



AmCham

# **2021 HONG KONG BUSINESS OUTLOOK SURVEY**



# FOREWORD



**Tara Joseph**  
President  
AmCham

Not a single business in Hong Kong was immune to challenges faced in 2020; COVID-19, violent protests in the streets, the promulgation of a new National Security Law or increased US-China political and trade friction.

Now, as the calendar year clicks into 2021, AmCham companies are cautiously optimistic for the year though captions are still flashing about a long list of unresolved issues and there is a growing splinter of views over Hong Kong's future. This makes for messier reading but suggests a trend of an evolving city.

The aim of this AmCham “temperature checking” survey is to garner a holistic view across many business sectors, and to focus on what Hong Kong needs to do to maintain its edge and renew confidence.

I hope you find this useful reading so that all of us at the Chamber can collaborate to promote our core values of fostering trade and supporting Hong Kong as a leading global business hub.

# DISCLAIMER

- This survey was taken between December 11, 2020 and January 4, 2021.
- Further breakdown of data is unavailable, while selected unattributable comments are extracted for reference.
- Comments may have been edited for brevity and clarity.
- This survey is not intended to be a scientific instrument, but rather a “temperature checking” poll of member sentiments.

Enquiries: [publicaffairs@amcham.org.hk](mailto:publicaffairs@amcham.org.hk)



# SUMMARY – Glass Half Empty

- Members expect a challenging 2021 after disruptions brought by Covid-19, violent street protests, the National Security Law, and rising US-China friction in 2020. Half of those surveyed are cautiously optimistic they will perform better in 2021, but 40 % expect the business environment to remain unstable or worsen.
- Troubled US-China relations remain the top business concern for 2021 along with Hong Kong's fractious political situation, Hong Kong government policies, a resurgence of COVID-19 cases and the cost of doing business in HK.
- A majority of respondents feel the HK government needs to present a clear, transparent strategy when deciding on COVID related business and school closures.
- A third of those surveyed feel HK has become less competitive as an international business hub.
- Overall there are starkly opposed views on the outlook for Hong Kong throughout the survey, with some expecting business to rebound while others see risks ahead following implementation of the National Security Law.

# SUMMARY – Glass Half Full

- Some businesses have benefitted from the COVID pandemic with certain sectors outperforming while others suffer dramatically.
- Most businesses expect HK to remain as their regional headquarters for the next three years, though downsizing is already taking shape due to cost cutting and concerns over Hong Kong's future as a major business hub.
- Greater Bay Area (GBA) is viewed as an opportunity for future profits with access to the region's vast consumer market a key draw. However, just as many respondents view Vietnam as an increasingly important market with new opportunities arising in countries such as India.



# DEMOGRAPHICS

**181**

Responses

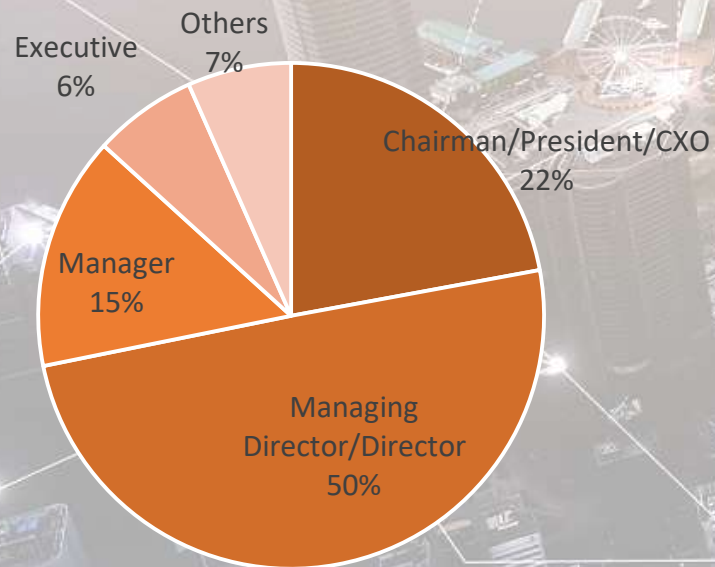
**1,400**

Total members

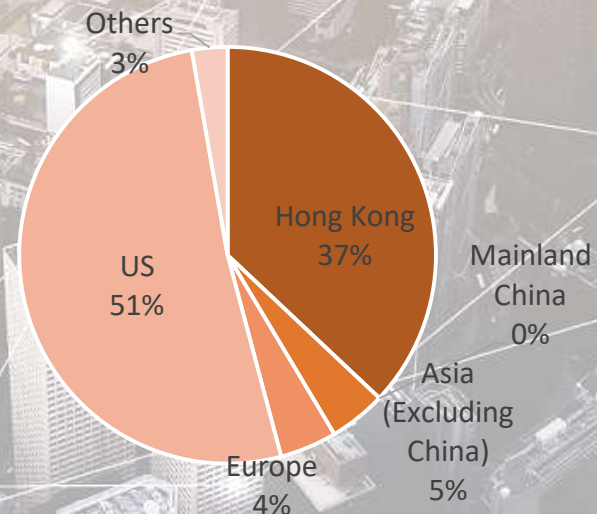
**15%**

Response rate

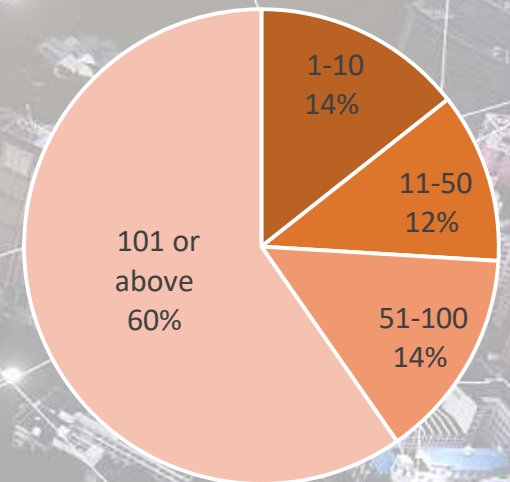
Respondents' Positions



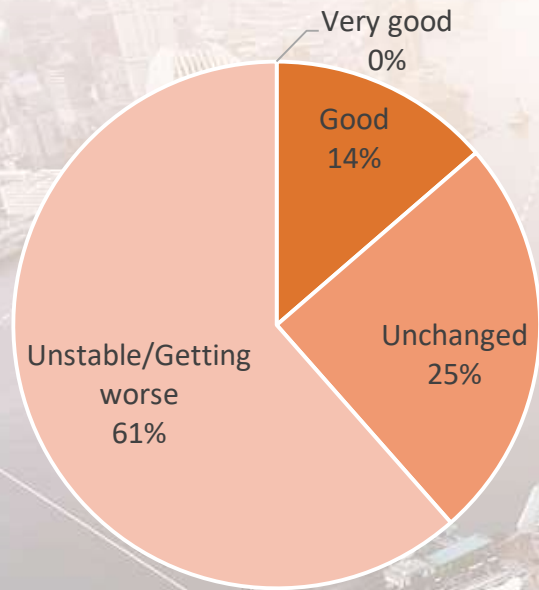
Companies Headquarter Locations



Company Size



## Q5: Please indicate your/ your company's overall assessment of Hong Kong's business environment in the past 12 months



- Over 61% of survey respondents believe Hong Kong's business environment was unstable and worsened in the past 12 months.
- Many pointed out the protests, the National Security Law (NSL) and COVID disruptions as their main concerns.
- Some say the way the NSL was implemented and the ambiguity of its provisions have caused significant uncertainties. Though protests have stopped, the NSL has destabilized HK's legal framework, according to some companies.
- There are doubts about the governments' ability to drive Hong Kong toward what is needed for a successful future.
- The financial services sector remains largely robust.
- The education sector has been knocked by COVID and protests and has had to adapt to new online learning, which has hurt enrolment.
- The professional services sector has experienced fresh challenges as clients cut back on discretionary budgets.

"Between the pandemic and protests we are seeing a decrease in expats. This is not getting worse or better at this time."

"Protests went down, coronavirus went up. Business in general is better than 2019, but still not as good as 2018."

"The Hong Kong business outlook will improve as the US economy picks up, but the developments in 2020 did not provide a good atmosphere in which to do business."

"Financial services firms have seen the best year in a decade."

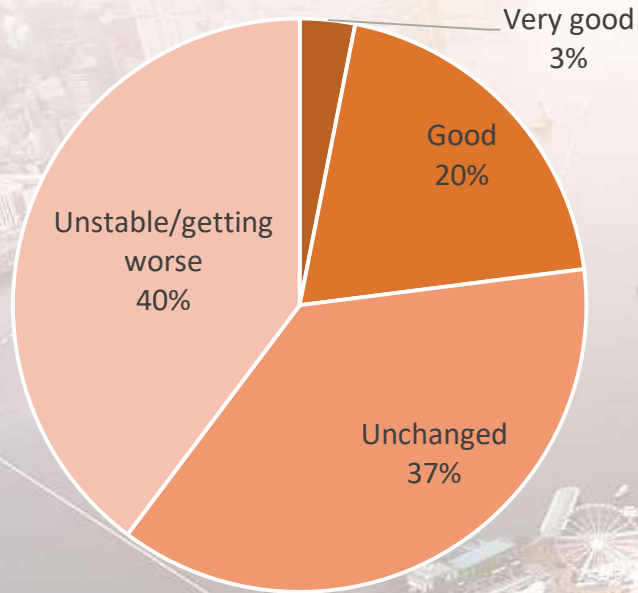
"COVID and the NSL have been the main factors affecting the economy and sentiment. The transport industry has benefited from the economic resumption in PRC and PPE movement. Overall physical security and safety has improved."

"My business relies on freedom of information and association both of which are under pressure."

"The markets have been stable and business activity has increased. Capital flows into HK and China have remained very healthy. Ill-informed criticism from Western politicians and media were inaccurate and unhelpful."



## Q6: How do you/your company consider the outlook of the business environment in Hong Kong in the coming 12 months?



- 40% of respondents said Hong Kong's business environment would continue to be unstable in the next 12 months. 37% were of the view that the environment would remain unchanged. Almost a quarter of those surveyed are optimistic things will improve.
- Many respondents are cautious about the ability of Hong Kong to revive economically coming out of the pandemic. Overall they believe that the city will have a "hangover of the economic issues from the coronavirus".
- As to the timing of economic recovery, some believe it could take place during second half of the year or later, provided that COVID dissipates and transportation between China and the rest of the world resumes.

"The reaction to the pandemic is making it hard to predict the governmental moves. This lessens the likelihood of new business and people establishing HK as a base."

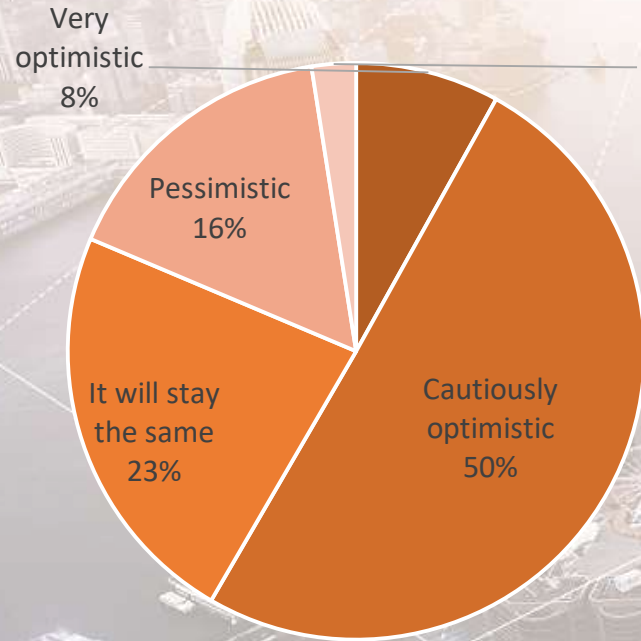
"Unless there is some change in key policy making areas, we will go backwards and more companies will close. Remember 80% of HK's businesses are SMEs."

"Much will depend on getting the pandemic properly under control, to stop the 'on again, off again' environment. In addition, the geopolitical instability is a major threat."

"Hopefully the vaccine will provide the opportunity for the government to reset its approach to the containment and reopen business and the borders as science determines is safe and in the interest of the people of Hong Kong."



# Q7: How would you assess your company's performance in the next 12 months?



Very  
pessimistic  
3%

- 50% of respondents are cautiously optimistic about their company's performance in the next 12 months.
- 23% think performance will stay the same.
- 19% are pessimistic
- 8% are very optimistic.

"We're very optimistic for the company globally and in Asia Pacific outside of Hong Kong. Within Hong Kong, we're very pessimistic."

"We will likely stay the same in Hong Kong while growing in other better managed markets."

"My hope is that the recovery will be robust."

"2020 was better than expected and 2021 will start strong."

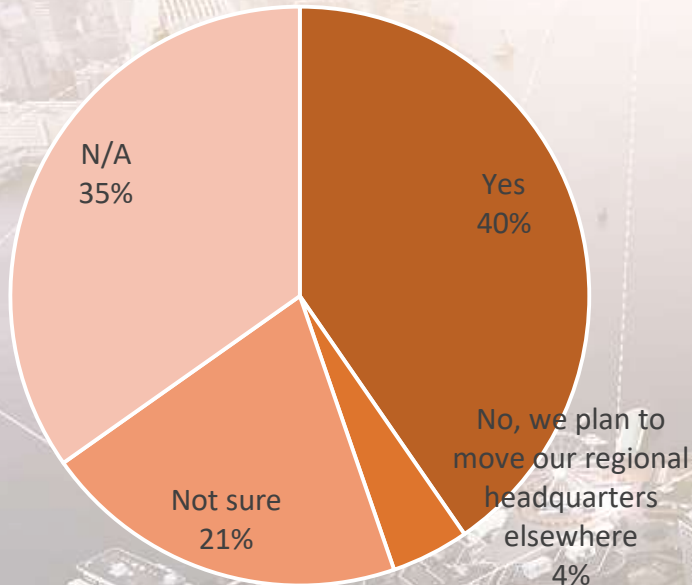
"The COVID challenge is serious for a global university as travel has halted. Our connections will unravel unless we can return to personal engagement globally."

"We are predicting a reduction in revenue due to less viable clients in HK."

"This year was not as bad as we expected but we work with a lot of multinationals so we are concerned about the outlook of HK as an international city."



## Q8: If your Hong Kong office is the regional headquarters, will it remain so in the next 3 years?



- A majority of respondents said that their Hong Kong office will remain its regional headquarters, and see no reason to change given Hong Kong's proximity to mainland China. However, within this group, some noted that their regional HQ in Hong Kong will be downsized for a potential relocation in the medium to long term.
- 21% are not sure, while some companies plan to relocate their regional headquarters elsewhere in the next 3 years.
- 35% responded "N/A", as they are either a Hong Kong company, or their Hong Kong offices are not regional headquarters,

"Absent any drastic degradation of the existing business environment - particularly the rule of law through the independent courts, the non-politicization of the civil service in business and personnel related dealings and fair law enforcement, HK remains attractive."

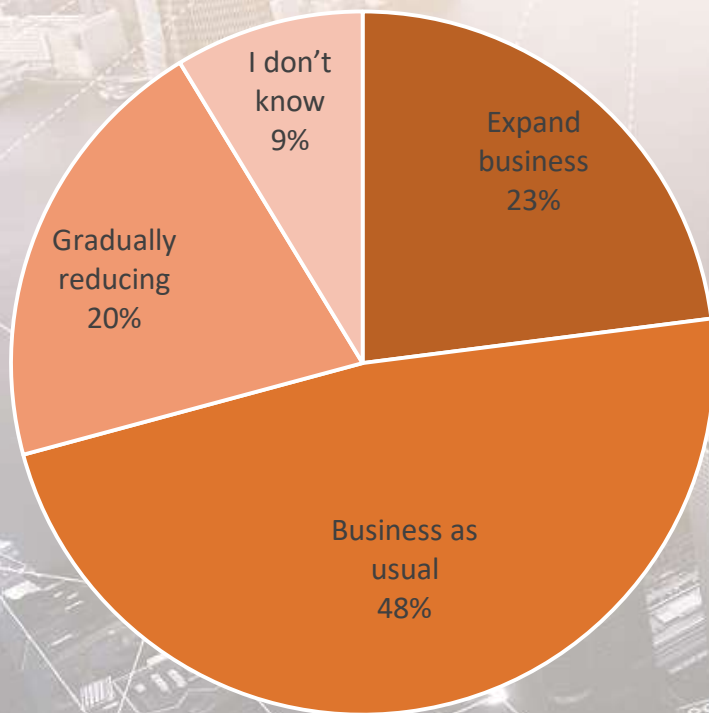
"There is a strong case to consider moving our regional HQ to somewhere else. Singapore is a strong candidate."

"There is absolutely no reason to change. There is no reasonable alternative to HK in Asia. The biggest economic driver in the coming years will continue to be China, so business needs to be in or close to China."

"There is no better place in Asia for our company to operate than Hong Kong."



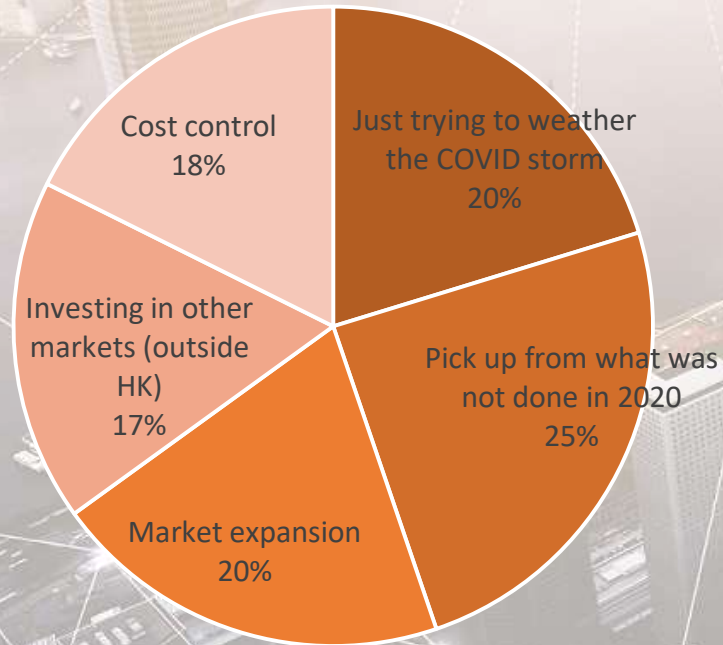
## Q9: What are your company's plans in Hong Kong over the next 3 years?



- Close to 48% of respondents said that their companies will continue “business as usual” in the next 3 years.
- Some will seek to reposition their business to be better placed to serve the continuing influx of mainland companies to Hong Kong. As the China and Asia markets expand, some companies note that they will continue to grow and expand.
- Some companies plan to expand product lines, but will look at other options to set up operations in other countries.
- On the other hand, some companies have plans to downsize their office space in the next few years as a result of Hong Kong's high rent and the “work from home” model during the pandemic.



# Q10: What would be your/your company's priorities in the coming 12 months?



"Our core business has benefited from the pandemic."

"GBA"

"Expanding business scope beyond traditional offerings"

"Pursue opportunities to support post Covid-19 economic recovery"

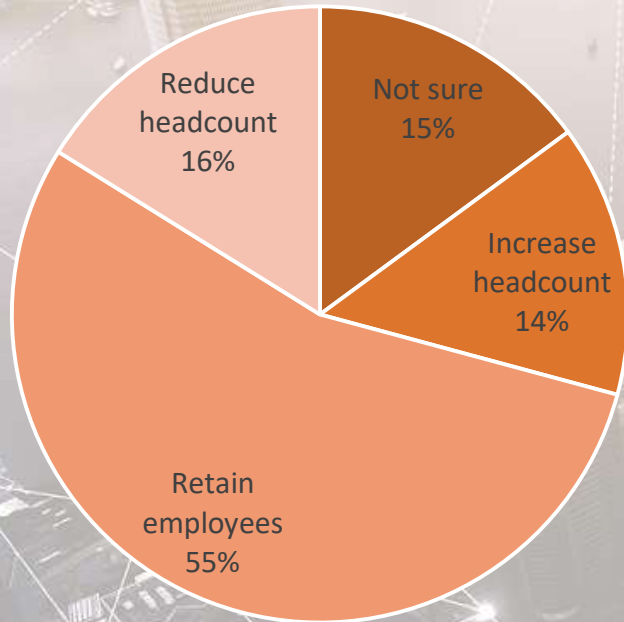
"Building for a sustainable future."

"Shift more sourcing activities from China to SE Asia."

"2019 was a nightmare; 2020 was a black hole; just hoping for some business in 2021."



## Q11: What would be your/your company's HR priorities in the coming 12 months?



- A majority of respondents (55%) say they will retain employees. Some however, may change their employee mix, or even replace positions outside of Hong Kong through attrition.
- Some responded that they will reduce headcount, but hope to re-hire furloughed staff once COVID subsidies. It was noted that Q1 should provide a clear indication whether Hong Kong will open and recover.
- Some companies plan to grow their business and to grow headcount, but those plans will be subject to business conditions.

# Q14: What would be your top 5 concerns regarding doing business in Hong Kong in the coming 12 months?

TOP 5 CONCERNS OF DOING BUSINESS IN HONG KONG IN 2021	%
US-Hong Kong-China relations	65.4%
Political situation/system	49%
Government policies	40.8%
Overall costs of doing business	40.2%
A resurgence of COVID-19 cases worldwide	39.6%

- Over 60% of respondents were concerned that the US-Hong Kong-China relations will impact their business in Hong Kong in 2021. Companies believe that an increase in tension in US-China relations, which may result in further sanctions by both sides, will harm Hong Kong.
- Close to half of respondents are worried about the tightening grip on free speech/media, which will eventually result in a brain drain out of Hong Kong and a non-transparent legal system.

## Other concerns:



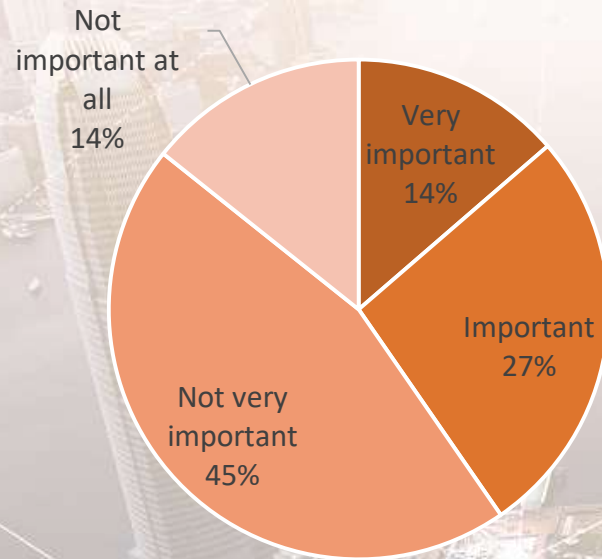
"The greatest threats to business viability in HK are: 1) the gloomy 'sky is falling' rhetoric by western business groups based in Hong Kong with no factual evidence, and the use of faulty western lens on the city's political developments; 2) unfounded criticism by western politicians and inaccurate western media coverage on HK and China's intentions and sovereignty. AmCham should be a leading voice in providing realistic, factually accurate assessments of the business environment."

"A lot of these concerns impact more on personal life, or quality of life issues, than how they would impact doing business in Hong Kong."

"Whether MNCs will stay or depart."

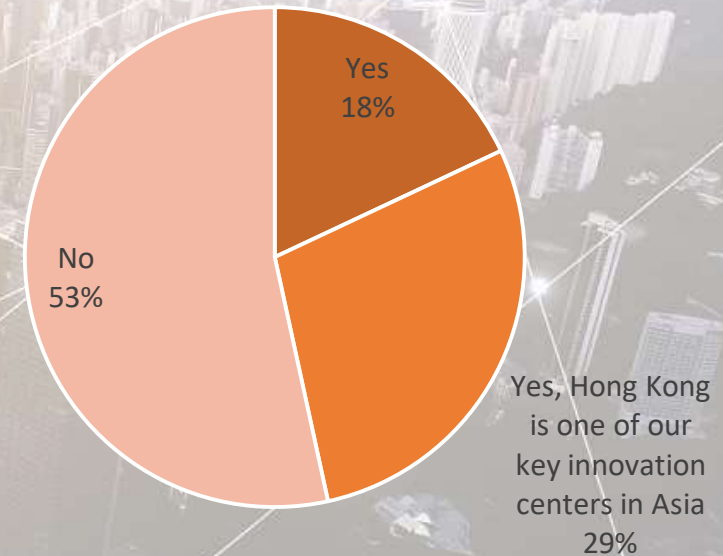


## Q15: How important is the startup and SME ecosystem to you?



- Over 27% of respondents view startups and a business environment supporting innovation as important to their businesses.
- However, more than 45% of respondents think otherwise.

## Q16: Is Hong Kong your key innovation center in Asia?



"With the deteriorating legal, juridical and banking systems, not a good option to invest in innovation projects in Hong Kong."

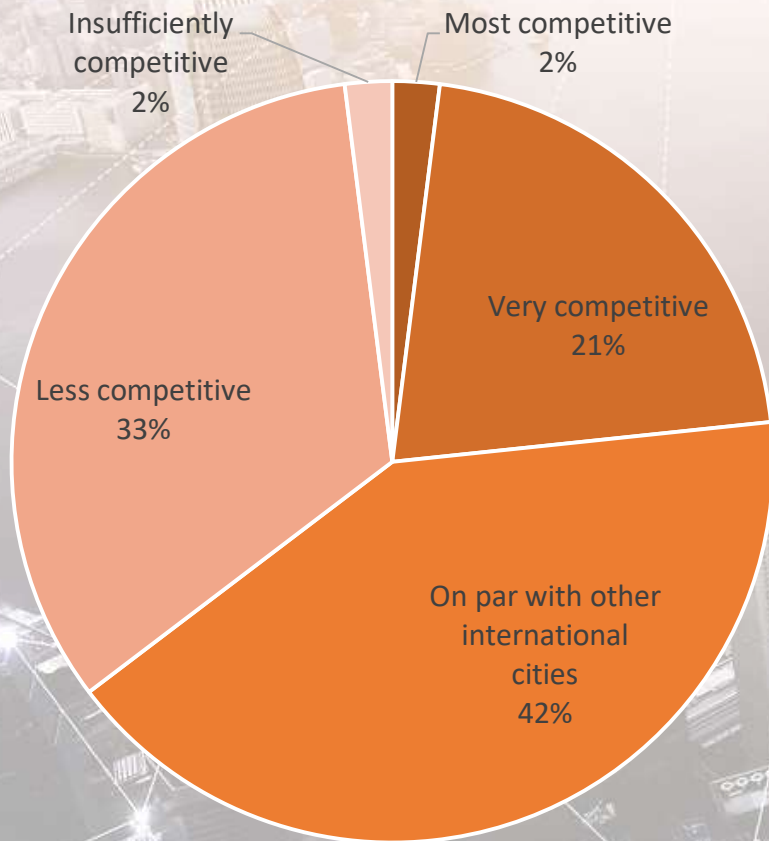
"Taiwan and Singapore are where our innovation is centered in East Asia."

"Not for now after the political unrest."

"Along with Shenzhen, Beijing, Shanghai, Singapore and Taipei."

"We are looking over Shenzhen from Hong Kong."

# Q17: What is your assessment of Hong Kong's overall competitiveness vs. other international cities in the region & globally?



- 23% think Hong Kong is competitive with other international cities, of which 2% think it is most competitive than any other city in Asia.
- 42% of respondents think that Hong Kong is on par with other international cities overall, however some view it as not innovating enough to keep up.
- 33% think that it has become less competitive, with some ground being lost in the last two years. Some noted that Hong Kong is still more business-friendly than Singapore, but high costs and uncertainty over the future are making the city less attractive. Other factors include deteriorating legal, judicial and banking systems, and the cost of real estate.

"HK needs major investment in AI, IT, 5G, Biotechnology."

"Challenge is that HK local market is small and saturated with limited growth."

"Hong Kong used to be in first place, but I am seeing some other firms moving, or considering moving."

"Cost of real estate and declining freedoms has eroded its position vis-a-vis its closest competitor, Singapore, which also has expensive real estate and relatively few freedoms but is on the right trajectory, unlike Hong Kong."

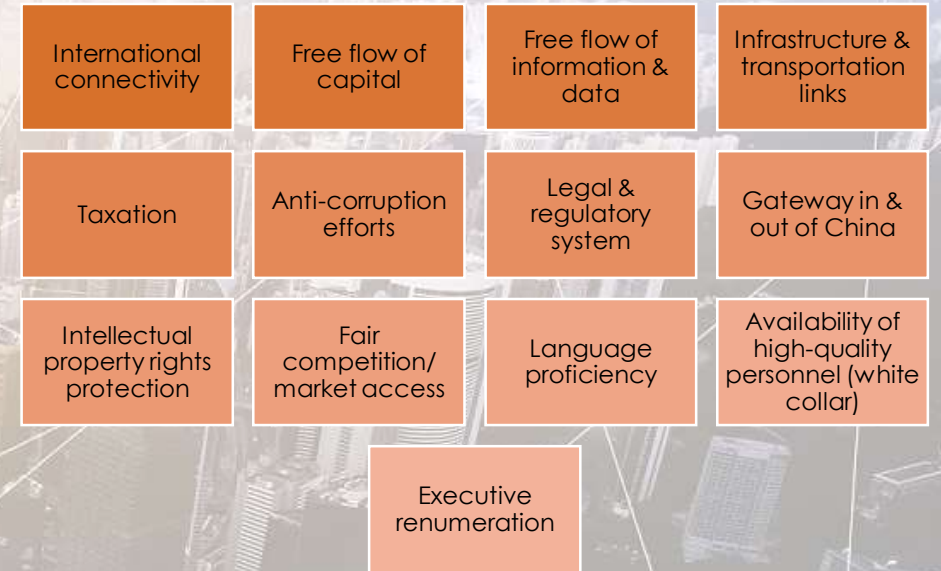
"Hong Kong does many things right on the macro level. Getting things done on a day to day basis is a challenge when multiple government departments are involved. It takes too long to set up a company, and it's too difficult to open bank accounts. Singapore is easier."



# Q18: How do you rate Hong Kong's competitiveness in terms of the following factors?

	Most competitive	Very competitive	On par with other cities	Less competitive	Insufficiently competitive
International connectivity	24.6%	46.6%	22.6%	4%	2%
Free flow of capital	33%	48%	14%	4.6%	0%
Free flow of information/ data	22%	32%	26.6%	16.6%	2.6%
Infrastructure & transportation links	29%	50.6%	15.3%	4%	0.6%
Taxation	40%	50%	9.3%	0%	0%
Anti-corruption	16%	42.6%	33.3%	6%	2%
Legal & regulatory system	14.6%	38.6%	26%	16.6%	4%
Civil service efficiency	8.6%	27%	35.3%	23.3%	5.3%
Political system	2%	10%	22.6%	42%	23.3%
Consultative process for government policies	2.6%	10%	38%	30.6%	18%
Gateway in & out of China	39%	39.3%	13.3%	6%	2%
Intellectual property rights protection	12%	38.6%	40.6%	7.3%	1.3%
Fair competition/ market access	8%	46%	36%	8.6%	1.3%
Language proficiency	9.3%	39.3%	36.6%	12.6%	2%
Cost of doing business (i.e. levies, office rent)	2.6%	4%	16.6%	57.3%	19.3%
Availability of high quality personnel (vocational)	2.6%	26%	42.6%	26.6%	2%
Availability of high-quality personnel (white collar)	4.6%	32.6%	46%	15.3%	1.3%
Executive remuneration	4.6%	34.6%	46%	13.3%	1.3%
Availability of international school spaces	3.3%	24%	40%	26%	6.6%
Cost of living (incl. housing)	1.3%	2%	13.3%	48%	35.3%
Air quality	2%	10%	36%	38.6%	13.3%
Quality of life	8%	28%	37.3%	18.6%	8%
Reception of innovation & technologies	3.3%	17.3%	45.3%	24.6%	9.3%

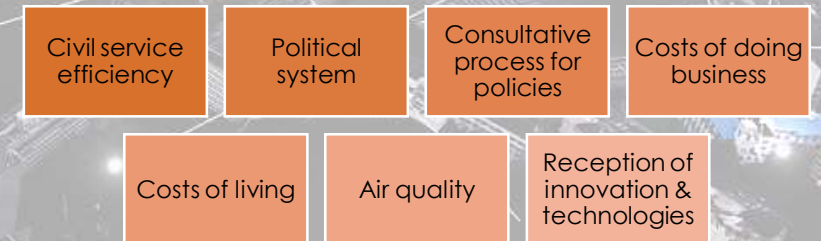
## Hong Kong is strong in



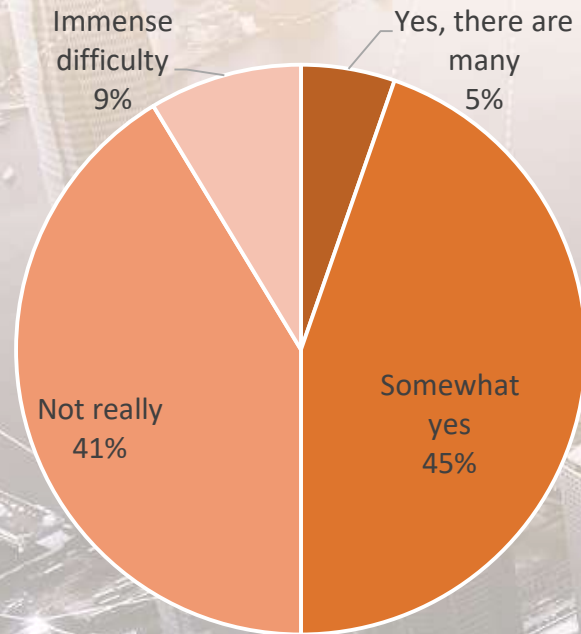
## Hong Kong is doing fine in



## Hong Kong is slightly weaker in



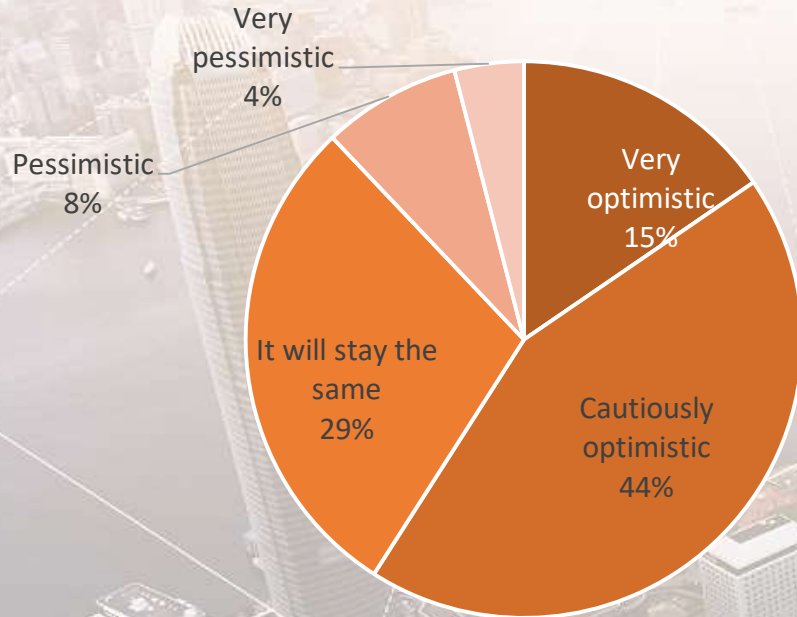
## Q21: Do you find the required talent in Hong Kong in technology-related functions?



- Half of all respondents (50%) are able to find the required talent in Hong Kong in technology-related functions. The remaining 50% think otherwise.

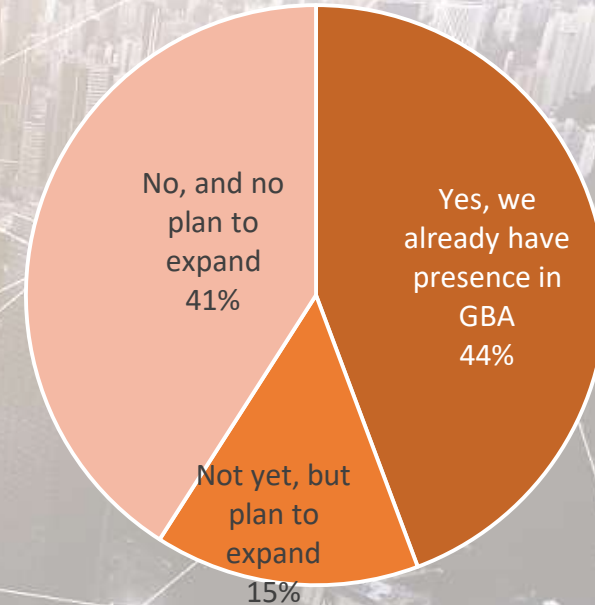


## Q22: How do you feel about the business outlook in the GBA in 2021?



- Many respondents (44%) are cautiously optimistic about the business outlook in the Greater Bay Area in 2021, while 29% think it will stay the same as before.
- Some believe that the business environment in the GBA will be positive. However, some believe its success will not benefit Hong Kong as much as Hong Kong hopes.

## Q23: Does your company have an office in the GBA?



"The GBA will absorb the HKSAR rather than the other way around."

"GBA will do well but that won't benefit HK - with the exception of the finance and property sectors, which already suck the life out of this place."

"The general business environment in China seems to be getting more challenging. The central government's grip on technology firms is tightening."

## Q24: What are the Greater Bay Area's opportunities for your company? (can choose more than 1)

TOP 5 OPPORTUNITIES IN THE GREATER BAY AREA	%
Access to a consumer market of 72 million people	41.78%
Commercialization of innovative technological products	23.29%
Launchpad into the rest of the China market	22.8%
Financial services	17.81%
Development of infrastructure and commercial real estate	10.96%

"Expansion of market opportunities for business in general; Tap into the tech companies; Tap into greater financial and investment resources; Tap into more talent."

"We are a sourcing company. It offers proximity to factories in China and an office base for local staff."

"Streamlined regulatory approval/licensing process"

"A manufacturing base"

"Cross-border insurance broking and coverage"



## Q25: In your view, what role(s) should Hong Kong play in the GBA? (choose top 3)

Hong Kong should....	%
Provide professional services to GBA companies	53.74%
Bring international best practices and standards to the GBA	52.38%
Help GBA companies go global	34.01%

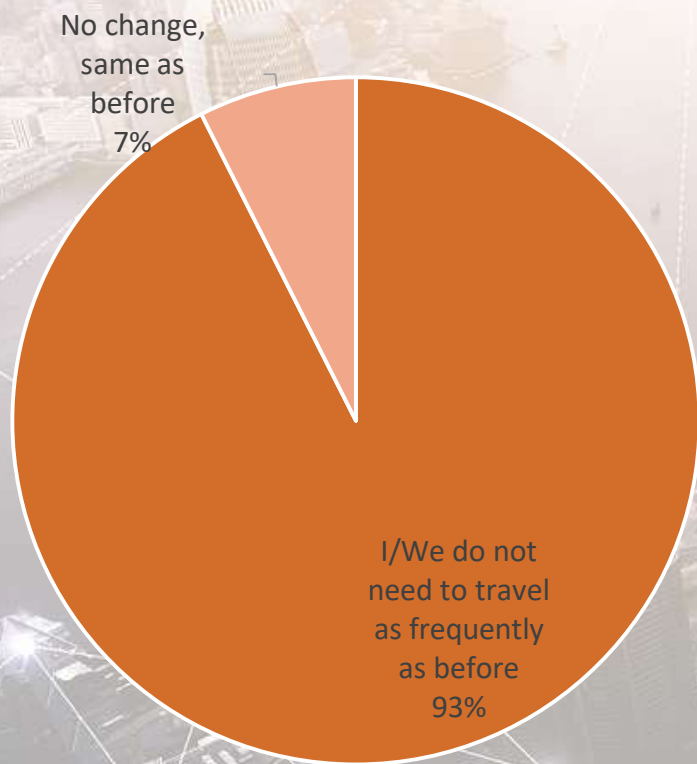
### Others:

Establish data  
hub for GBA

Facilitate R&D  
collaboration

- Most respondents said that Hong Kong has an important role to provide professional services to GBA companies and to bring international best practices and standards to the GBA.
- However, a few were sceptical as to how Hong Kong can play a part in the Greater Bay Area, apart from being China's offshore financial centre.

## Q26: Has Covid changed your travel patterns?



- Vast majority (93%) of respondents view that they do not need to travel as frequently as before.
- To succeed, some emphasized their business requires them to travel as much as before, but COVID and quarantine requirements have restricted them from traveling.
- As a result, some members have not been able to engage with stakeholders in other regions, bringing a substantial negative impact on their operations and effectiveness.

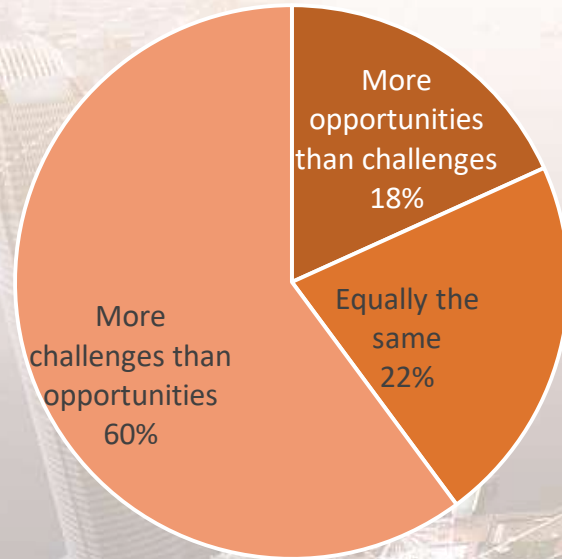
"In the HK office we have seen a 100% reduction in travel since Feb 2020."

"Travel restrictions have decreased business facilitation and business development."

"Travel has been severely limited / made impractical this year, but we hope to resume as soon as restrictions lift."



## Q27: Has COVID brought more opportunities or challenges to your business?



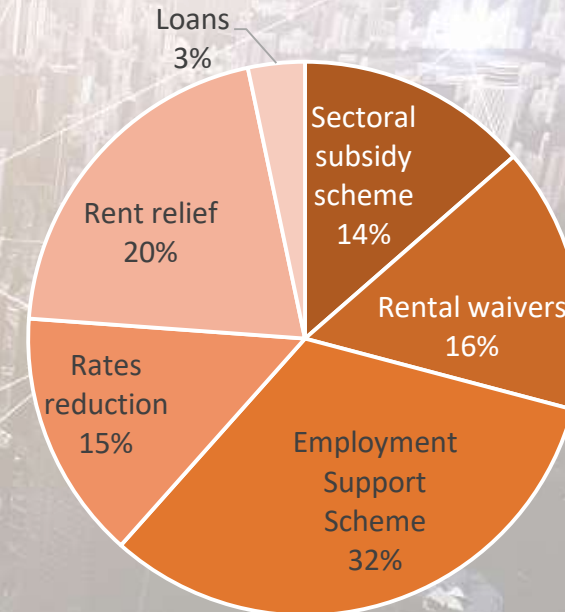
"As a legal advisor, COVID has presented our clients with challenges and questions for which they turn to us."

"Less time to travel, more time to see HK based client and partner."

"More business referrals for communication and crisis work."

"Increased reliance on ICT devices and infrastructure (because of WFH and home learning) has expanded the opportunities."

## Q28: Which of the following forms of government assistance specifically targeted to combat against COVID would you think work well for your business?

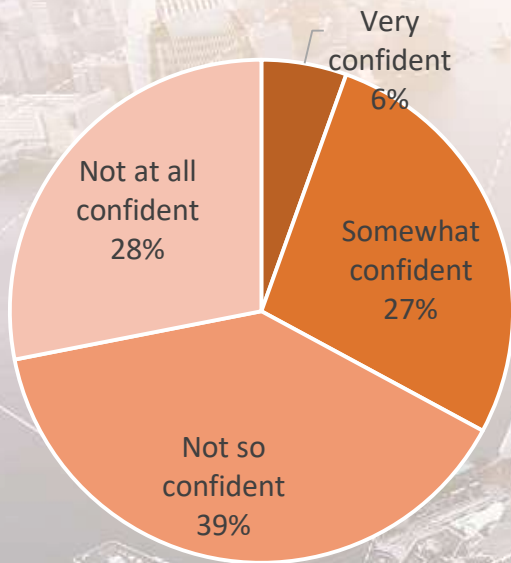


"Our biggest challenge is budgeting for new headcount, as we want to be confident we can cover the cost of a new hire at least 2.5x to be sure we can retain and grow them. A hiring subsidy would clearly help with that."

"We don't directly need support; but our customers do - such as a sectoral specific ESS."

"If the HKSAR government is going to require the closure of businesses, then owners should be appropriately compensated. This is preferred over general government handouts."

## Q29: How confident are you in the government's handling of international schools and transparency over openings and closings during the COVID crisis?



- 39% of respondents were “not so confident” in the government's handling of international schools, as well as transparency over school openings and closings during the COVID crisis. 28% were “not at all confident.”

“Initially was good, but later becomes more dull.”

“The closure of all schools, including international, has been a poorly justified policy.... placing Hong Kong students a year or two behind peers in mainland China, which will further exacerbate employment inequalities between the two regions.”

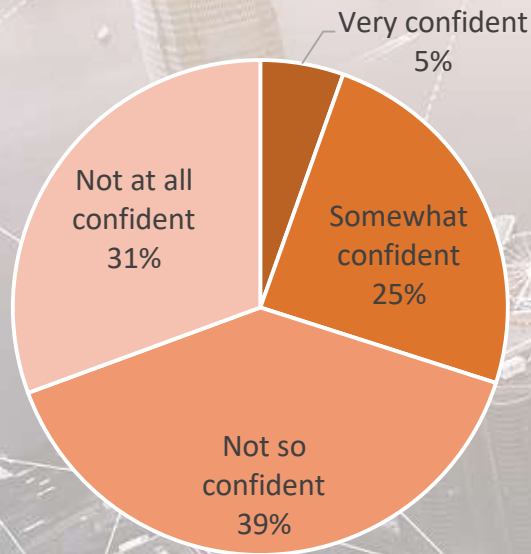
“Not just international schools - the EDB's school closures have been entirely knee-jerk and data blind. The cost-benefit of keeping a school where all students and staff test negative open is clearly in favor of a test-and-stay-open policy rather than blanket closures. Test kits are now well within almost everyone's budget so there's no reason not to do this.”

“...ignoring the needs of parents and kids completely.”

“Their judgement regarding closing schools has severely impacted children's education.”



## Q30: How confident are you in the government's handling of business openings and closures, travel, quarantine and vaccination preparation during COVID-19?



- 39% of respondents are “not so confident” in the government's handling of business and travel arrangements, as well as its plans for COVID. 31% are “not at all confident,” leaving about 30% who are confident in the administration's handling of the situation.
- A majority hope that the government would communicate more clearly and provide further data. Some think that the explanation of strategy can be further improved with more transparency on why decisions are made, and more reference to science.

### Q31: What are the markets you are expecting to expand into or put additional investment into in 2021? (can choose more than 1)

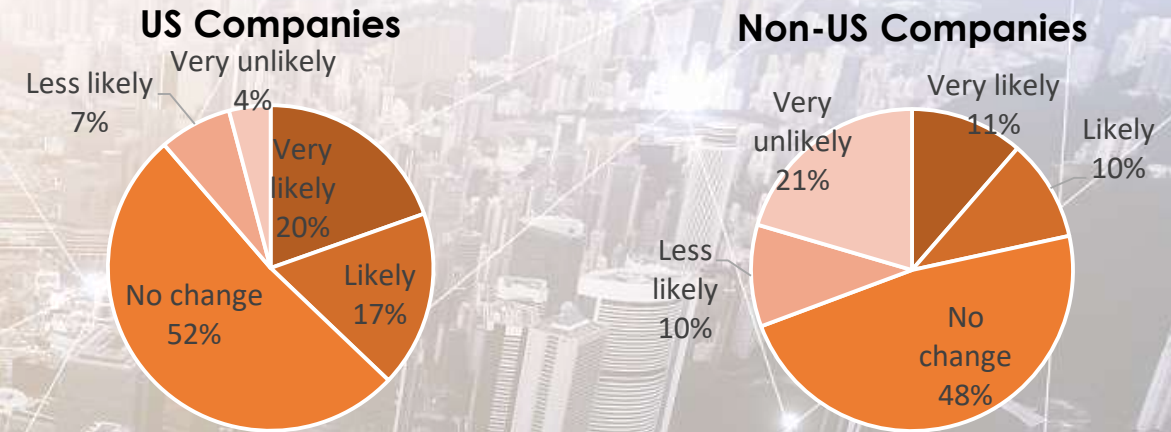
TOP 5 DESTINATIONS FOR MARKET EXPANSION	%
Greater China	37%
Vietnam	27%
Greater Bay Area	26%
India	26%
Japan	16%

Note: Close to 23% of respondents noted that they would not expand in 2021.

#### Others:



### Q32: How likely will you expand your business/investment in the US in 2021 under the new administration?



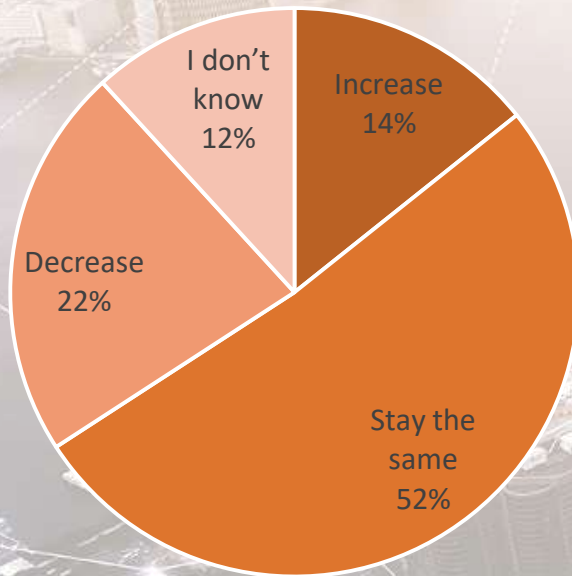
- More than half of US company respondents, and close to half of non-US companies said that there will be no change of their business/investment plans into the US in 2021.
- Many noted that investment considerations would largely be independent from considerations over the incoming administration, but focus on rising customer demand, tax and financial market regulations.

"We've had plans to grow our US business anyway, and hope to grow it regardless of who's in the White House...The outcome of the two Senate run-offs in GA will indicate how likely those risks are."

"The new administration poses some new challenges and risks, but we were planning to expand in the US any way and will try to manage these challenges."



## Q12: What is your projected CAPEX (capital expenditure ) in 2021?



- More than half (52%) of the respondents expect their projected capital expenditure (CAPEX) to stay the same as the previous year, while 22% said they will decrease their CAPEX in 2021.
- 14% of respondents say their CAPEX will increase. Within this group, some companies view this unstable period as one of the rare opportunities to expand their CAPEX with low interest rates and numerous buying opportunities.
- Some businesses do not require much capital expenditure but will continue to invest in facilities.

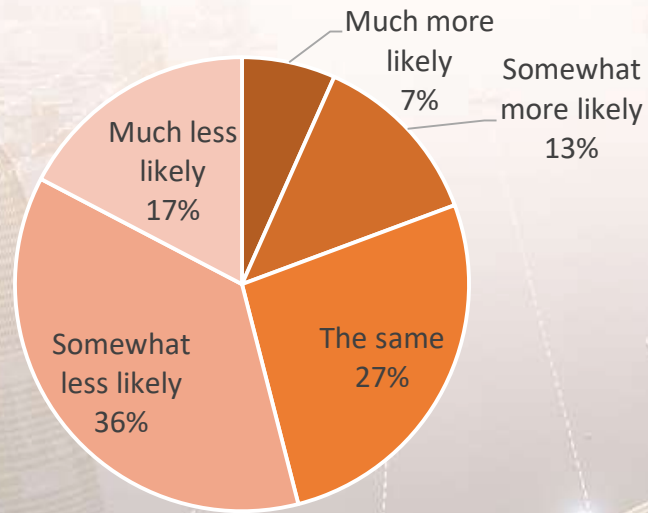
## Q13: What is your projected OPEX (operational expenditure) in 2021?

	Increase	Stay the same	Decrease
Staff remuneration & bonuses	19.25%	63.98%	16.77%
Digital transformation	55.28%	41.61%	3.11%
Regulatory compliance	18.01%	79.5%	2.48%
Physical office	5.59%	57.14%	37.27%
Marketing/ advertising	21.12%	55.9%	22.98%
Staff travel	17.39%	28.57%	54.04%

- More than half of the respondents plan to increase their expenditure on digital transformation in 2021.
- Areas of expenditure which would be kept at the same level as 2020 are: staff remuneration & bonuses, regulatory compliance, physical office, and marketing/ advertising.
- Though 57% of respondents would maintain spending levels on physical offices, 37% plan to decrease expenses. Some companies have been gradually downsizing over the past few years.
- As COVID has re-shaped business travel patterns, more than 50% of respondents plan to decrease expenditure on staff travel.



**Q19: Are multinationals based outside of China more or less likely to view Hong Kong as a reliable center for arbitration vis-à-vis other regional centers over the next 5 years?**

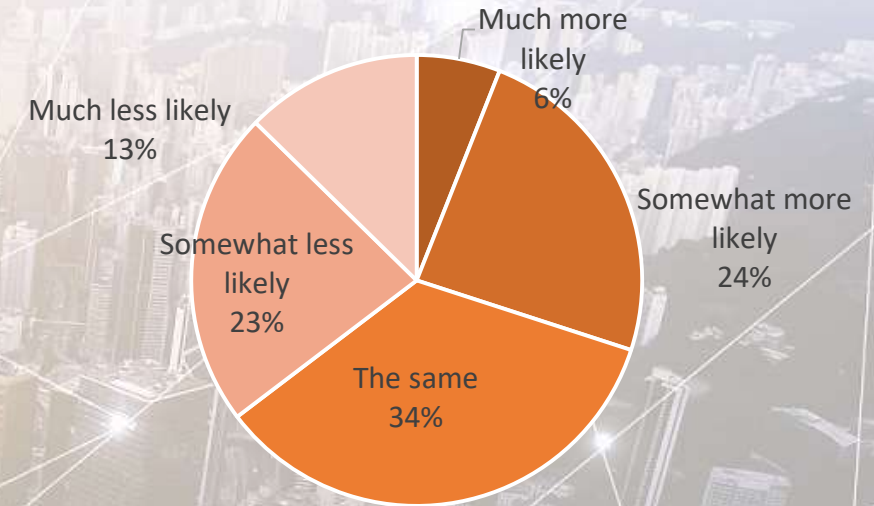


- More than 50% of respondents think that multinationals outside China will be less likely to view Hong Kong as a reliable arbitration centre in the next 5 years.
- Some respondents have seen a significant and rapid drop in trust in Hong Kong as a reliable arbitration centre, viewing that judicial independence is becoming an issue.

"We have had clients ask us to change contract terms so that the jurisdiction of the contract is outside of HK."

"The Singapore government is the marketing arm for the Singapore International Arbitration Centre. The Hong Kong government will never provide the same level of support."

**Q20: Will multinationals based in China be more likely to prefer Hong Kong as an arbitration center over the next 5 years?**



- However, respondents said that multinationals in China would be more likely to use Hong Kong as an arbitration centre in the next 5 years, subject to whether rule of law prevails.

"I have seen a significant and rapid drop in trust in Hong Kong as a reliable arbitration center (within the last 6 months). I have heard such comments coming everywhere: previously, Hong Kong could be more like a neutral option but now it is no better than China. So Hong Kong has lost its most important quality, that of straddling two worlds. Now, it has become just another Chinese city, with all of the bad aspects (repression and more), but more expensive."