

An aerial photograph of Hong Kong, showing the dense urban landscape of the city, the Victoria Harbour, and the surrounding mountains. The image is used as a background for the report cover.

2022 AmCham Hong Kong Business Sentiment Survey

FINDINGS REPORT

January 2022

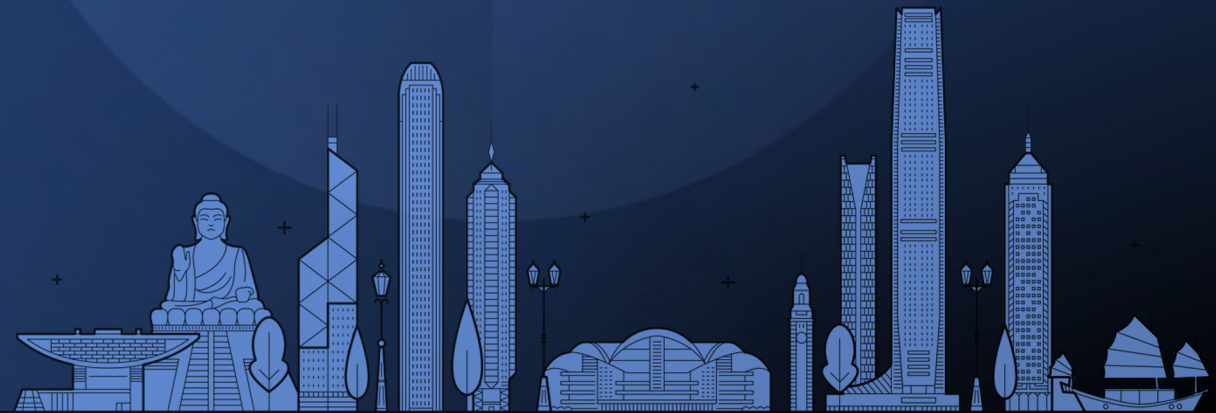


AmCham



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RESEARCH DETAILS



Target group

AmCham members in Hong Kong



Methodology

Online survey

The questionnaire was designed by AmCham. Intuit Research, an independent research agency, facilitated administration of the survey.



Sample size

AmCham members n=262

- n=151 Key Corporate representatives
- n=111 Individual members

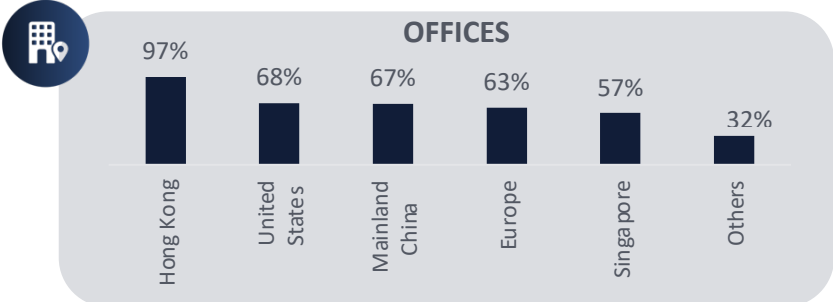
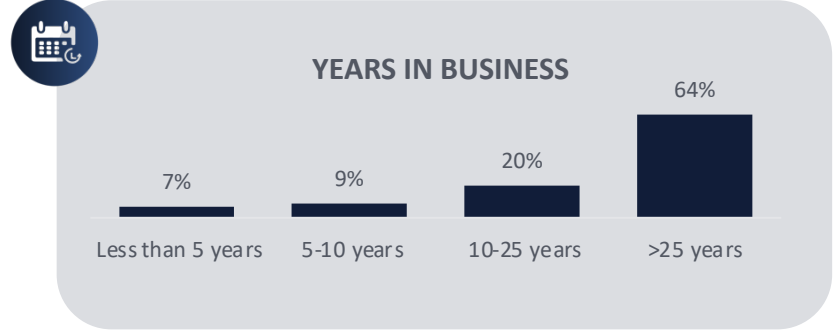
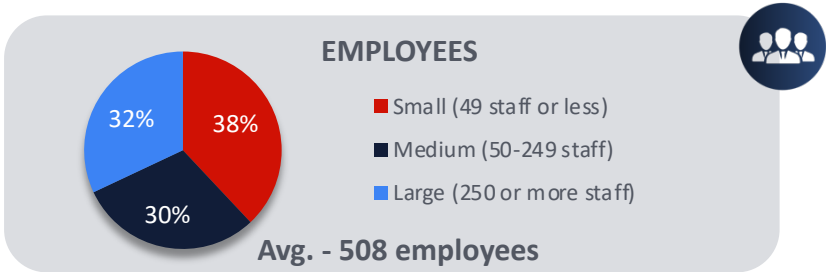
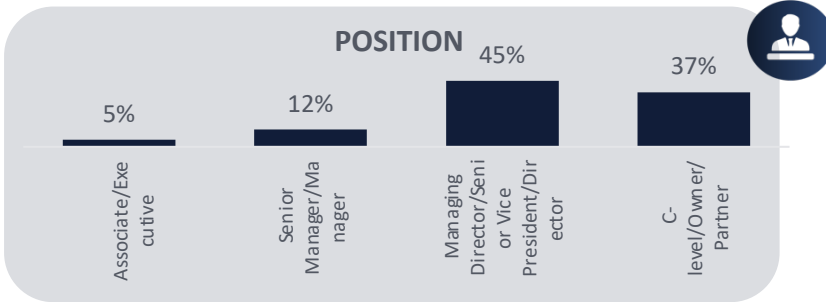
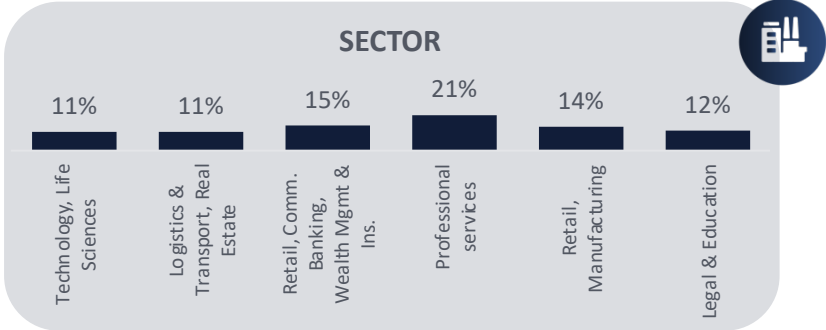


Survey Timing

10th September to 8th October, 2021



PROFILE OF RESPONDENTS





EXECUTIVE SUMMARY

Hong Kong still holds business opportunities but an array of issues, especially draconian travel restrictions and worsening US-China relations weigh on sentiment.

- A net 9 % of AmCham member companies see an improved business environment in Hong Kong over the next year– with respondents in financial services and the transport and logistics sectors among the most optimistic.
- However, Hong Kong's international travel restrictions to contain COVID-19 weigh heavily on both company and personal sentiment. Hefty quarantine rules and travel restrictions continue to cause significant disruptions, are delaying new investments and causing a struggle in recruiting executive talent to Hong Kong.
- The restrictions are also weighing on sentiment about living in Hong Kong, from both a company and personal perspective. Over 40 percent of respondents say they are more likely to leave Hong Kong from a personal perspective, while over 25 percent of companies say they are more likely to leave Hong Kong. Singapore is expected to be the major beneficiary.
- There is a perception that foreign business is less welcome in Hong Kong. More than half of respondents feel the government is unconcerned and dismissive.
- Both AmCham members companies and individuals express increased pessimism over the strength of Rule of Law in Hong Kong, with companies particularly concerned.
- Also, over 8 in 10 businesses have been impacted by Hong Kong's National Security Law. Close to half have seen staff morale affected and lost employees who have emigrated.
- US sanctions on Hong Kong officials have had a much more muted impact.
- Data freedom remains robust in Hong Kong according to our respondents, but there is increasing pessimism that data freedoms will remain intact over the next 3 years.
- When it comes to R&D, Shenzhen and Singapore eclipse Hong Kong as favored centers, while technology companies are benefitting the most from plans to economically integrate Hong Kong with Shenzhen and nine cities in southern China. The wealth management sector is also expected to benefit from the development of the Greater Bay Area, though survey respondents say regulations over the movement of people remain a top barrier, along with clarity over laws and regulations.



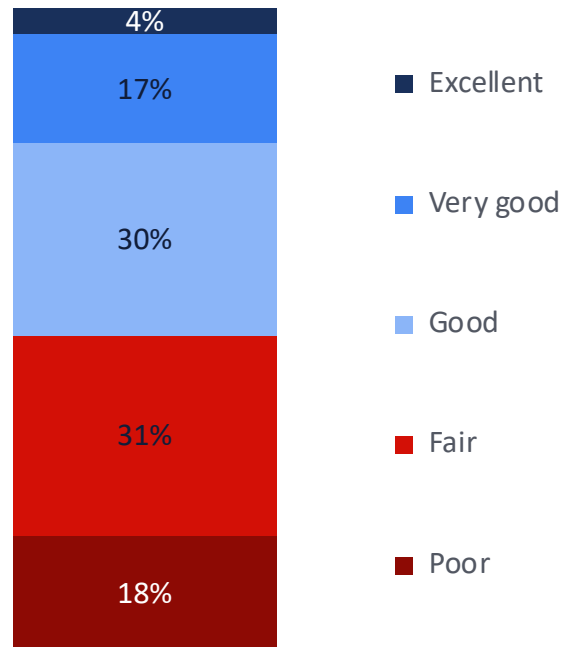
HONG KONG BUSINESS & INVESTMENT OUTLOOK



HONG KONG BUSINESS ENVIRONMENT IN RECENT PAST

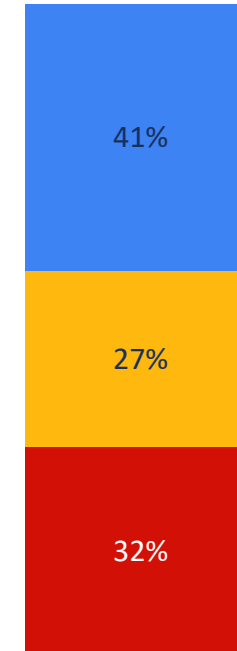
The picture has been mixed, but slightly more businesses had increased revenues than those whose revenues declined

Business environment in past 12 months



Change in revenue 2020 vs. 2019

Net +9%



Among those who mentioned revenue increases, the average increase was 27%

Increased

Stayed the same

Decreased

Among those who mentioned it decreases, the average decrease was 27%

B1. What is your/your company's assessment of Hong Kong's business environment over the past 12 months?

B3. How did your company's total 2020 revenues in Hong Kong compare to 2019?

B4.1. If answered "Increased" in previous question, by what % did it increase? B4.2. If answered "Decreased" in previous question, by what % did it decrease?

Base: All Respondents n=262

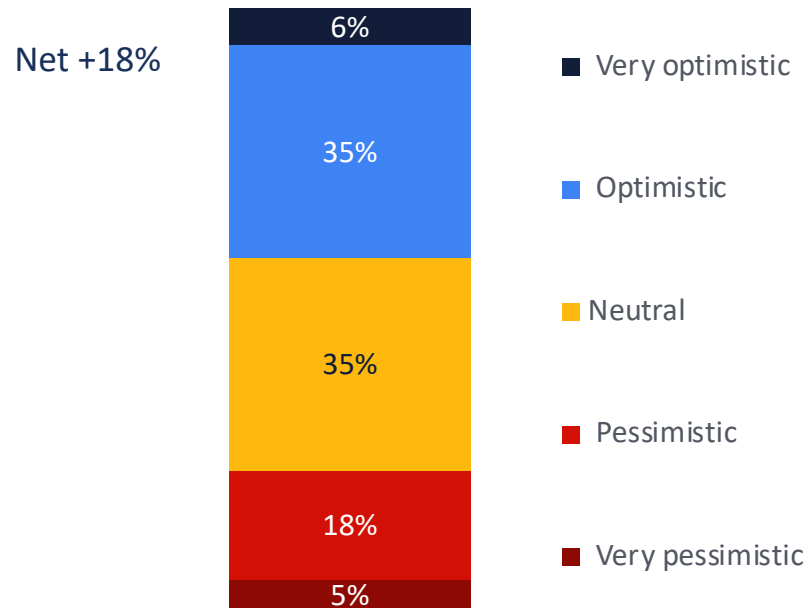
Net = Positive – Negative Scale
(excluding Neutral scale) 7



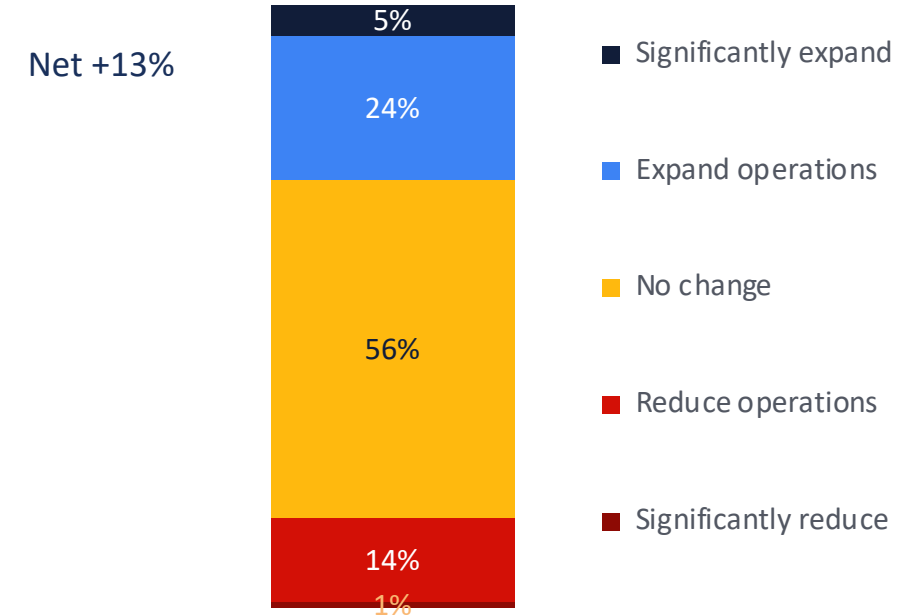
BUSINESS OUTLOOK AND INVESTMENT PLANS

Businesses are generally optimistic about the business outlook and more plan to expand rather than reduce investments

Business outlook for next 12M



Investment plans for next 2 years



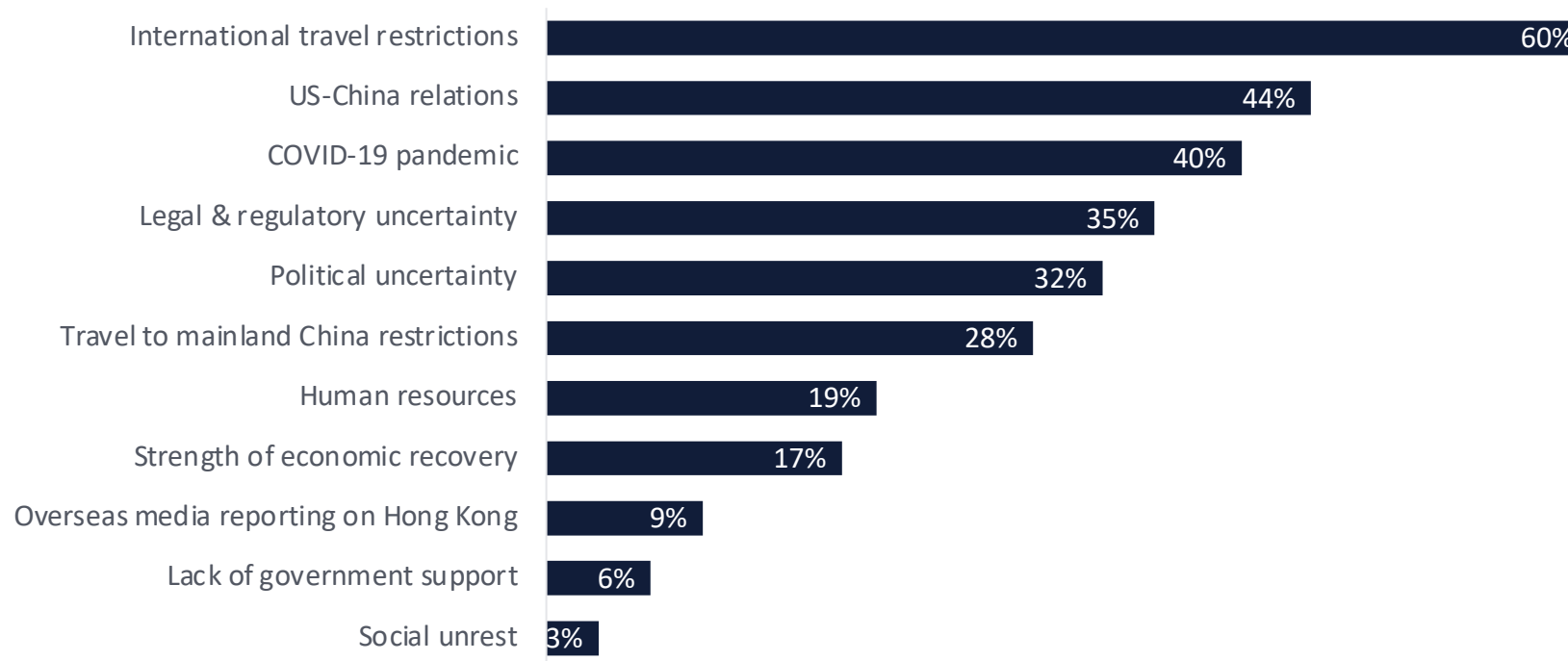
B2. What is your/your company's expectation of Hong Kong's business environment in the next 12 months?
B5. What are your company's investment plans in Hong Kong over the next two years?
Base: All Respondents n=262



BUSINESS CHALLENGES

Travel restrictions, tensions in the US-China relationship and continuing to live with the COVID-19 pandemic are the most prominent business challenges.

Top Business Challenges



B7. What are Hong Kong's top business challenges over the coming 12 months? Please select the top 3 and rank them from 1 being highest to 3 being lowest.
Base: All Respondents n=262

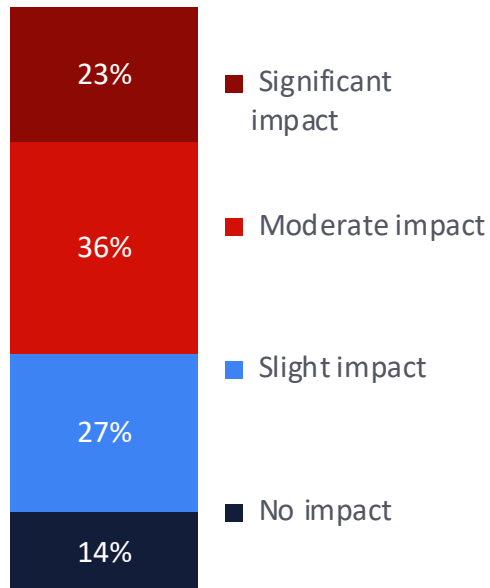


US-CHINA RELATIONSHIP

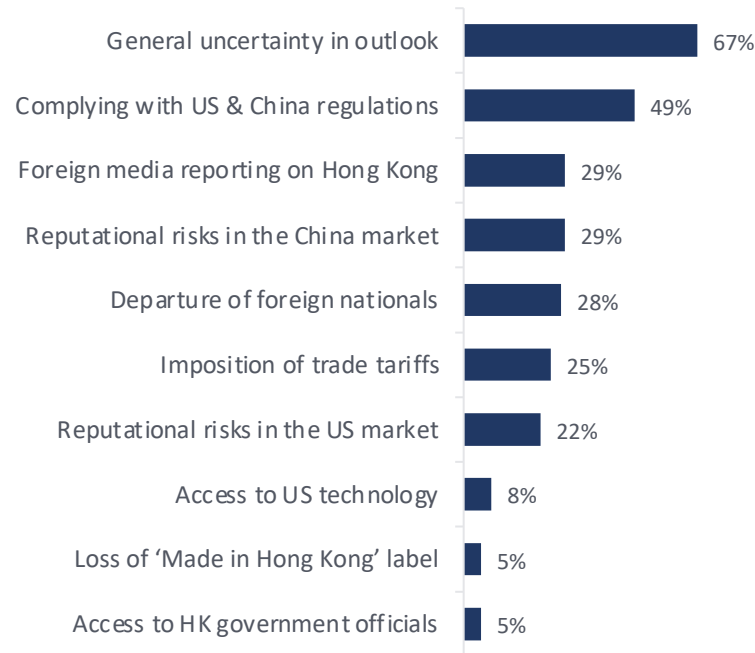
86% of companies mention the US-China relationship has some impact on their business. The uncertainty leads to a general pessimism about things improving.

Impact of US-China relations on company in past 3 years

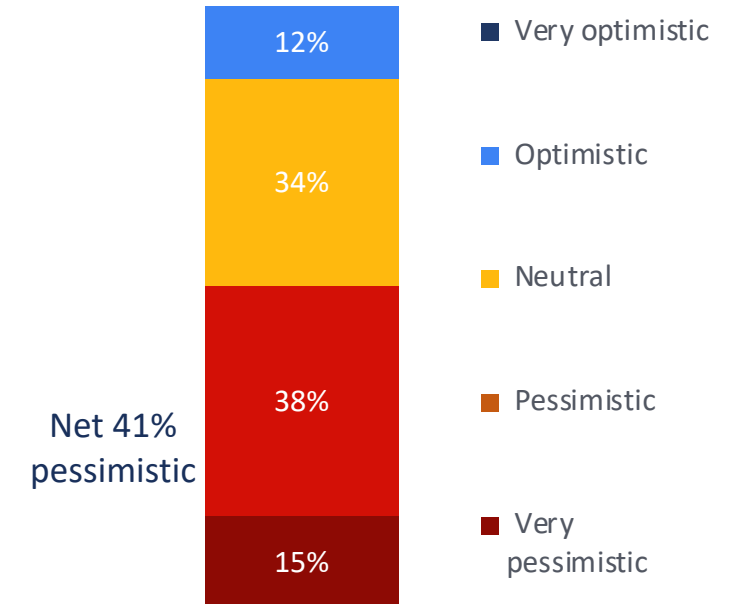
59% moderate to significant impact



US-China issues with greatest impact to business



Outlook on US-China relations



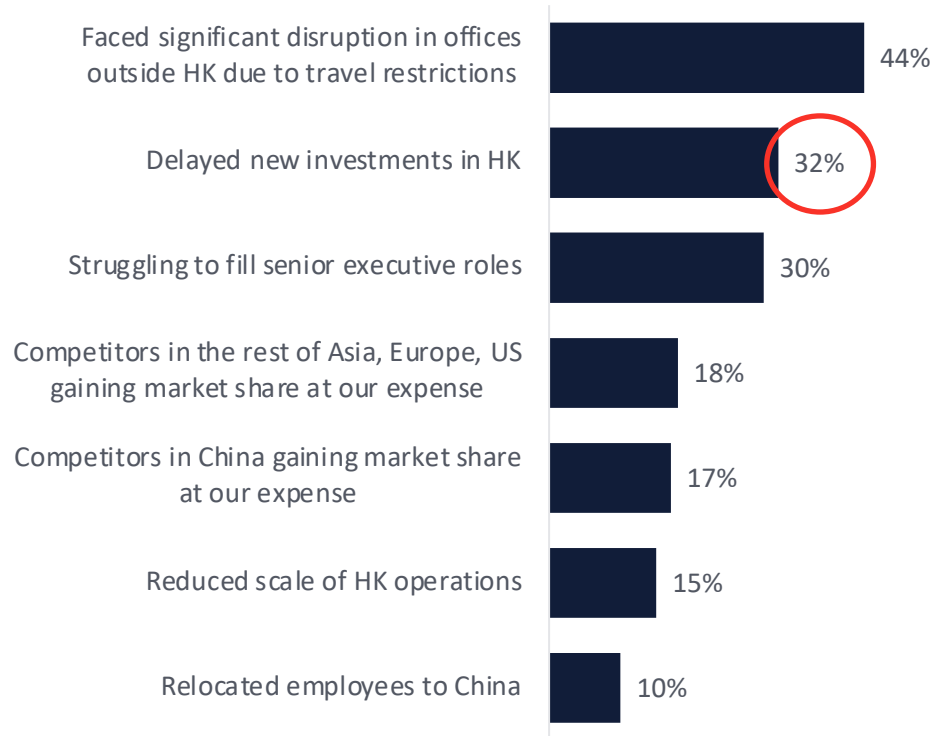
11. Have US-China relations had an impact on your company's business in the past three years?
12. Which issues have had the greatest impact on your company? Please select three and rank them from 1 being highest to 3.
13. How optimistic are you about an improvement in US-China relations over the next 12 months? Base: All Respondents n=262



IMPACT OF COVID-19 ON HONG KONG AS A BUSINESS HUB

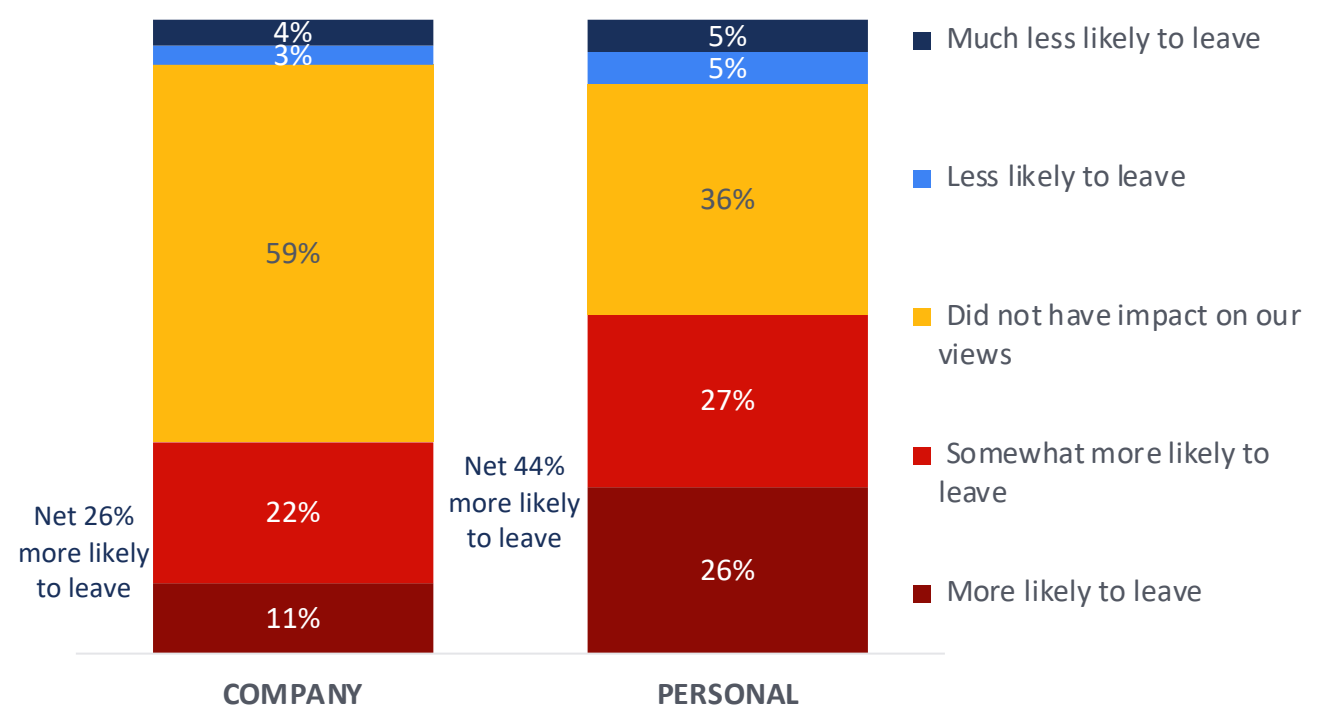
Nearly half of the companies have faced disruption in offices outside Hong Kong due to travel restrictions. COVID-19 restrictions have made both businesses and them as individuals more likely to leave Hong Kong.

How was business affected?



Have COVID-19 restrictions impacted plans to stay in

Hong Kong



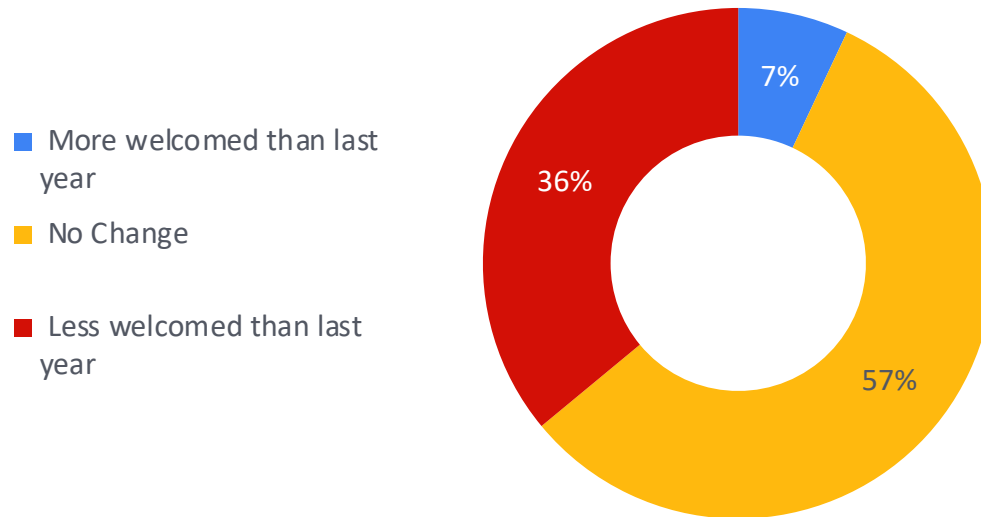
C9. Have Hong Kong's COVID-19 travel and social restrictions changed your company's view on whether to stay in Hong Kong?
C10. Have Hong Kong's COVID-19 travel and social restrictions changed your personal view on whether to stay in Hong Kong?
C11. Which of the following is true for your business? Please select up to 3. Base: All Respondents n=262



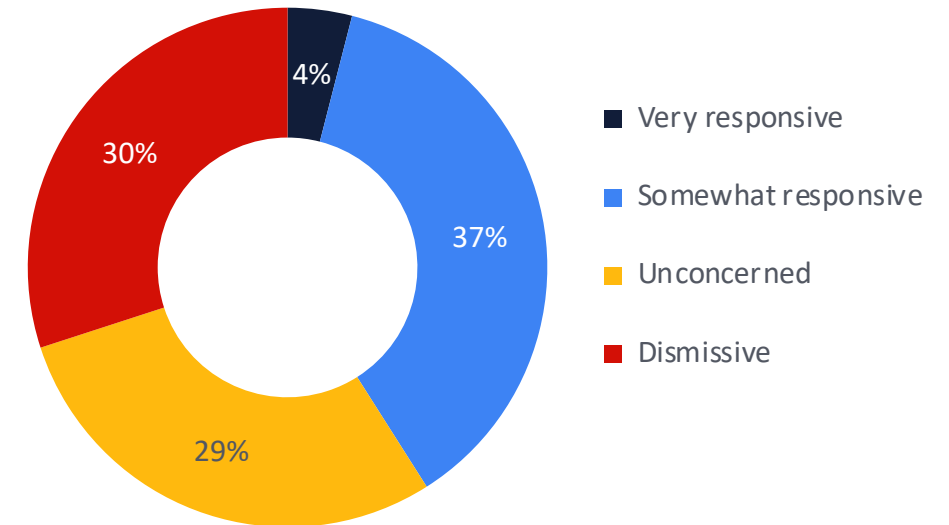
BUSINESS ENVIRONMENT & HONG KONG GOVERNMENT'S RESPONSE TO BUSINESS CONCERNS

There is a perception that foreign businesses are less welcome in Hong Kong now and almost 6 in 10 feel the Hong Kong government is unconcerned or dismissive about business concerns.

Are foreign businesses welcome in Hong Kong?



Effectiveness of Hong Kong Government in responding to business concerns and opportunities



B8. Do you feel foreign businesses are welcomed in Hong Kong?

B10. How well would you rate the Hong Kong government's effectiveness in responding to business concerns and opportunities?

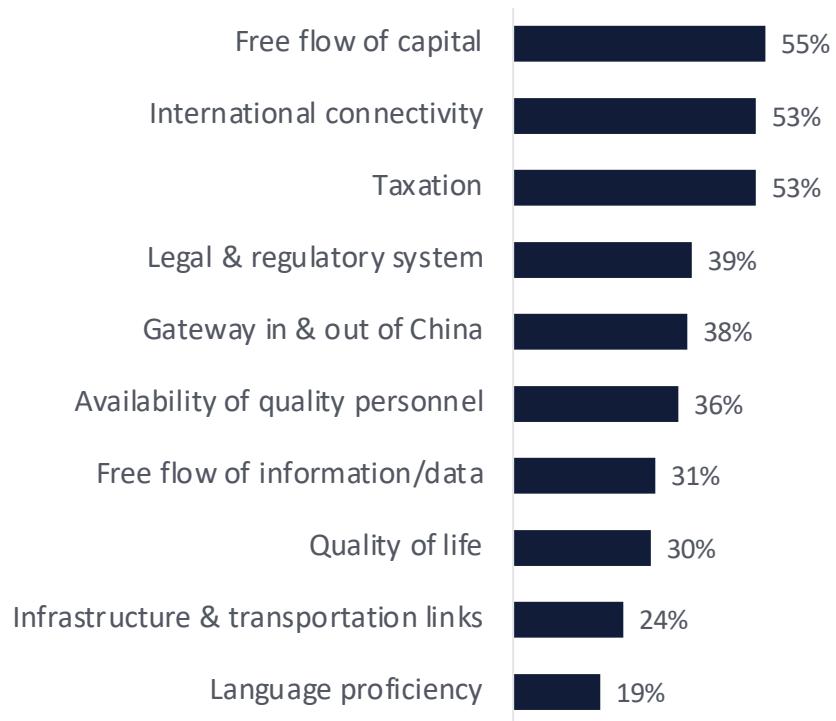
Base: All Respondents n=262



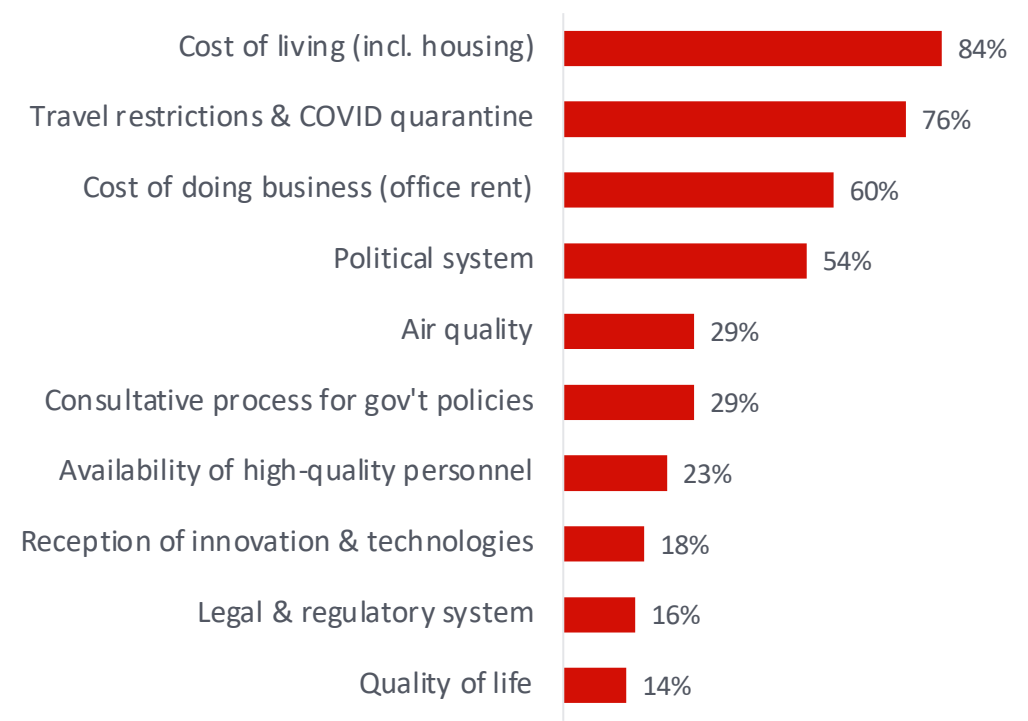
COMPETITIVE FACTORS

Hong Kong's competitiveness is driven by free flow of capital, international connectivity and the tax structure. The high cost of living and the travel restrictions are the top concerns.

Top 10 Factors that make Hong Kong competitive



Top 10 Factors that make Hong Kong uncompetitive



C7. From your company's perspective, what are the top factors that make Hong Kong competitive as a business hub? Please choose the top 5.

C8. Looking at the same set of factors, which of these factors make Hong Kong uncompetitive as a business hub? Please choose the top 5.

Base: All Respondents n=262



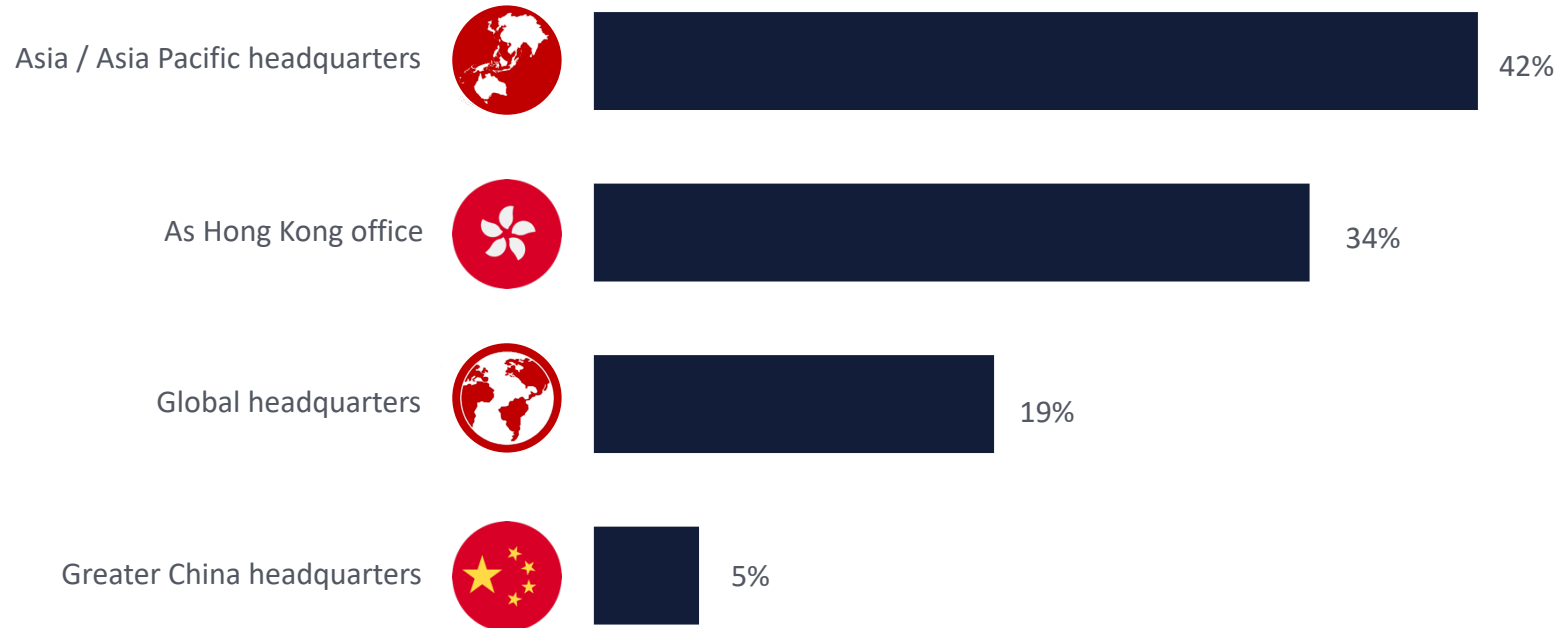
HONG KONG AS A HEADQUARTERS



ROLE OF HONG KONG OFFICE

Hong Kong is either the global or regional headquarters for 6 out of 10 businesses

Role of the Hong Kong Office



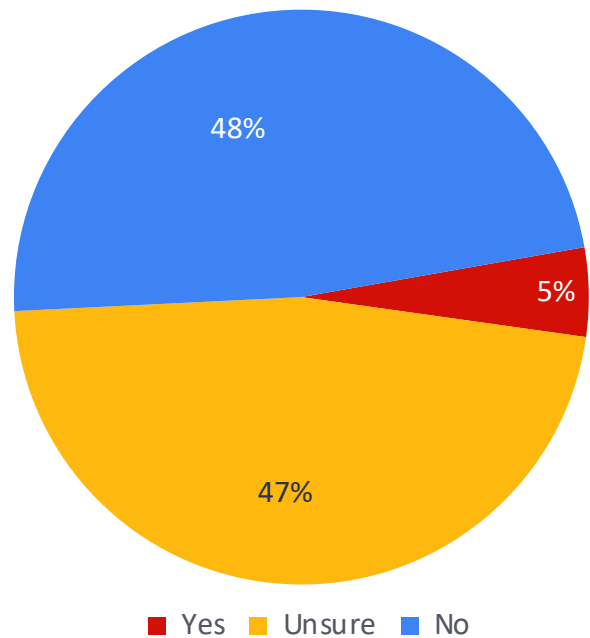


ASSESSING FUTURE PLANS

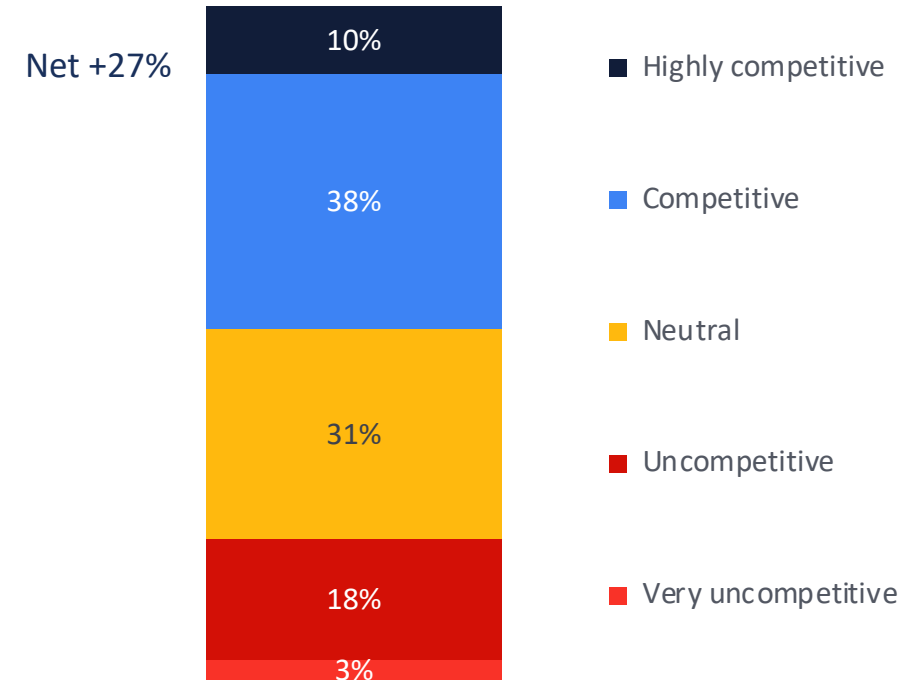
While only 5% of businesses have definite plans to move their headquarters out of Hong Kong, half are unsure. Hong Kong is seen by the majority to be competitive as a global hub.

Plan to move HQ away from Hong Kong?

(among those with Hong Kong as HQ n=172)



Hong Kong's Competitiveness as Int'l Hub



C3. Do you plan to move your headquarters away from Hong Kong in the next 3 years?
C5. What is your assessment of Hong Kong's competitiveness as an international business hub in Asia?
Base: All Respondents n=262



GREATEST THREAT TO HONG KONG

Singapore is the biggest threat to Hong Kong given its strategic location and pro-business approach.



C6. Which city represents the greatest competitive threat to Hong Kong?
Base: All Respondents n=262



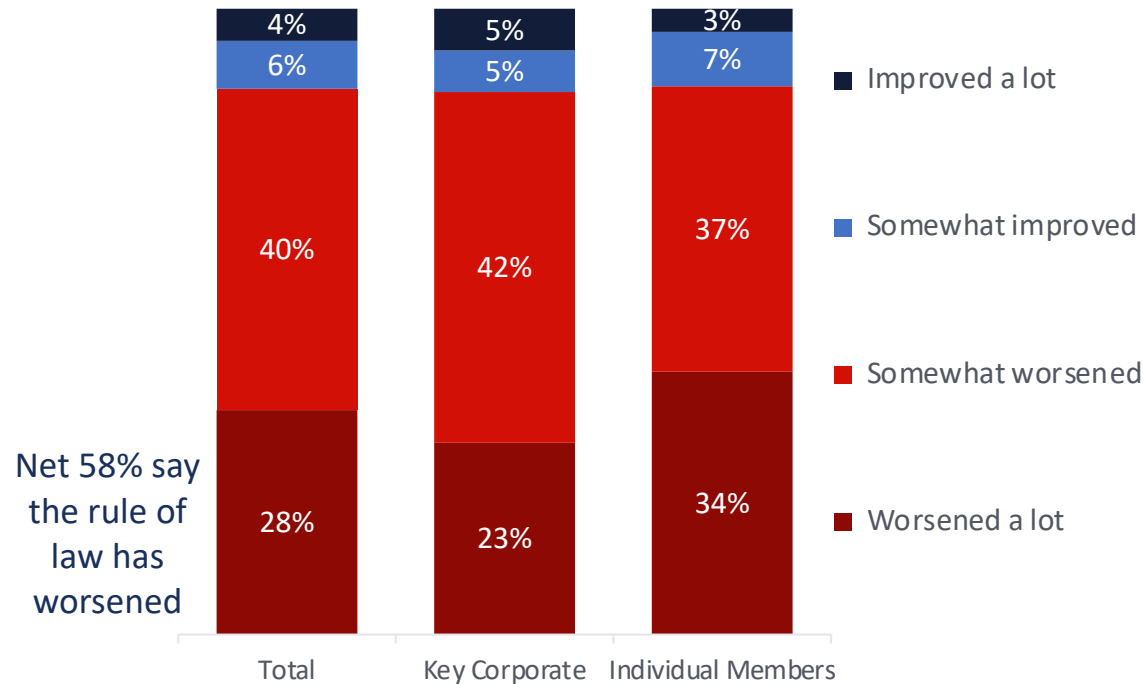
LEGAL & SANCTIONS



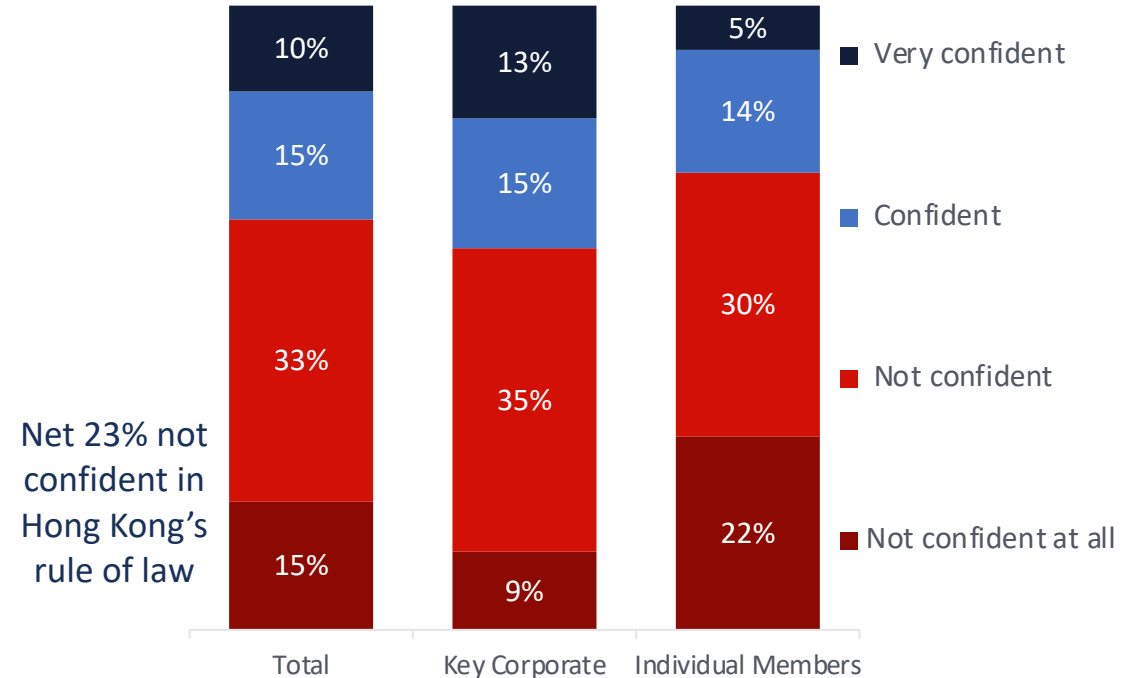
HONG KONG'S RULE OF LAW

68% say that their confidence in Hong Kong's rule of law has worsened over the past year. Only a quarter say they have confidence in the rule of law now.

Change in confidence over last 12 months in
Hong Kong's rule of law



Current confidence in Hong Kong Rule of Law



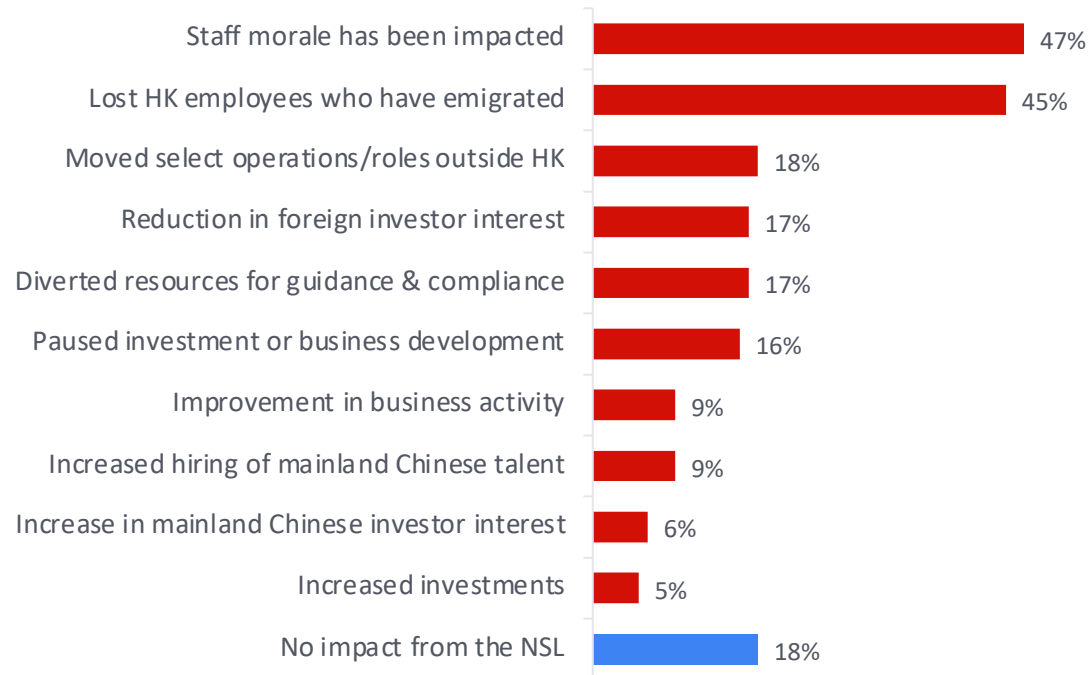
J1. What is your current confidence in the rule of law in Hong Kong?
J2. How has your confidence in the rule of law in Hong Kong changed over the last 12 months?
Base: All Respondents n=262



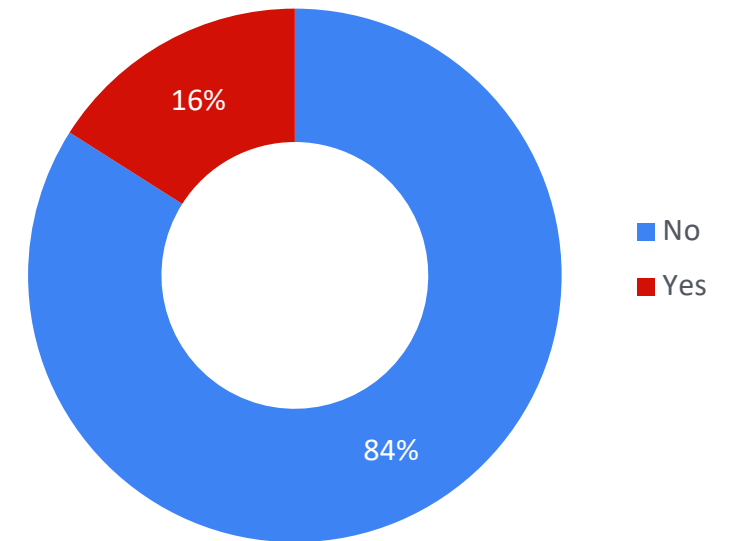
IMPACT OF NATIONAL SECURITY LAW ON COMPANY OPERATIONS

Over 8 in 10 businesses have been impacted by the National Security Law. Close to half have seen staff morale affected and lost employees who emigrated. Sanctions on Hong Kong officials have impacted a sixth.

Impact of NSL to company's operations



Any impact on operations from sanctions on Hong Kong officials?



J6. In what ways, if at all, have your company's operations in Hong Kong been impacted by the National Security Law? Please select up to three and rank them from 1 being highest to 3.

J7. Have foreign governments' sanctions on some Hong Kong government officials impacted your company's operations? Base: All Respondents n=262



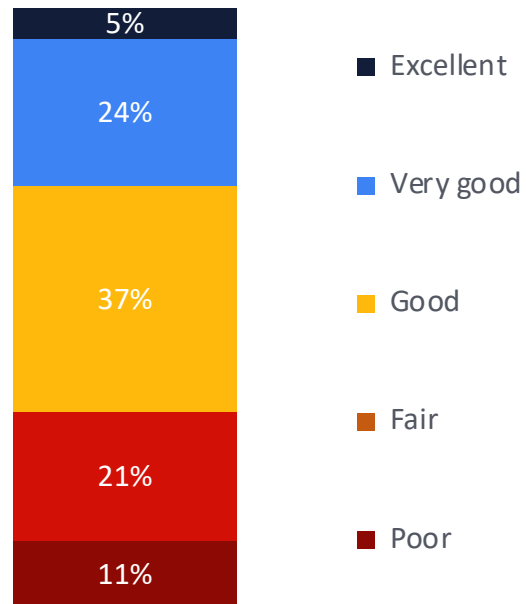
TRANSPORTATION,
LOGISTICS &
FINANCIAL SECTOR



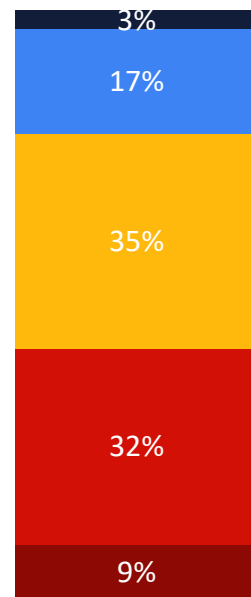
HONG KONG TRANSPORT & LOGISTICS INDUSTRY PERFORMANCE

66% of the businesses rate the performance of the transport & logistics industry as good to excellent.

Assessment of past 12 months

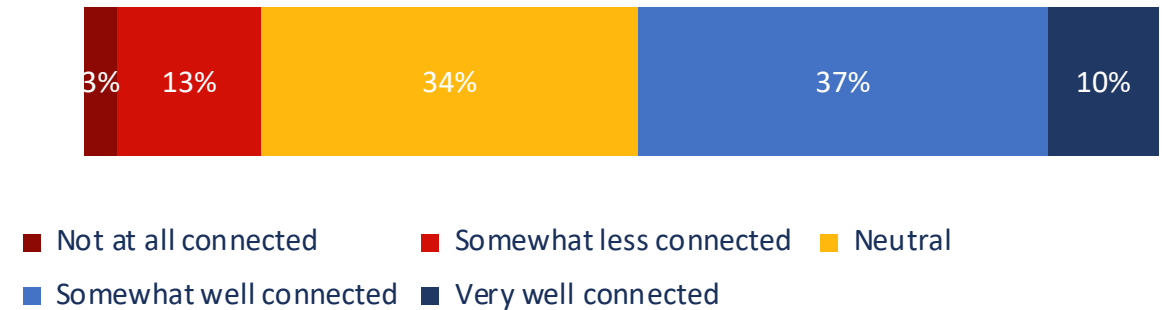


Assessment of smart transportation



How well connected is Hong Kong with rest of GBA?

Net +31%



E1. What is your/your company's assessment of the Hong Kong transportation and logistics industry's performance in the past 12 months?

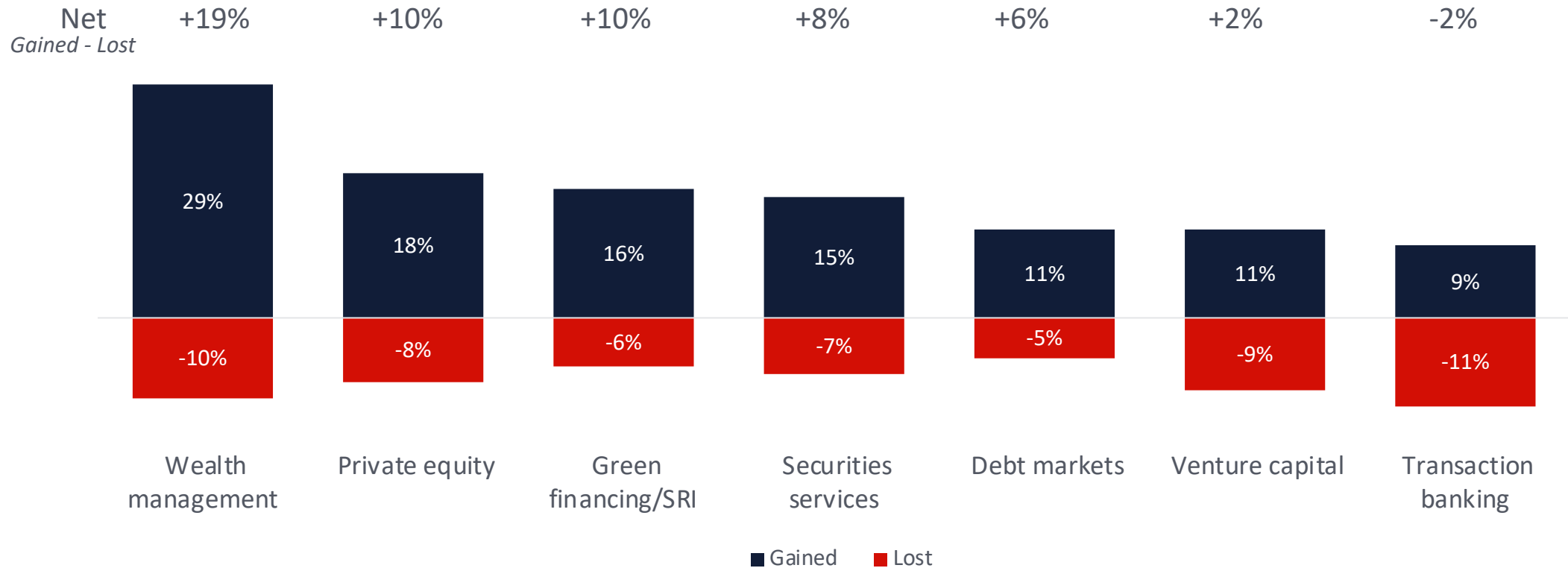
E2. What is your assessment of the use of smart transportation (modern technology and management strategies) to improve transportation and logistics in Hong Kong?

E3. In your opinion, how well connected is Hong Kong with the rest of the GBA in terms of transportation and logistics? Base: All Respondents n=262



FINANCIAL SERVICES – GAINED/LOST REGIONAL COMPETITIVENESS

The financial services sector is seen as largely robust with gains in competitiveness, especially in wealth management.



H1. In which of these areas of financial services has Hong Kong gained regional competitiveness in the past three years?

H2. In which of these areas of financial services has Hong Kong lost regional competitiveness in the past three years?

Base: All Respondents n=262



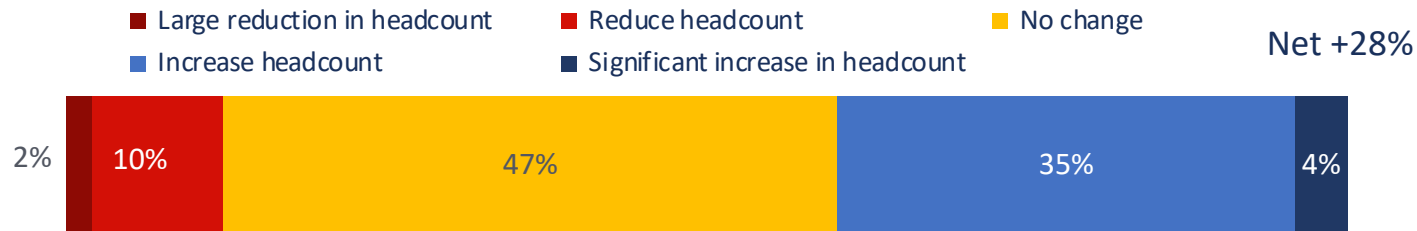
HIRING OUTLOOK



HIRING PLANS AND CHALLENGES

Companies plans to increase their headcount in the next year, but 40% say there is a decrease in qualified staff in Hong Kong.

Hiring plans in next 12 months



Availability of qualified staff in Hong Kong in past 12 months

46% say there is a decrease in qualified staff in Hong Kong



Challenges faced during hiring



G1. What are your expected hiring plans over the next 12 months?

G2. What is your assessment of the availability of qualified staff in Hong Kong in the past 12 months?

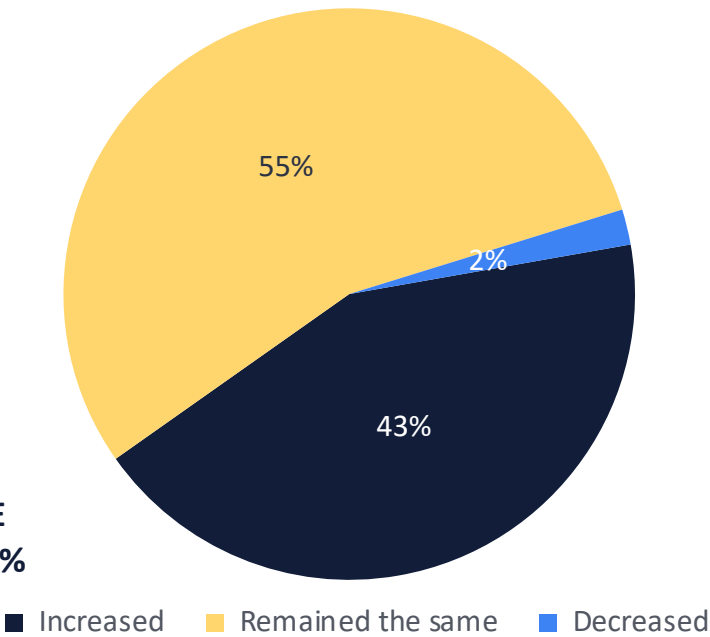
G3. Please select your top three human resource challenges and rank them from 1 being highest to 3. Base: All Respondents n=262



SALARIES & HIRING FOREIGN TALENT

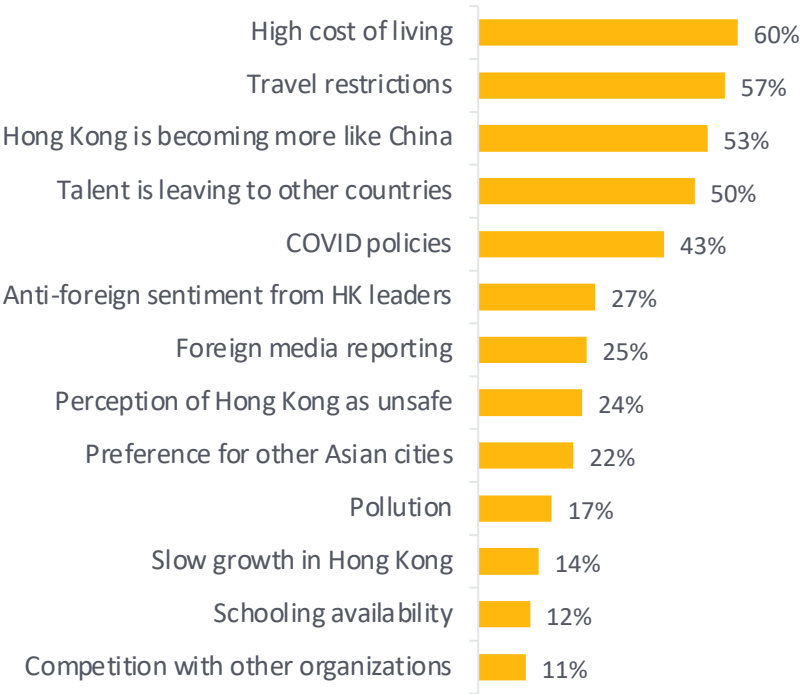
43% say the costs of employing staff have increased. Recruiting foreign talent is a challenge mainly due to the high cost of living, travel restrictions and the feeling that Hong Kong is becoming less unique.

Change in cost of paying employees



SALARIES HAVE INCREASED BY 9%

Challenge to recruit/retain foreign talent



G4. Which of the following factors is a significant challenge to your organization’s ability to recruit and retain foreign talent to work in Hong Kong. Please select all that apply.
G5. How has the cost of paying employees changed in the past 12 months for your company?
G6. If answered “Increased” in previous question, by what % did it increase? If answered “Decreased” in previous question, by what % did it decrease? Base: All Respondents n=262



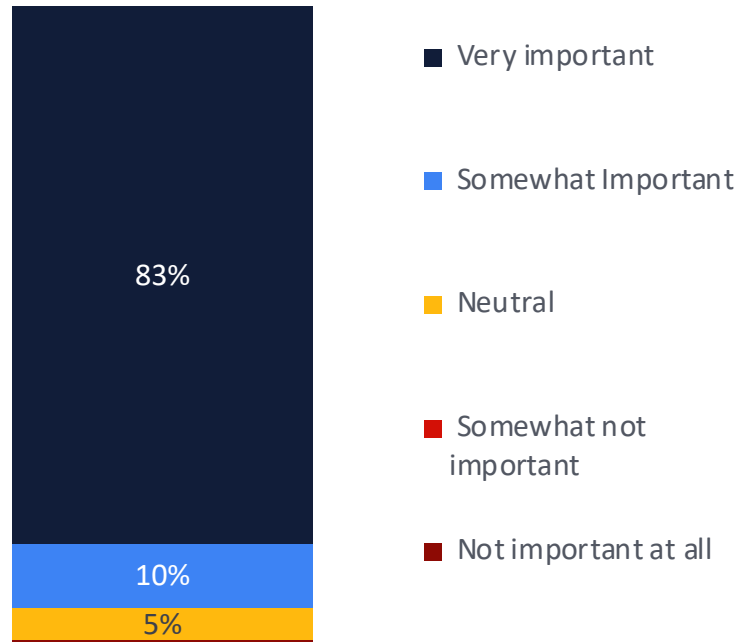
DATA FREEDOM & TECHNOLOGY



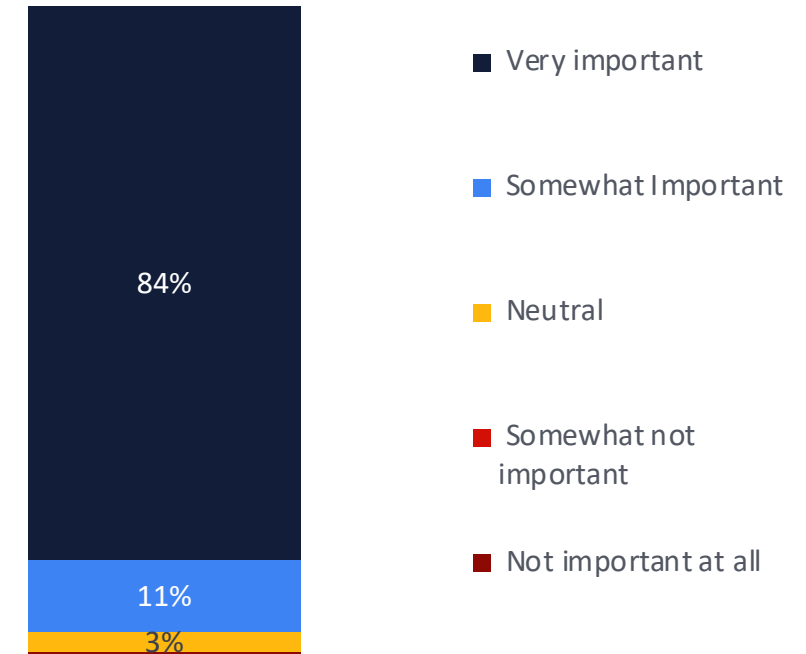
ACCESS TO INTERNET AND INFORMATION PLATFORMS

Businesses universally feel free access to the internet and information platforms is important

Importance of free access to internet & information for company operations



Importance of free access to internet & information for personal use



F6. How important is free access to global internet and information platforms (e.g. Google, Facebook, Bloomberg) to your company's operations in Hong Kong?

F7. How important is free access to global internet and information platforms (e.g. Google, Facebook, Bloomberg) to your personal life in Hong Kong?

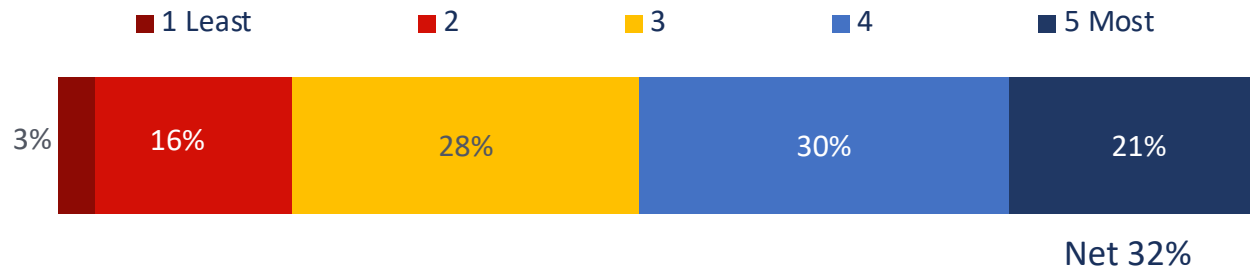
Base: All Respondents n=262



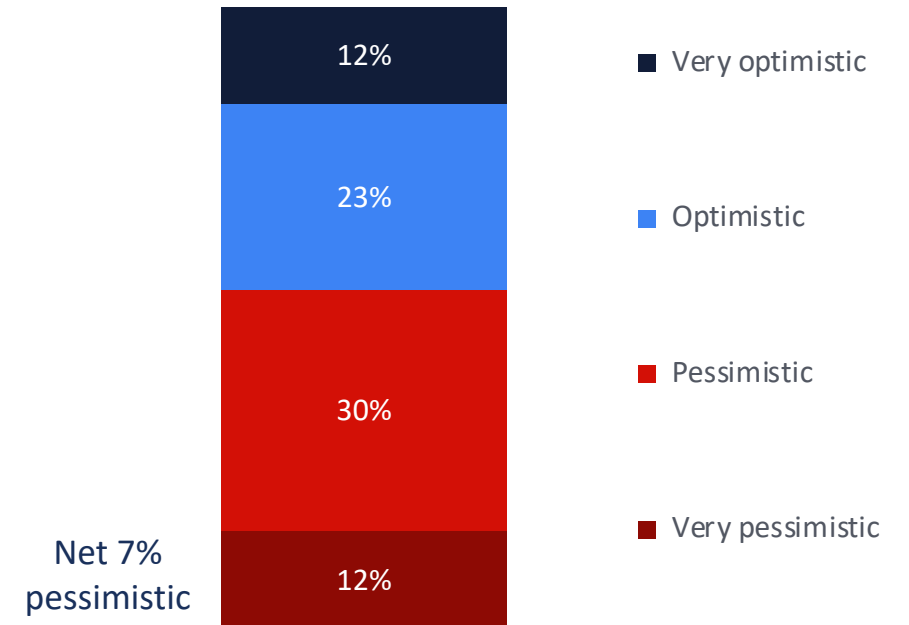
CURRENT & FUTURE ACCESS TO INTERNET AND INFORMATION PLATFORMS

42% believe that they may not be able to continue to have free internet access in the future.

Data freedom in Hong Kong



Continue to have free access to global internet and information platforms for the next 3 years



F1. On a scale of 1-5 (1 being least and 5 being most), how happy are you with the data freedom in Hong Kong?

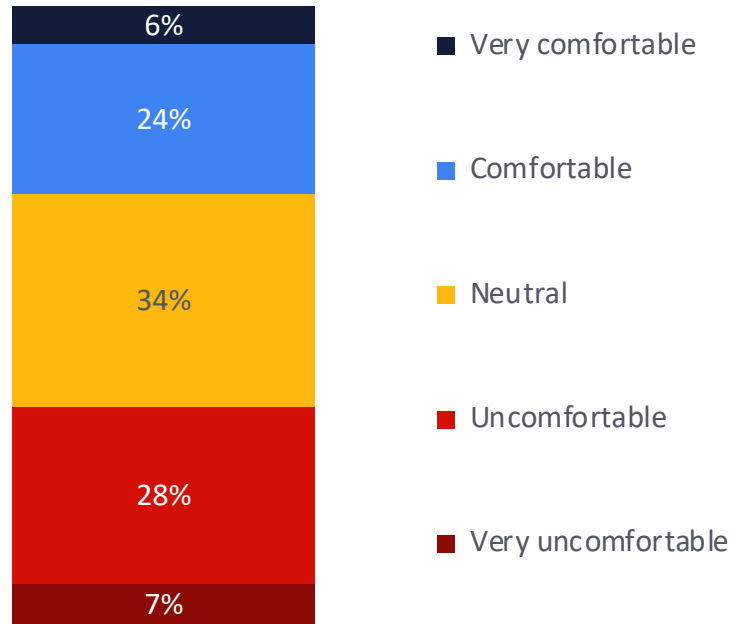
F8. What is your expectation for Hong Kong to continue to have free access (without government censorship and/or firewall) to global internet and information platforms (e.g. Google, Facebook, Bloomberg) in the next 3 years? Base: All Respondents n=262



DATA PRIVACY

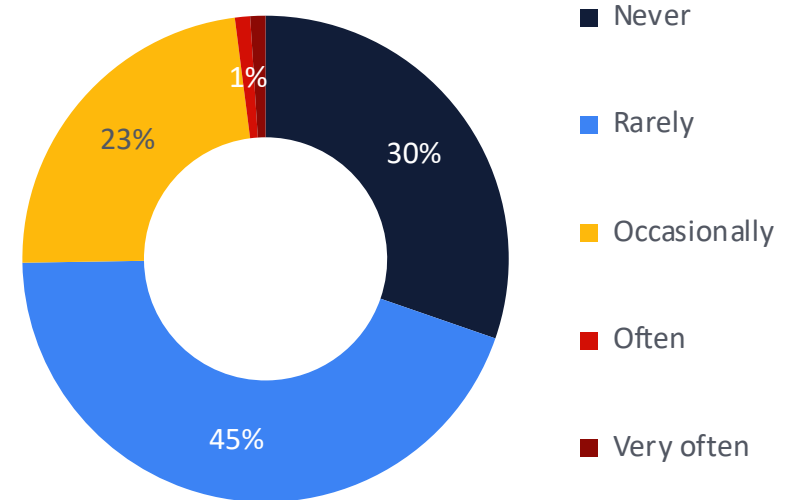
A third of the businesses are uncomfortable with the current levels of data privacy regulations.

Comfort levels with regulation on data privacy protection



Net 4%
uncomfortable

Difficulties in accessing data online



F2. How often do you or your businesses encounter difficulties in terms of accessing data (e.g. news, information, website) online in Hong Kong?

F4. How comfortable are you with the regulation of data privacy protection in Hong Kong currently?

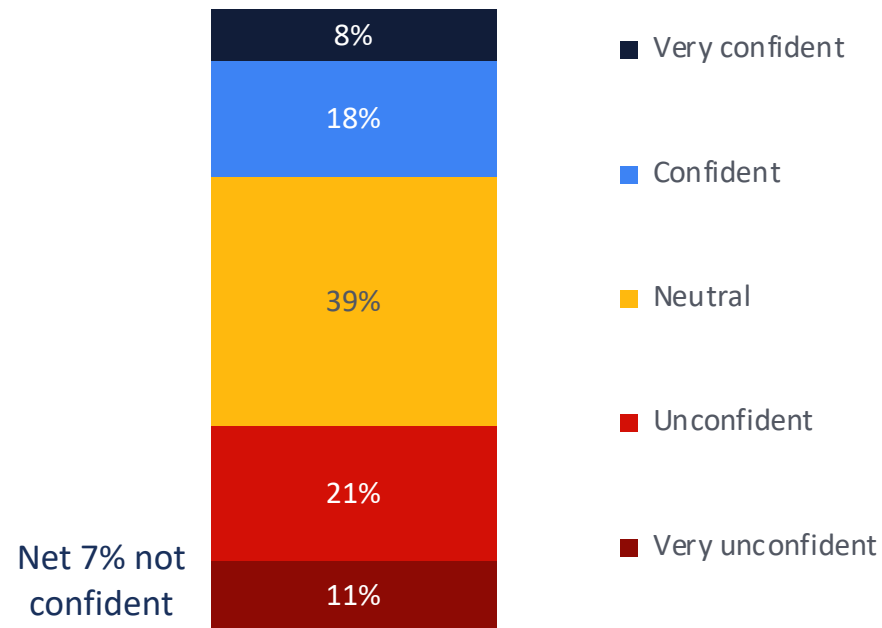
Base: All Respondents n=262



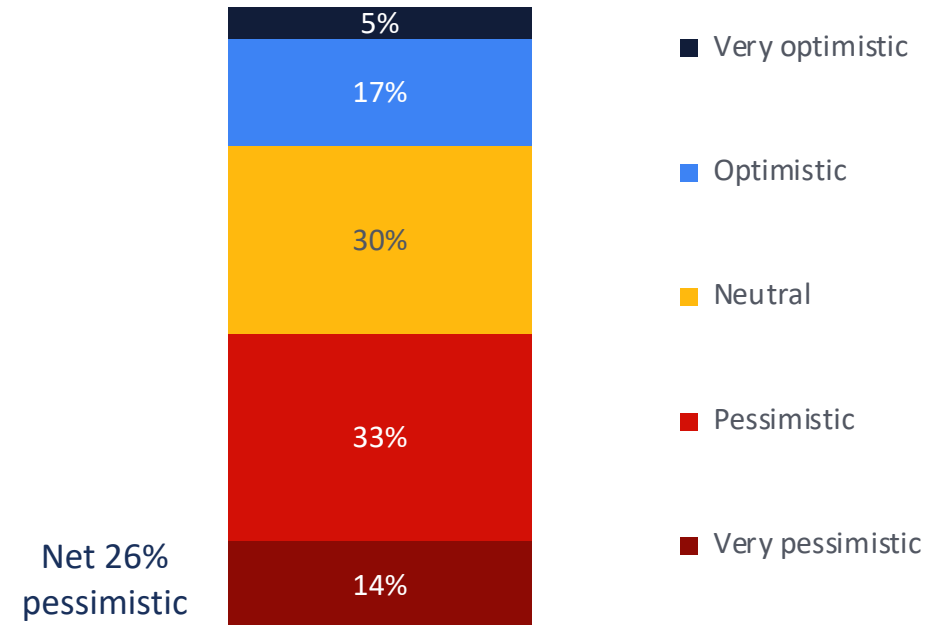
HONG KONG AS A DATA CENTER

While only a third are not confident in storing customer and company data locally now, 47% are pessimistic about Hong Kong's future as a regional data center.

Confidence in storing customer and company data locally in Hong Kong



Hong Kong's future as regional data center



F3. What is your personal outlook on Hong Kong's future as a regional data center?

F5. How confident are you of storing your company and customer's data locally in Hong Kong or establishing data centres in Hong Kong?

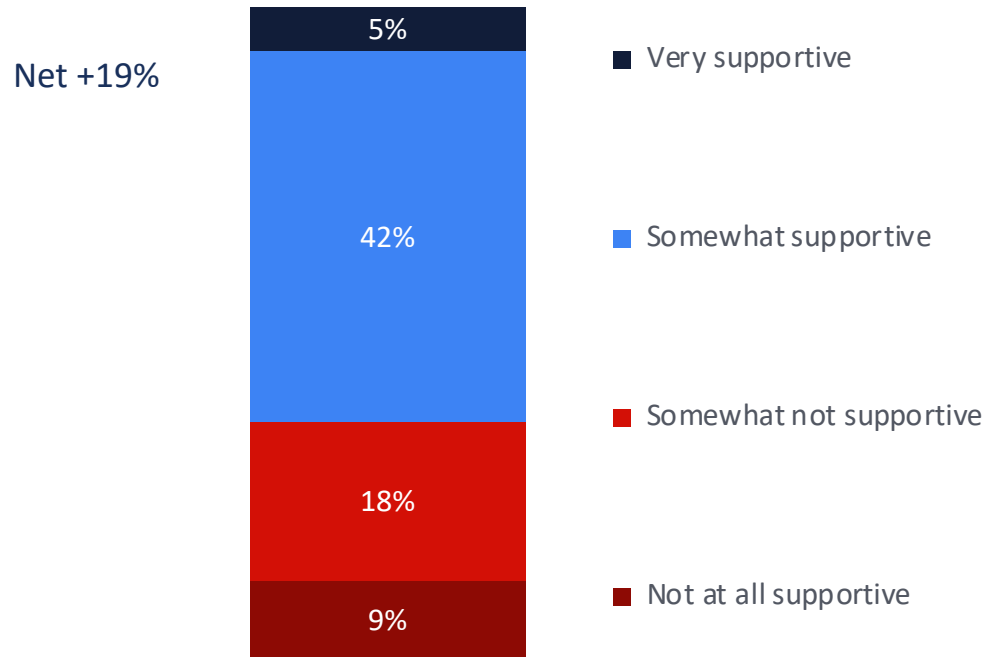
Base: All Respondents n=262



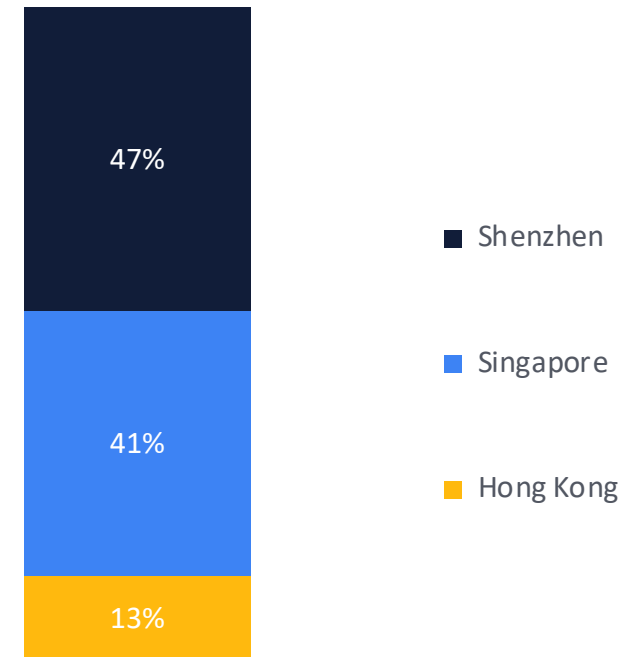
HONG KONG GOVERNMENT SUPPORT TO R&D

Half feel the government is supportive to innovation research & development, but Shenzhen and Singapore are seen to be better places for R&D.

Hong Kong Government Support to Research & Development



Best location for R&D



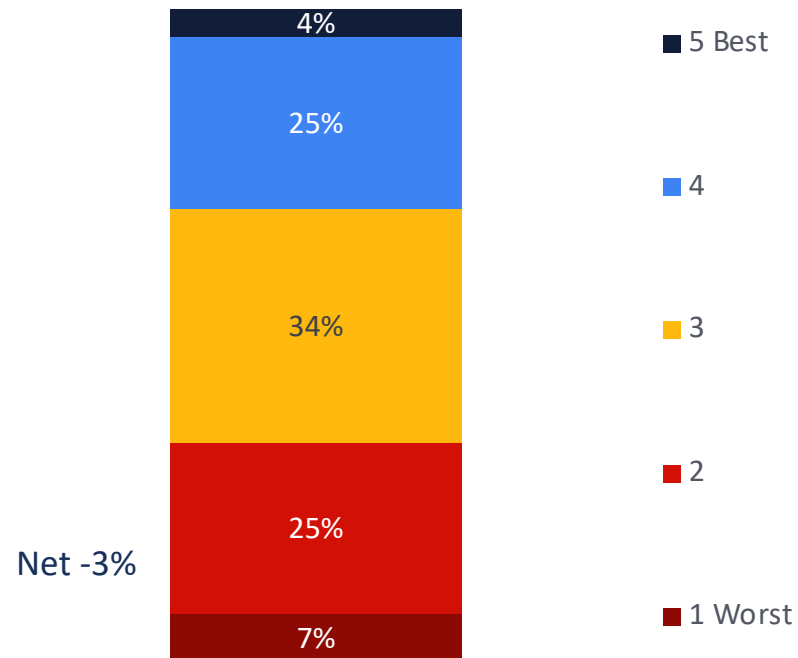
F9. Which of the following places, in your mind, is better suited for R&D innovation? Please rank them from 1 being highest to 3 being lowest.
F10. How well do you think the Hong Kong government supports research and development of innovation and technology in Hong Kong?
Base: All Respondents n=262



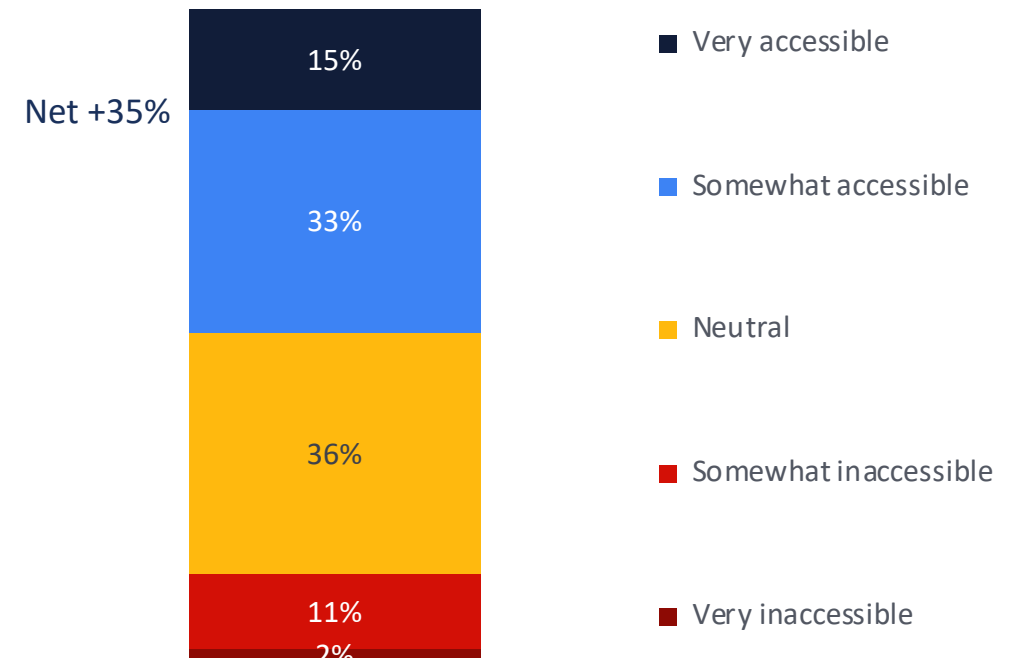
HONG KONG AS A PLACE FOR STARTUPS, VENTURE CAPITAL FUNDING

There is sufficient funding available in the market for new ventures but businesses don't see Hong Kong as a good place for starting up.

Hong Kong as a place for entrepreneurs to create start-ups



Hong Kong as venture capital funding for entrepreneurs



F11. On a scale of 1-5 (1 being worst and 5 being best), how do you assess Hong Kong as a place for entrepreneurs to create start-ups?

F12. In your opinion, how accessible is securing venture capital funding for entrepreneurs in Hong Kong?

Base: All Respondents n=262



GREATER BAY AREA
(GBA)



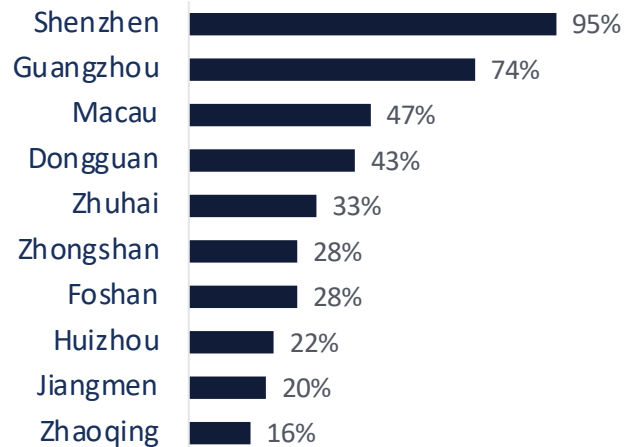
OPERATIONS IN GREATER BAY AREA

60% of business are already operating in GBA, with Shenzhen and Guangzhou the most popular cities. 2 in 5 businesses plan to expand their operations in GBA over the next few years.

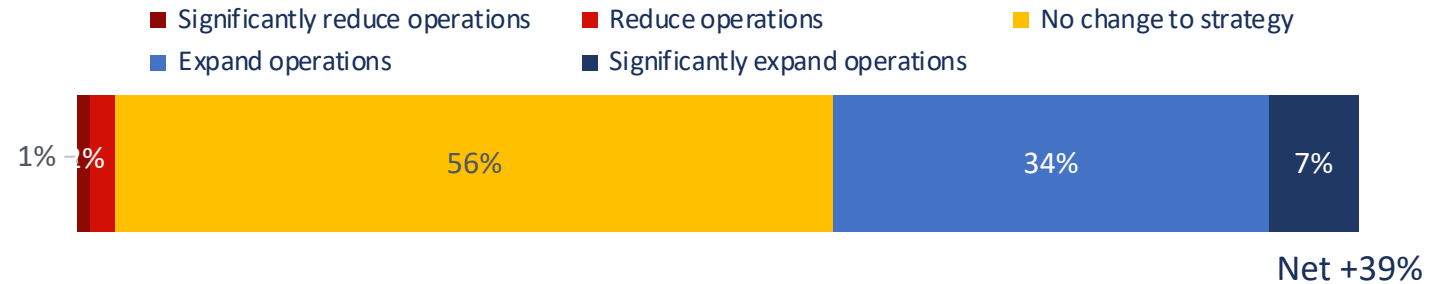


Cities

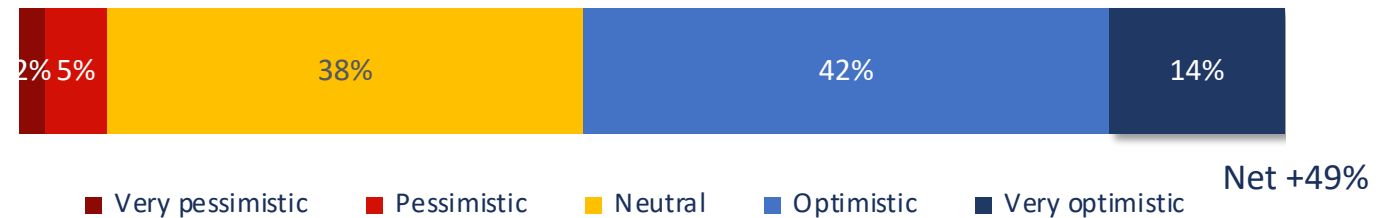
(among those having business in GBA, n=158)



Expansion in GBA next 3 years



Business opportunities in GBA next 3 years



D1. Does your company currently conduct business in the Greater Bay Area (GBA), excluding Hong Kong?

D2. Please select the cities in which your company currently conducts business.

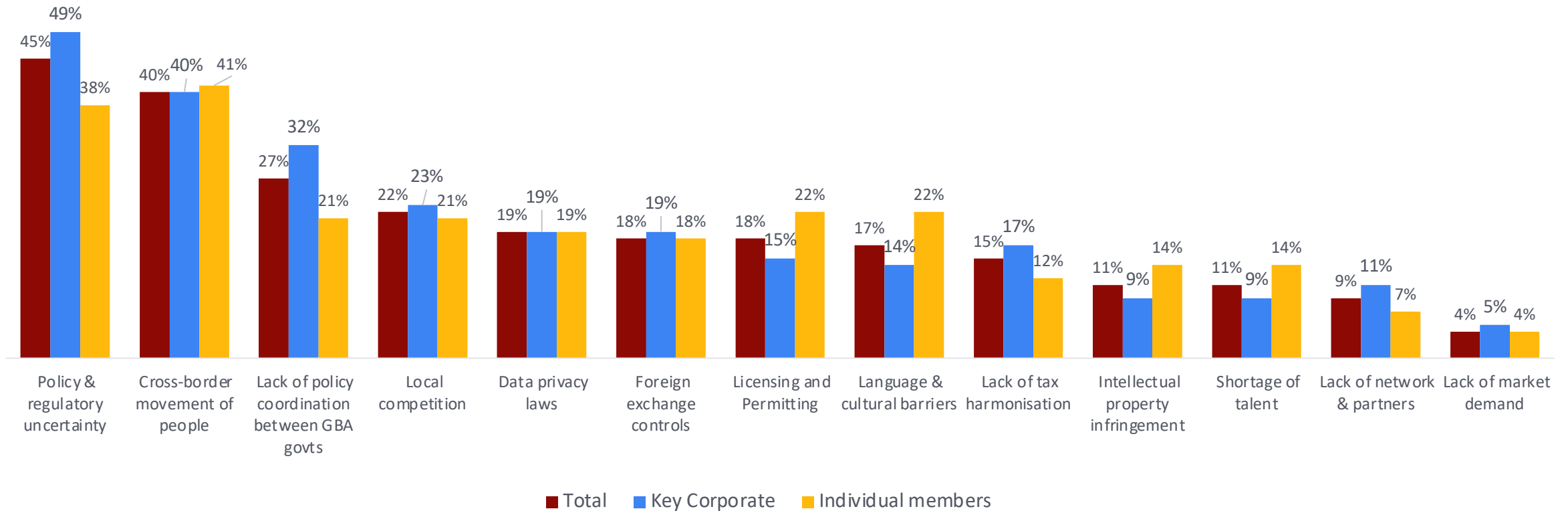
D3. Does your company plan to expand its operations in the Greater Bay Area in the next 3 years?

D5. What is your/your company's expectation of the Greater Bay Area's business opportunities in the next 3 years? Base: All Respondents n=262



CHALLENGES WITHIN GBA

Uncertainty in policy & decision making followed by cross-border movement of people feature as the top challenge.

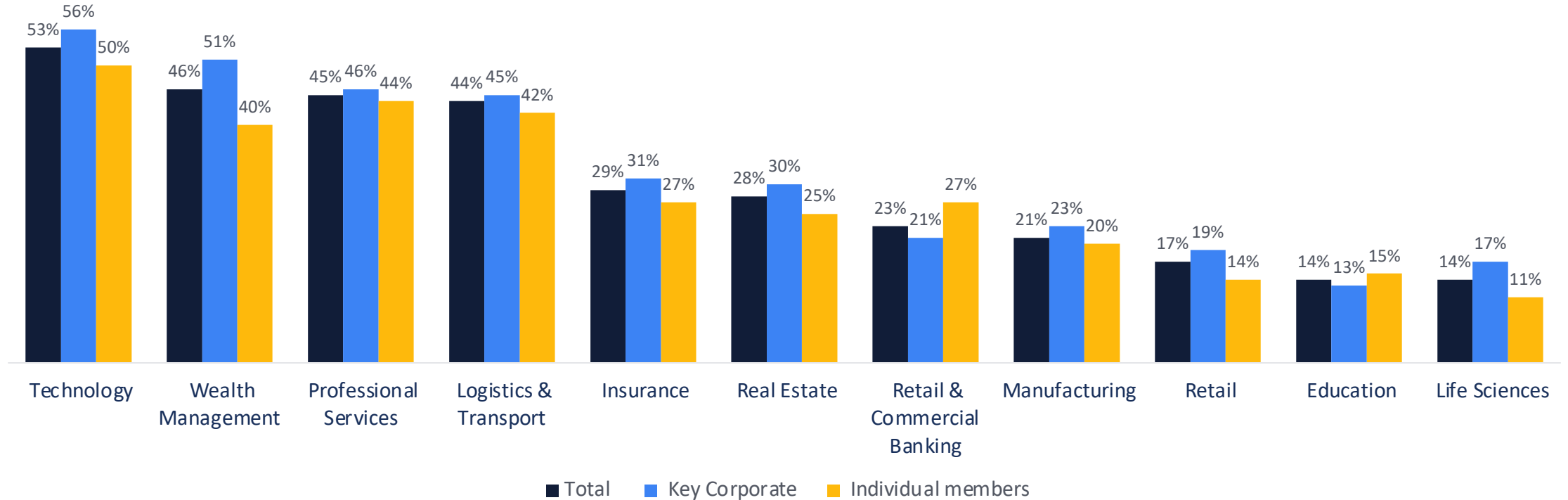


D9. Please select the top three challenges in doing business in the GBA and rank them from 1 being highest to 3.
Base: All Respondents n=179, Key Corporate n=106, Individual members n=73



INDUSTRIES THAT BENEFIT FROM GBA'S DEVELOPMENT

Most industries have benefitted from the growth in the GBA. Information Technology has benefitted the most.



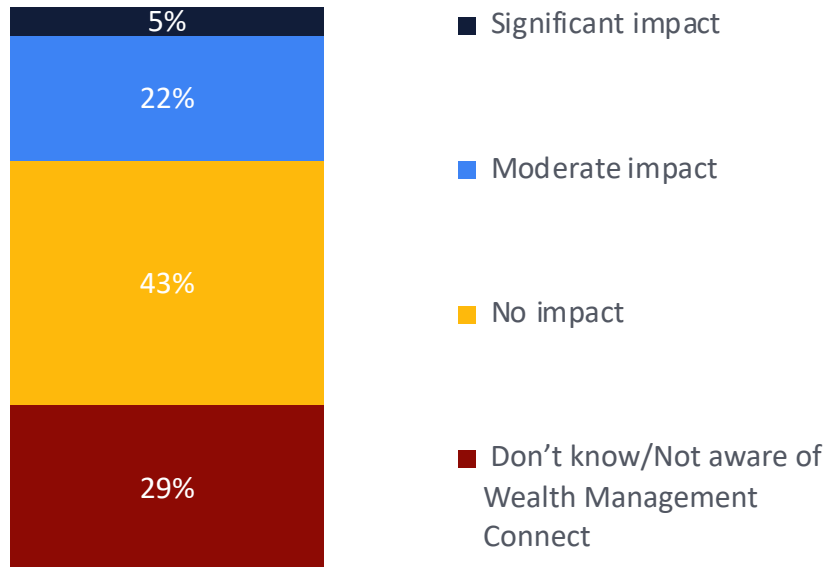
D6. Which Hong Kong industries will benefit most from the GBA's development?
Base: All Respondents n=262, Key Corporate n=151, Individual members n=111



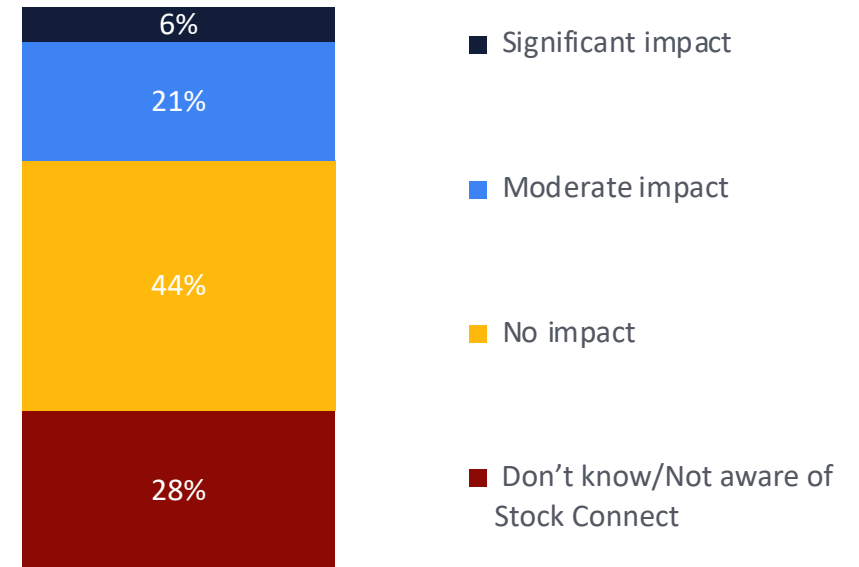
IMPACT OF WEALTH MANAGEMENT CONNECT AND STOCKCONNECT

Wealth Management Connect and StockConnect are expected to have an impact on Hong Kong revenues for a quarter of businesses.

Impact of Wealth Management Connect on revenues in next 3 years



Impact of StockConnect on revenues in next 3 years



D7. What is the expected impact of Wealth Management Connect on your Hong Kong revenues over the next three years?

D8. What is the expected impact of StockConnect on your Hong Kong revenues over the next three years?

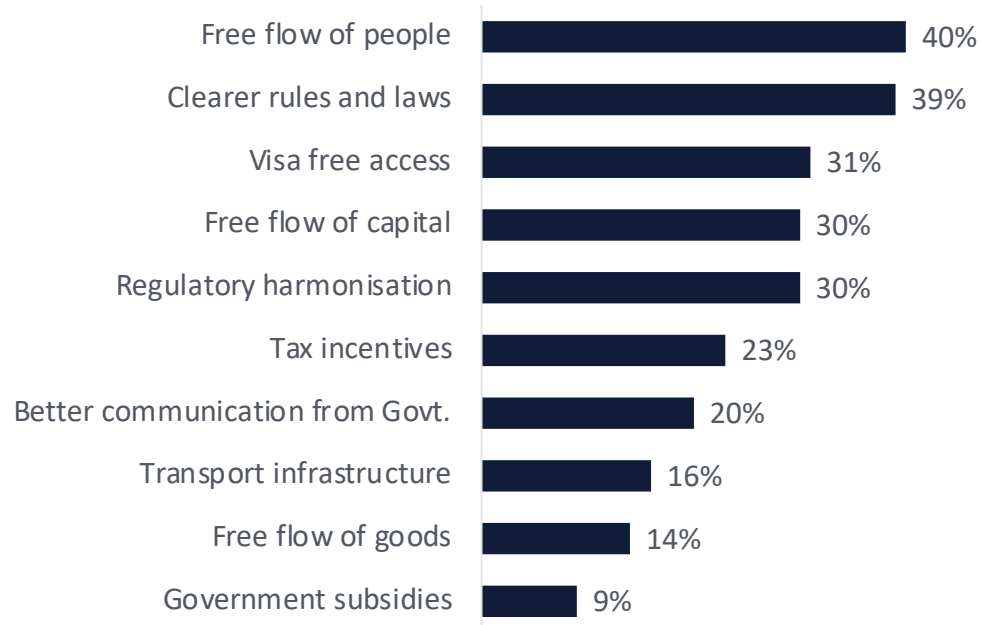
Base: All Respondents n=262



OPPORTUNITIES AND BENEFITS

Free flow of people along with clearer rules & laws are the factors supporting GBA opportunities.

Factors supporting GBA Opportunities



n=179 among those who conduct or plan to have business in GBA

BENEFITS FROM GBA'S INNOVATION & TECHNOLOGY SECTORS

We help GBA firms export to foreign markets	13%
We have an innovation and/or R&D centre in the mainland GBA	10%
We hire technology talent from the mainland GBA	10%
We prototype and/or manufacture products in the mainland GBA	9%
We use mainland GBA firms to create our technology solutions	8%
We have partnerships with mainland GBA start-ups	6%
None of the above	65%

D10. Please select the top three factors that would support your GBA opportunities and rank them from 1 being highest to 3.

D11. Please select below how your company benefits from the mainland GBA's innovation & technology sectors.

Base: All Respondents n=262

