent reviewed their cybersecurity measures in the past six months, the highest among the surveyed markets. Meanwhile, the percentage of small businesses expecting to be cyberattacked in 2023 rose to 73.1 per cent, more than double the percentage in 2022. The greater reliance on technology may help to explain this shift.

Business activity over the past 12 months

	Hong Kong 2022	Survey average 2022	Rank 2022	Hong Kong 2021	Rank 2021	Hong Kong 2020	Hong Kong 2019	Hong Kong 2018
Increased employee numbers	54.2%	35.0%	2/11	18.1%	7/11	9.2%	14.5%	16.8%
Improved customer satisfaction had a major positive impact on the business	30.1%	27.0%	5/11	18.7%	6/11	13.1%	18.5%	21.9%
Improved business management had a major positive impact on the business	26.9%	22.0%	3/11	15.2%	6/11	8.8%	16.8%	21.1%
Increasing costs had a major negative impact on the business	25.0%	31.1%	10/11	31.0%	4/11	19.0%	26.4%	43.0%
Required funds from an external source	74.0%	62.5%	3/11	58.4%	6/11	55.2%	60.7%	53.4%
Sought external funds for business growth	53.7%	52.1%	5/11	48.6%	3/11	31.4%	46.2%	52.3%
Sought external funds for business survival	58.0%	44.3%	2/11	49.2%	5/11	44.4%	44.0%	34.2%
Found it easy or very easy to access external finance	70.1%	45.9%	1/11	35.4%	7/11	17.2%	20.1%	12.8%
A bank was the business' main source of external finance	28.1%	38.2%	9/11	39.8%	4/11	30.2%	31.0%	38.9%
Rent was the most detrimental factor affecting their business	29.2%	23.9%	2/11	45.5%	1/11	42.2%	41.9%	52.7%
Did not spend any time and resources on ESG practices	11.2%	21.4%	9/11	N/A	N/A	N/A	N/A	N/A

Impacts of COVID-19

	Hong Kong 2022	Survey average 2022	Rank 2022	Hong Kong 2021	Rank 2021	Hong Kong 2020
COVID-19 had a major negative impact on the business in the past 12 months	31.1%	36.7%	9/11	50.6%	9/11	52.6%
My business' major reaction to COVID-19 was to begin or increase its focus on online sales	34.6%	24.8%	2/11	21.9%	6/11	17.3%
My business' major reaction to COVID-19 was to increase investment in technology	26.0%	19.1%	2/11	18.4%	4/11	9.8%

Planned business activity over the next 12 months

	Hong Kong 2023	Survey average 2023	Rank 2023	Hong Kong 2022	Rank 2022	Hong Kong 2021	Hong Kong 2020	Hong Kong 2019
Expect to increase employee numbers	58.3%	44.9%	2/11	25.8%	10/11	11.8%	14.2%	22.9%
Will introduce a new product, service or process unique to their market or the world	45.8%	34.4%	2/11	19.7%	8/11	8.5%	8.6%	12.5%
Expect revenue from overseas markets to grow strongly	45.2%	23.7%	2/11	11.3%	9/11	3.9%	5.3%	7.9%
Will seek external funds	51.3%	33.6%	2/11	24.2%	6/11	17.6%	14.9%	17.9%
Expect easy to very easy access to finance	62.5%	42.3%	2/11	28.1%	7/11	16.2%	14.1%	11.8%

COVID-19

Like 2021, Hong Kong's small businesses nominated COVID-19 as their biggest challenge in 2022. Yet, the number of businesses nominating it as a major negative impact has reduced. Only 31.1 per cent reported that the pandemic negatively affected their business in 2022, down considerably from 50.6 per cent in 2021 and 52.6 per cent in 2020.

Over one-third of Hong Kong's small businesses began or increased their focus on online sales as a response to COVID-19 in 2022. Meanwhile, over a quarter boosted their investment in technology. Both results were the second highest of the markets surveyed.

Employment

The increase in Hong Kong's small businesses that grew in 2022 is reflected in the higher number that created new jobs. 54.2 per cent added to their employee numbers in 2022, the highest on record for Hong Kong and up strongly from 18.1 per cent in 2021.

The increase in the number of Hong Kong's small businesses that expect to grow in 2023 is reflected in the larger number that forecast they will add to their headcount. 58.3 per cent expect to create new jobs this year, the second highest among the surveyed markets.

Innovation

More Hong Kong small businesses reported that they will innovate in 2023. 45.8 per cent said they will introduce a new product, process or service that is unique to their market or the world, compared with 19.7 per cent a year earlier. This result is also the highest on record for Hong Kong. This increased focus on innovation will positively affect Hong Kong small businesses in the future, as the survey results show a correlation between innovation and business growth.

Access to finance

Hong Kong small businesses remain highly likely to source funds from external sources. This will have been driven by an improving business environment in 2022 and strong investments in staff, innovation and technology. Furthermore, 70.1 per cent of Hong Kong small businesses found accessing external finance easy or very easy, the easiest among the 11 surveyed markets as well as the highest on record for Hong Kong.

Exports

Hong Kong small businesses are optimistic about their projected revenue from overseas sales in 2023. As Hong Kong reopens to the world, export revenue will likely increase in 2023.

Environmental, social, and governance (ESG)

Hong Kong's small businesses have strong ESG awareness. Only 11.2 per cent did not spend any time or resources on ESG practices in 2022. Key ESG focuses among Hong Kong small businesses are staff health and safety policy and environmental management system adoption.

Factors that had positive and negative influences on business

Top four factors that had a positive influence on Hong Kong small business in 2022	Top four factors that had a positive influence Hong Kong on small business in 2021	Top four factors that had a positive influence on Hong Kong small business in 2020
Improved customer satisfaction	Cost control	Cost control
Cost control	Customer loyalty	Customer loyalty
Positive overall economic sentiment	Good staff	Government support/incentives
Good staff	Entering new markets	Good staff
Improved business management ^		
Political stability^		

Top four factors that had a negative impact on Hong Kong small business in 2022	Top four factors that had a negative impact on Hong Kong small business in 2021	Top four factors that had a negative impact on Hong Kong small business in 2020
COVID-19	COVID-19	COVID-19
Increasing competition	Increasing costs	Poor overall economic environment
Poor overall economic sentiment Falling customer satisfaction^	Poor overall economic environment	Political instability
Increasing rent Difficulty expanding into new markets^ Staff costs^	Increasing competition	Increasing competition Increasing costs^

^ equal rank

Hong Kong's small businesses placed a greater focus on "improving customer satisfaction" in 2022. This shift may have contributed to that year being better than expected for Hong Kong's small business. The survey results show "improving customer satisfaction" is more strongly associated with high growth businesses than most other factors.

Despite the results showing Hong Kong's small businesses performed well in 2022, the sector faced some significant challenges in 2022. COVID-19 was again the major barrier to growth for small businesses in Hong Kong, followed by "increasing competition".

Demographics

	Hong Kong 2022	Survey average 2022	Rank 2022	Hong Kong 2021	Rank 2021	Hong Kong 2020	Hong Kong 2019	Hong Kong 2018
Respondent aged under 40	62.8%	47.6%	3/11	42.3%	6/11	46.4%	53.1%	44.4%
Business established for less than 11 years	62.2%	61.1%	5/11	52.6%	9/11	54.9%	52.8%	52.0%
Respondent is the business owner	10.3%	36.9%	11/11	10.0%	11/11	11.4%	8.9%	11.1%
Business has 10 to 19 employees	41.3%	37.1%	3/11	49.7%	1/11	41.8%	50.8%	42.3%

Policy suggestions

Policymakers should consider what additional support it can offer to further improve the sector's digital and innovative capabilities.