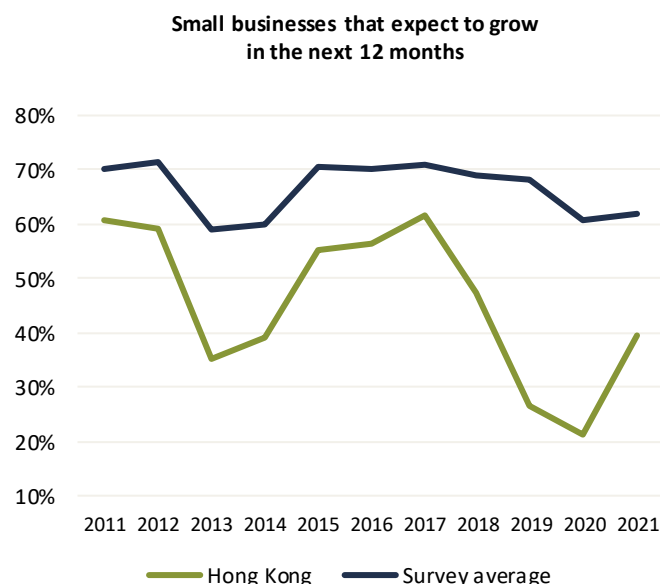
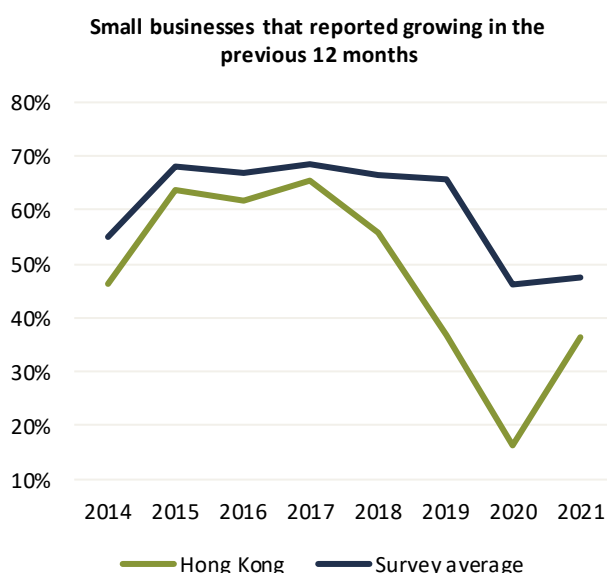


CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2021-2022

HONG KONG MARKET SUMMARY

Hong Kong¹

Business and economic growth



	Hong Kong 2021	Survey average 2021	Rank 2021	Hong Kong 2020	Rank 2020	Hong Kong 2019	Hong Kong 2018	Hong Kong 2017
Businesses that grew in the last 12 months	36.5%	47.3%	8/11	16.3%	11/11	37.0%	55.9%	65.5%
Businesses that expect to grow in the next 12 months	39.7%	61.9%	11/11	21.2%	11/11	26.4%	47.3%	61.6%
Businesses that expect the local economy to grow in the next 12 months	42.6%	60.6%	11/11	13.4%	11/11	17.5%	29.0%	57.7%

2021 was a challenging year for Hong Kong's small businesses. 36.5 per cent grew last year, up from only 16.3 per cent in 2020. However, this is the second lowest result on record for the city and below the survey average of 47.3 per cent.

Tough business conditions are expected to continue into 2022 for Hong Kong's small business. 39.7 per cent expect to grow in 2022, the lowest among all surveyed markets and significantly lower than the survey average of 61.9 per cent.

A reasonably strong focus on digital technologies and opportunities arising from the Greater Bay Area initiative will contribute to Hong Kong small businesses' recovery, as will government support for economic diversification such as in innovation and technology. We expect most Hong Kong small businesses will manage through these tough times and return to growth in the medium to long term.

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.

Impacts of COVID-19

	Hong Kong 2021	Survey average 2021	Rank 2021	Hong Kong 2020	Rank 2020
COVID-19 had a major negative impact on my business in the past 12 months	50.6%	51.0%	9/11	52.6%	8/11
My business' major reaction to COVID-19 was to begin or increase its focus on online sales	21.9%	24.3%	6/11	17.3%	8/11

Like in 2020, Hong Kong's small businesses considered COVID-19 their biggest challenge in 2021, with 50.6 per cent saying it had a major impact on their business last year. Reflecting the success of the government in limiting the spread of the pandemic in 2020 and 2021, it's not surprising that Hong Kong's small businesses were the third least likely to state that it had a major negative impact on their business last year.

21.9 per cent of Hong Kong's small businesses began or increased their focus on online sales in 2021, up from 17.3 per cent in 2020. As the survey results show a strong relationship between online sales and business growth, this will help businesses navigate future challenges COVID-19 may present.

Use of technology

	Hong Kong 2021	Survey average 2021	Rank 2021	Hong Kong 2020	Rank 2020	Hong Kong 2019	Hong Kong 2018	Hong Kong 2017
Did not earn any revenue from online sales	23.2%	19.0%	5/11	29.4%	4/11	31.7%	31.9%	17.4%
Did not use social media for business purposes	19.4%	17.2%	5/11	19.6%	4/11	16.8%	16.1%	11.3%
Investment in technology by the business over the past 12 months has improved profitability	39.7%	53.6%	6/11	25.2%	9/11	29.7%	32.6%	48.1%
Technology your business invested in most heavily over the past 12 months	Website	Computer equipment	N/A	Computer equipment	N/A	Computer equipment	Computer equipment	N/A
Consider your business likely to be cyberattacked in next 12 months	34.8%	44.3%	8/11	30.1%	8/11	31.7%	42.3%	44.2%
Reviewed your business' cybersecurity protections in last six months	37.7%	46.7%	9/11	39.5%	5/11	39.3%	53.8%	N/A
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	58.9%	64.9%	6/11	57.2%	7/11	54.2%	51.9%	54.5%

The use of technology is a positive feature of Hong Kong small businesses:

- A large proportion of Hong Kong's small businesses generate revenue through online sales. 52.9 per cent receive more than 10 per cent of their revenue online, compared with 37.3 per cent of Australian small business, 42.0 per cent for Singapore and 44.8 per cent for Taiwan.
- Most Hong Kong small businesses use social media. Only 19.4 per cent do not use social media, compared with 36.8 per cent of New Zealand small business.
- Hong Kong small businesses are strong users of new payment technologies, such as Alipay, Apple Pay and WeChat Pay. 58.9 per cent generate more than 10 per cent of their sales through such technologies, compared with 39.7 per cent of New Zealand small businesses.
- Hong Kong's small businesses could increase their focus on cybersecurity. 37.7 per cent reviewed their cybersecurity measures in the past six months, while 34.8 per cent expect to be cyberattacked in 2022.

The factors contributing to the relatively strong focus of Hong Kong's small businesses on technology include:

- the high level of digital adoption in Mainland China and the importance of that market to Hong Kong's small businesses
- government measures such as the e-consumption voucher scheme and [the Technology Voucher Programme](#)
- changing consumer behaviour brought on by COVID-19
- concerns over staff and rental costs

However, there is room to increase the use of technology among Hong Kong's small businesses. CPA Australia's research, '[Strategies for Managing Barriers to Technology Adoption](#)', recommended that technology adoption would be higher if businesses develop a technology strategy. More technology education and training should be made available including in security and privacy. These strategies could lead to a better return on investment. 39.7 per cent of Hong Kong small businesses that invested in technology in 2021 found that such investment was already profitable. This is lower than the survey average of 53.6 per cent.

Business activity over the past 12 months

	Hong Kong 2021	Survey average 2021	Rank 2021	Hong Kong 2020	Rank 2020	Hong Kong 2019	Hong Kong 2018	Hong Kong 2017
Increased employee numbers	18.1%	28.7%	7/11	9.2%	10/11	14.5%	16.8%	30.0%
Improved customer satisfaction had a major positive impact on my business	18.7%	23.0%	6/11	13.1%	10/11	18.5%	21.9%	24.2%
Increasing costs had a major negative impact on their business	31.0%	29.2%	4/11	19.0%	9/11	26.4%	43.0%	37.7%
Required funds from an external source	58.4%	60.2%	6/11	55.2%	6/11	60.7%	53.4%	66.5%
Sought external funds for business growth	48.6%	48.2%	3/11	31.4%	9/11	46.2%	52.3%	55.3%
Sought external funds for business survival	49.2%	49.0%	5/11	44.4%	5/11	44.0%	34.2%	39.8%
Found it easy or very easy to access external finance	35.4%	45.9%	7/11	17.2%	9/11	20.1%	12.8%	23.8%
A bank was the business' main source of external finance	39.8%	34.2%	4/11	30.2%	7/11	31.0%	38.9%	43.2%
Rent was the most detrimental factor impacting their business	45.5%	27.6%	1/11	42.2%	1/11	41.9%	52.7%	51.0%

Planned business activity over the next 12 months

	Hong Kong 2021	Survey average 2021	Rank 2021	Hong Kong 2020	Rank 2020	Hong Kong 2019	Hong Kong 2018	Hong Kong 2017
Expect to increase employee numbers	25.8%	39.9%	10/11	11.8%	10/11	14.2%	22.9%	33.9%
Will introduce a new product, service or process unique to their market or the world	19.7%	27.0%	8/11	8.5%	10/11	8.6%	12.5%	13.5%
Expect revenue from overseas markets to grow strongly	11.3%	19.3%	9/11	3.9%	11/11	5.3%	7.9%	15.5%
Will seek external funds	24.2%	27.3%	6/11	17.6%	8/11	14.9%	17.9%	21.9%
Expect easy to very easy access to finance	28.1%	40.6%	7/11	16.2%	10/11	14.1%	11.8%	21.5%

Innovation

More of Hong Kong's small businesses expect to innovate in 2022 than 2021. 19.7 per cent told us they will introduce a new product, process or service that is unique to their market or the world in 2022. This is the highest on record for the city, however, it is lower than the survey average of 27 per cent. The survey results show that innovative businesses are significantly more likely to grow.

To improve innovation, Hong Kong's small businesses could consider the opportunities offered by significant government support for innovation such as the [Enterprise Support Scheme](#).

Employee growth

The small number of Hong Kong small businesses that grew in 2021 is reflected in the number that created new jobs. Only 18.1 per cent added to their headcount last year, compared with the survey average of 28.7 per cent. However, this result is the highest for the city since 2017.

Reflecting weak business confidence for 2022, only 25.8 per cent of Hong Kong small businesses expect to increase employee numbers this year. This is the second lowest result of the markets surveyed, but is the highest for the city since 2017.

Exports

Expectations for revenue growth from exports in 2022 improved. 11.3 per cent of Hong Kong small businesses expect revenue from overseas markets to grow strongly – the third lowest of the markets surveyed, but the highest since 2017. This result reflects an expected improvement in global trade in 2022.

Access to finance

Hong Kong small businesses were more likely to have needed external finance for business growth last year. 48.6 per cent of businesses sought finance for growth in 2021 compared with 31.4 per cent in 2020. The percentage that sought external finance for business survival also increased slightly from 44.4 per cent in 2020 to 49.2 per cent in 2020.

Small businesses in Hong Kong were the most likely to nominate banks as their main source of finance in 2021, followed by an investor and government grants.

Factors that had positive and negative influences on business

Top four factors that had a positive influence on Hong Kong small business in 2021	Top four factors that had a positive influence on Hong Kong small business in 2020	Top four factors that had a positive influence on Hong Kong small business in 2019
Cost control	Cost control	Cost control
Customer loyalty	Customer loyalty	Good staff
Good staff	Government support/incentives	Customer loyalty
Entering new markets	Good staff	Political stability

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	Top four factors that had a negative impact on Hong Kong small business in 2019
COVID-19	COVID-19	Political instability
Increasing costs	Poor overall economic environment	Poor overall economic environment
Poor overall economic environment	Political instability	Increasing competition
Increasing competition	Increasing costs Increasing competition^	Increasing costs

^ equal fourth

Hong Kong's small businesses faced some significant challenges in 2021. COVID-19 was again the major barrier to growth for Hong Kong's small businesses, followed by "increasing costs".

The cost Hong Kong's small businesses nominated as being most detrimental to their business in 2021 was rent, followed by staff costs and materials costs. For every year since 2014, bar one, Hong Kong small businesses have been the most likely to nominate rental costs as the most detrimental cost to their business.

Given concerns around costs, it's not surprising that Hong Kong small businesses were again the most likely to nominate cost control as the factor that had the most positive impact on their business last year. It should be noted that this is a defensive strategy.

Demographics

	Hong Kong 2021	Survey average 2021	Rank 2021	Hong Kong 2020	Rank 2020	Hong Kong 2019	Hong Kong 2018	Hong Kong 2017
Business established for 10 years or less	52.6%	62.8%	9/11	54.9%	9/11	52.8%	52.0%	64.8%
Respondent is aged under 40	42.3%	45.2%	6/11	46.4%	9/11	53.1%	44.4%	51.3%
Respondent is the business owner	10.0%	39.0%	11/11	11.4%	11/11	8.9%	11.1%	7.4%
Business has 10 to 19 employees	49.7%	30.1%	1/11	41.8%	4/11	50.8%	42.3%	58.4%