



2023

MEMBERS SENTIMENT SURVEY

**FINDINGS REPORT
MARCH 2023**



FOREWORD

The 2023 AmCham HK Members Sentiment Survey was conducted during the first two months of 2023.

You will find that the sentiment is “cautiously optimistic”, after a long three-year pandemic, especially after a very tough COVID-19 year in 2022 with severe lockdowns for the better part of the year.

This means that businesses are more optimistic about the outlook for the coming year, and companies are more certain about how Hong Kong figures in their future plans. Members in general also think Hong Kong is more competitive as an international hub. Caution mostly stems from external risks such as tensions in the US-China relationship, overseas public perceptions of Hong Kong and the weakened global economy, all of which are considered as the most prominent business challenges in 2023.

However, there are also other issues – notably, talent attraction, talent retention, and political uncertainty – which members are concerned about. Confidence in the rule of law in Hong Kong is still good, but some members feel that it has somewhat worsened in the past 12 months. Negative perceptions of the National Security Law and other aspects of Hong Kong have continued to challenge businesses’ ability to attract and retain talent to work in Hong Kong. As for prospects in the Greater Bay Area, fewer members are optimistic about its business opportunities in the next 3 years because of continued policy and regulatory uncertainty.

We should point out that the response rate was lower than last year’s. Perhaps one reason is that Hong Kong finally opened up in January 2023, and almost all of the restrictions which existed in late 2021 – the last time the survey was taken – no longer exist. As a result, many people were on travel – something they have not done for three years – and it may be difficult for them to complete a comprehensive survey.

Despite this, the results are useful as a reference, and readers can see for themselves in this report what the numbers are, and judge what they mean for their own company. This report is just one guide.

We thank those who did take the time to respond to the survey. By giving us your honest appraisal, you did a great service to AmCham and the business community of Hong Kong.

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RESEARCH DETAILS & DEMOGRAPHICS



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

The survey was sent to 1,300 members, with a response rate of around 10%. The lower response rate in this year's survey can be attributed to the reopening of the city leading to an outflux of members during the survey period.

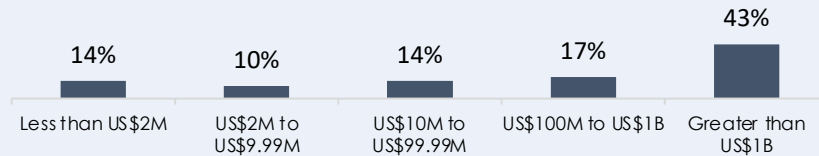


Survey Timing

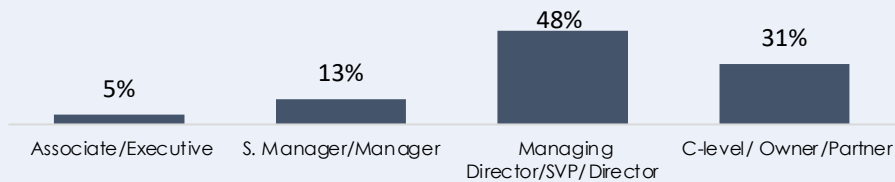
January 16 – February 26, 2023



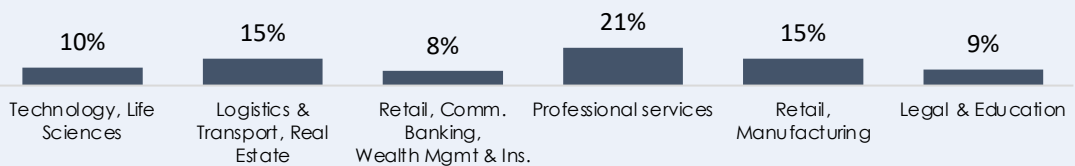
GLOBAL REVENUE



POSITION



SECTOR





EXECUTIVE SUMMARY

As the world began to open following COVID, market sentiment began to improve slightly. Hong Kong business has become more optimistic about the future while remaining cautious about making new investments and expanding, due to the uncertainty in the US-China relationship and global economy.

- 48% of the AmCham member companies record an increase in revenue in 2022 versus 2021, and 48% feel optimistic about Hong Kong's business environment in the next 12 months.
- Last year, 15% planned to reduce investments, whereas this year 25% expect to reduce investments. However, 74% are likely to have an expansion or maintain their operations within Hong Kong in next 2 years, with about a quarter considering reducing operations in the next 2 years.
- With the ease of travel restrictions and COVID measures in most global markets, tensions in the US-China relationship, foreign public perceptions, and the weakened global economy are prominent challenges for business.
- The souring of the US-China relationship continues to impact more than 80% of businesses, and over 59% of businesses are pessimistic about US-China relations. US policies restrain investments of our members in China, leading to impact in the following areas: global business, reconsideration of long-term China business operations, and company supply chains. Additionally, the increasing tension surrounding the Taiwan Strait has resulted, in half of the businesses surveyed, in developing contingency plans.
- This year, 34% perceive foreign businesses are more welcomed in Hong Kong. 66% think that the Government responds proactively to business concerns and opportunities. Areas include GBA policy coordination, financial services development and transportation & logistics. More needs to be done in addressing talent attraction and retention, housing, education and DE&I, just to name a few.
- There is more clarity on the role of the Hong Kong office – Over half of AmCham member companies in Hong Kong remain as the global or regional headquarters, and 61% are not planning to move in the next 3 years.
- Members' confidence in the rule of law in Hong Kong is still good. However, some members feel that it has worsened -- this creates a negative perception of Hong Kong and causes a struggle for businesses in talent retention.
- Companies have slowed down the hiring plan with 29% increasing headcount in the next 12 months, compared to 39% last year.
- 67% of AmCham member companies are currently conducting business in Greater Bay Area. However, growth rate as well as the expected benefit from the development within the region will slow down in the next 3 years. Clarity on regulation and policy regarding the Greater Bay Area remains a top barrier to tackle.
- Data freedom remains robust in Hong Kong according to our respondents. There is less skepticism about Hong Kong's data freedom in the future than last year, however 36% are pessimistic about its prospects as a regional data center.
- Hong Kong businesses have yet to prioritize and broadly adopt ESG practices, with a dearth of pertinent expertise and limited government assistance seen as the most significant barriers.



HONG KONG BUSINESS & INVESTMENT OUTLOOK

Despite a tougher business environment, slightly more businesses reported increased revenues compared to the previous year. Businesses are more optimistic about the outlook for the coming year than a year ago. However, they are cautious about expanding, with a quarter even considering reducing operations in the next 2 years.

Fig 5A. What is your/your company's assessment of Hong Kong's business environment over the past 12 months?

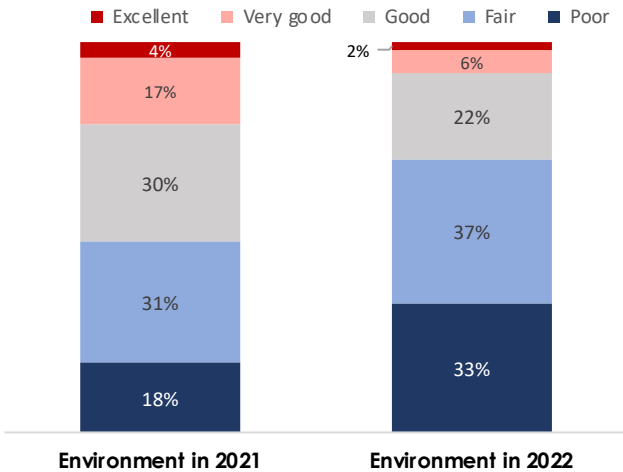


Fig 5B. Change in revenue (vs. a year ago)

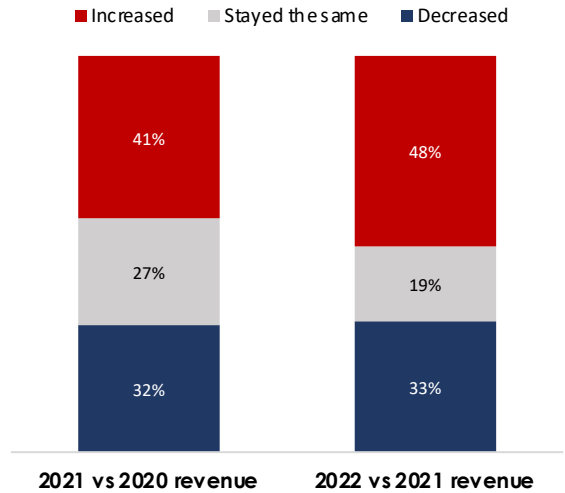


Fig 5C. Business outlook for next 12 months

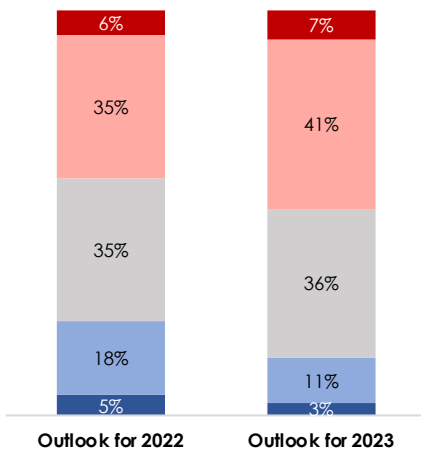


Fig 5D. Investment plans for next 2 years

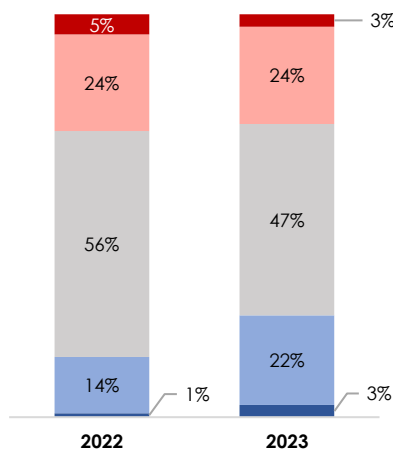
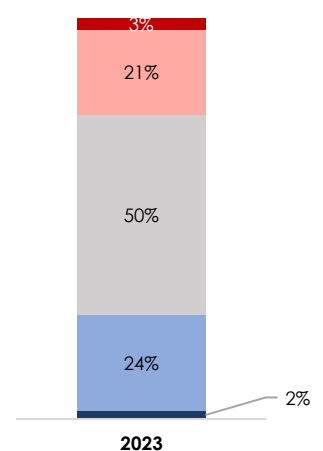


Fig 5E. Operations plans for next 2 years



- Very optimistic
- Optimistic
- Neutral
- Pessimistic
- Very pessimistic

- Significantly expand
- Expand investments
- No change
- Reduce investments
- Significantly reduce

- Significantly expand
- Expand operations
- No change
- Reduce operations
- Significantly reduce





BUSINESS CHALLENGES

As travel restrictions and COVID measures loosen, **tensions in the US-China relationship, overseas public perceptions of Hong Kong and the weakened global economy** rise to be the most prominent business challenges.

Fig 6A. Top Business Challenges in 2022



Fig 6B. Top Business Challenges in 2023



Fig 6C. What are Hong Kong's top business challenges over the coming 12 months?





US-CHINA RELATIONSHIP

The US-China relationship has impacted over 80% of businesses in some way. As uncertainty persists, more businesses express a general pessimism about the situation.

Fig 7A. Have US-China relations had an impact on your company's business in the past three years?

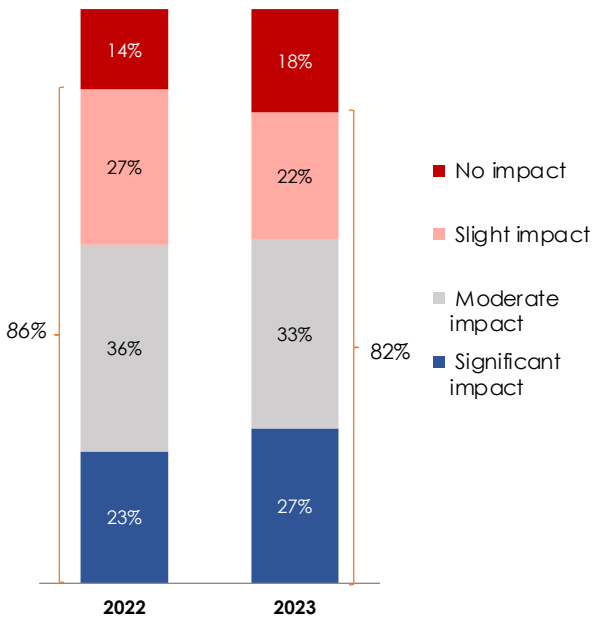


Fig 7B. Which issues have had the greatest impact on your company?

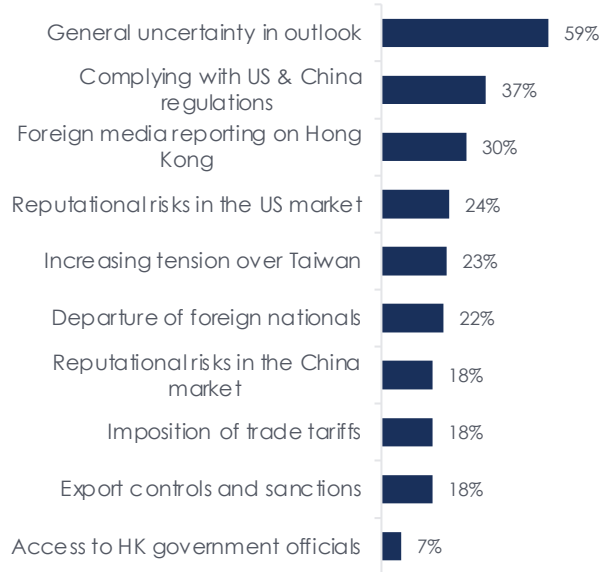
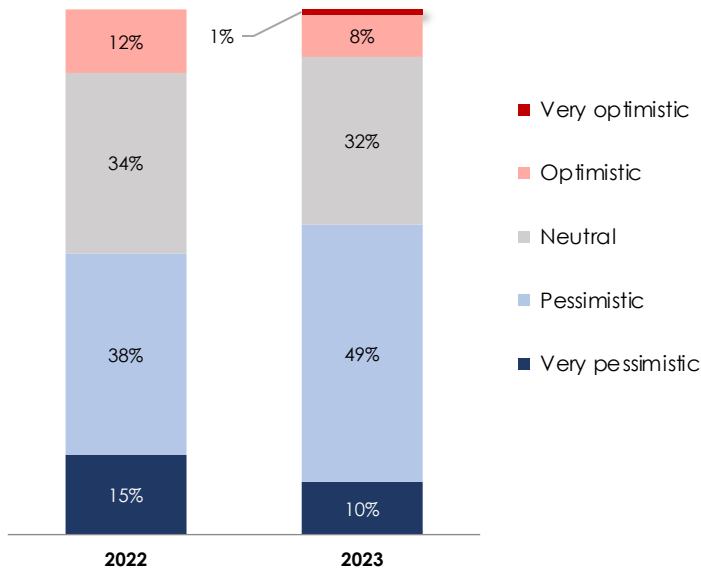


Fig 7C. How optimistic are you about an improvement in US-China relations over the next 12 months?





US-CHINA RELATIONSHIP

A healthy US-China relationship would help almost all businesses. Decoupling policies would lead businesses to reconsider investments in China.

Fig 8A. To what extent does good US-China relations help your business?

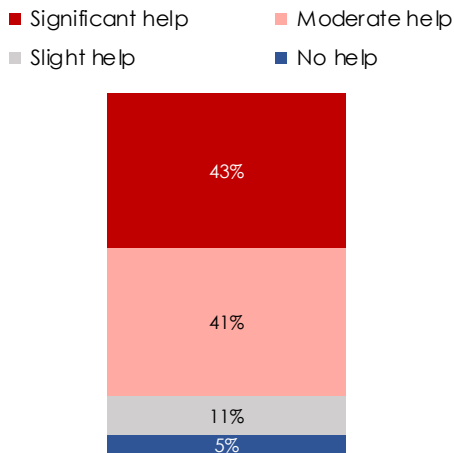
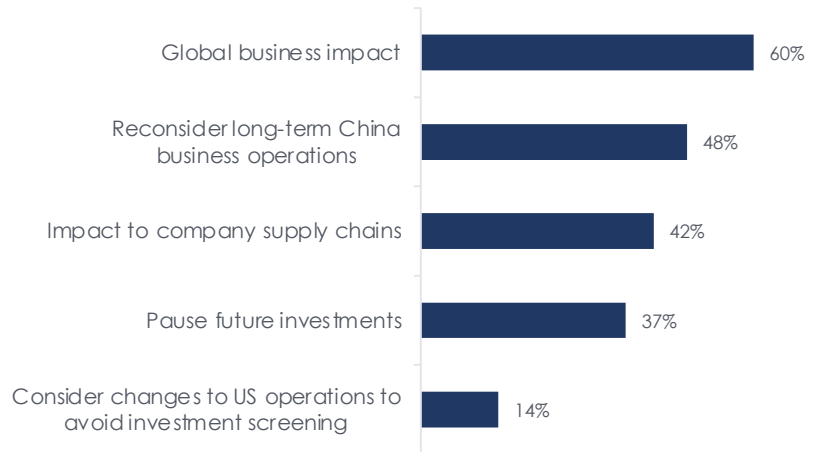


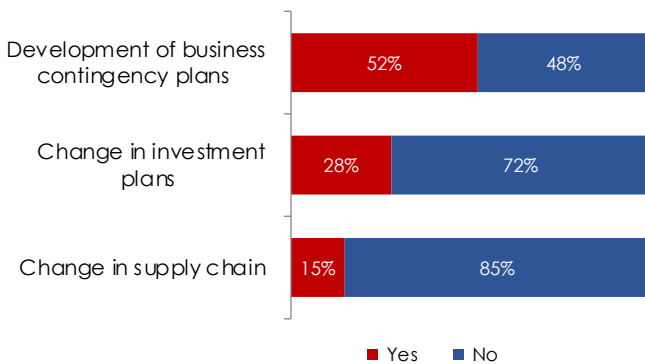
Fig 8B. How would US policies restraining investments in China impact your business? (Choose top 3 choices)



US-TAIWAN ISSUES

Half of the businesses surveyed are developing contingency plans with increasing tension surrounding the Taiwan Strait.

Fig 8C. With increasing tension surrounding Taiwan Strait, is your company doing any of the following actions?



“Develop optional markets (especially those in APAC) as risk mitigation as well as reallocations.”

“We are increasing diversification of our supply chain.”

“Start to understand implications to regulations / monetary policy.”

“We are planning to evacuate foreign staffs if there are hostilities.”

“ We are trying to diversify our global real estate portfolio.”





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

Compared to the previous survey, the Hong Kong Government is seen to be much more welcoming of foreign businesses now and are seen by two in three to be responsive to business concerns. Around a quarter agree that the Hong Kong government addressed GBA policy coordination, financial services development and transportation & logistics well. Areas that needed more attention include DE&I, talent attraction, the environment, education and housing.

Fig 9A. Do you feel foreign businesses are welcomed in Hong Kong?

- More welcomed than last year
- No Change
- Less welcomed than last year

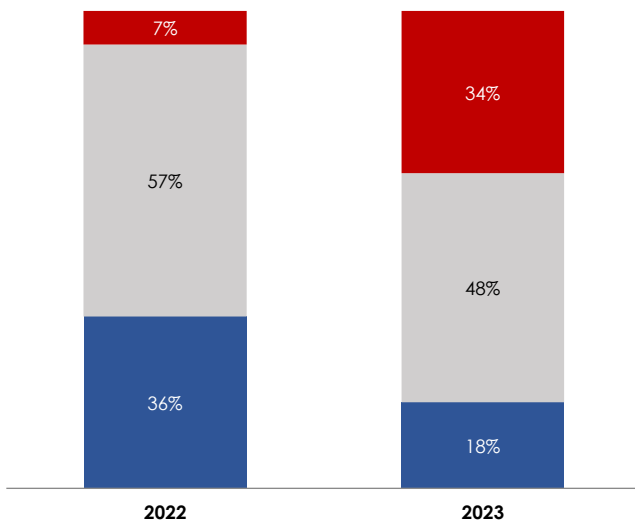


Fig 9B. How well would you rate the Hong Kong government's effectiveness in responding to business concerns and opportunities?

- Very responsive
- Somewhat responsive
- Unconcerned
- Dismissive

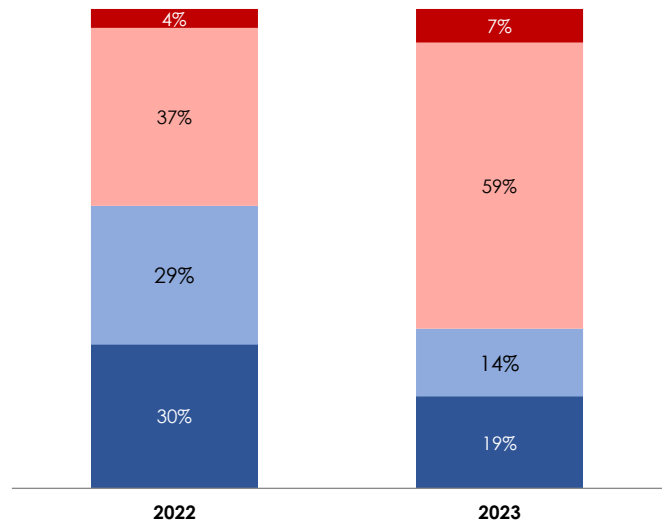
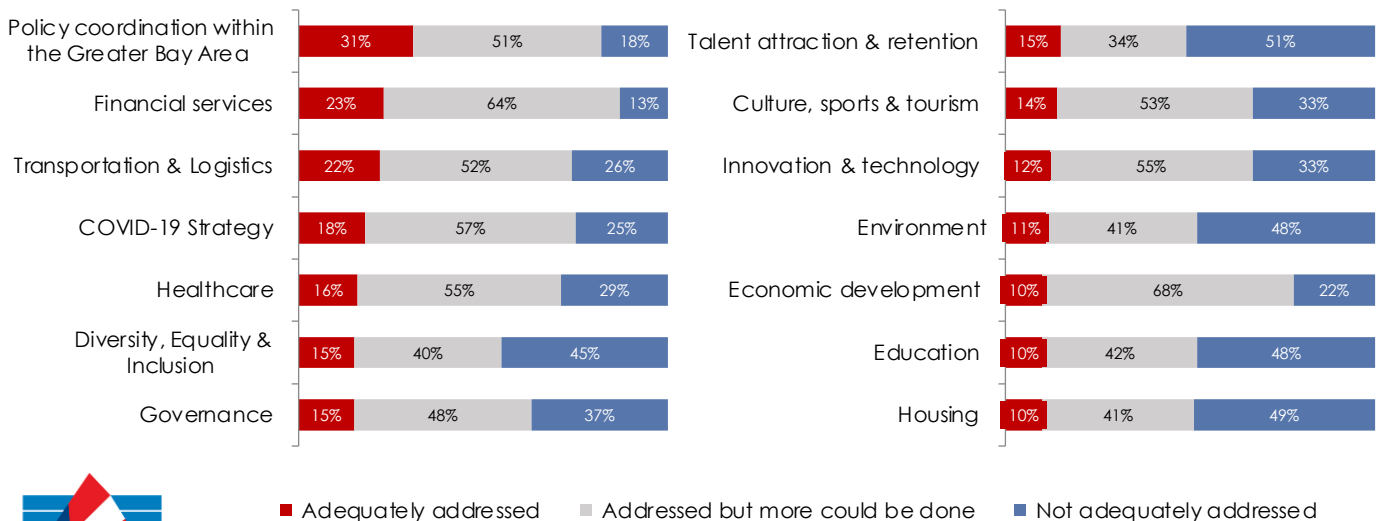


Fig 9C. To what extent do you think these aspects are addressed by the Hong Kong government, following the Chief Executive's Policy Address?



- Adequately addressed
- Addressed but more could be done
- Not adequately addressed

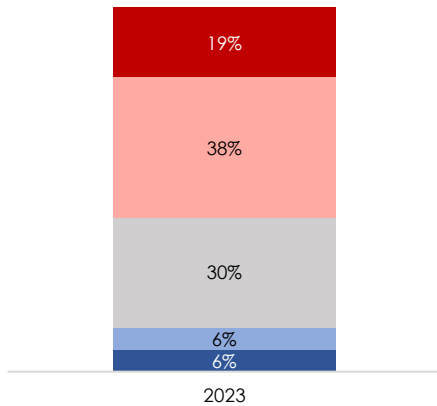


TRANSPARENCY IN REGULATORY ENVIRONMENT

Over half view regulatory environment in the industry as transparent.

Fig 10A. On a scale of 1-5, in your view, how transparent is your industry's regulatory environment?

Most transparent 4 3 2 Least transparent



"Hong Kong adopted International accounting standards and international tax regulations. All such standards and regulations are well published for practitioners and public."

"As a regional financial center, HK is noted for its openness and transparency although it shares some limitations with NYC and London."

"The regulatory regime applicable to our business operations as a manufacturing business in Hong Kong is friendly."

"A lack of participation by the healthcare industry & patients. No channel to raise the voice."



COMPETITIVE FACTORS

The tax structure, free flow of capital, the connectivity to global markets and China are the strengths of Hong Kong. The high cost of living is a key concern.

Fig 10B. Top 10 factors that make Hong Kong competitive

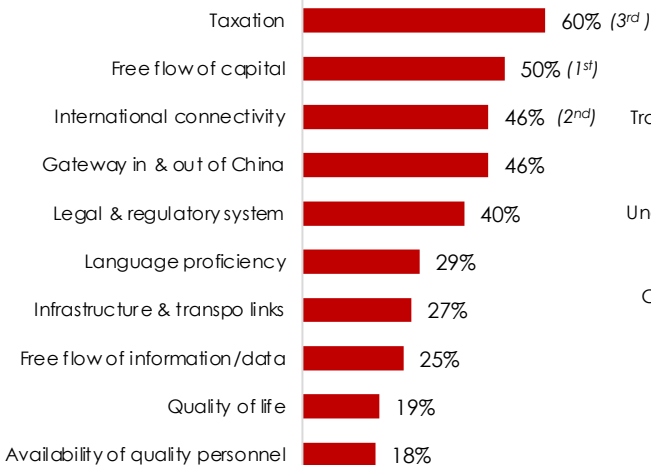
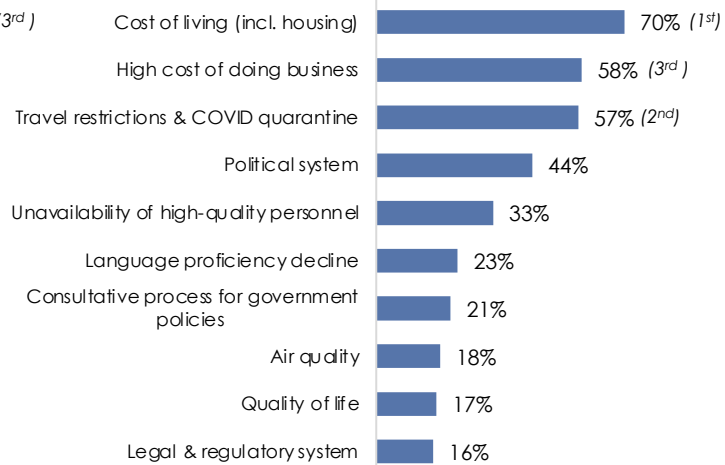


Fig 10C. Top 10 Factors that make Hong Kong uncompetitive



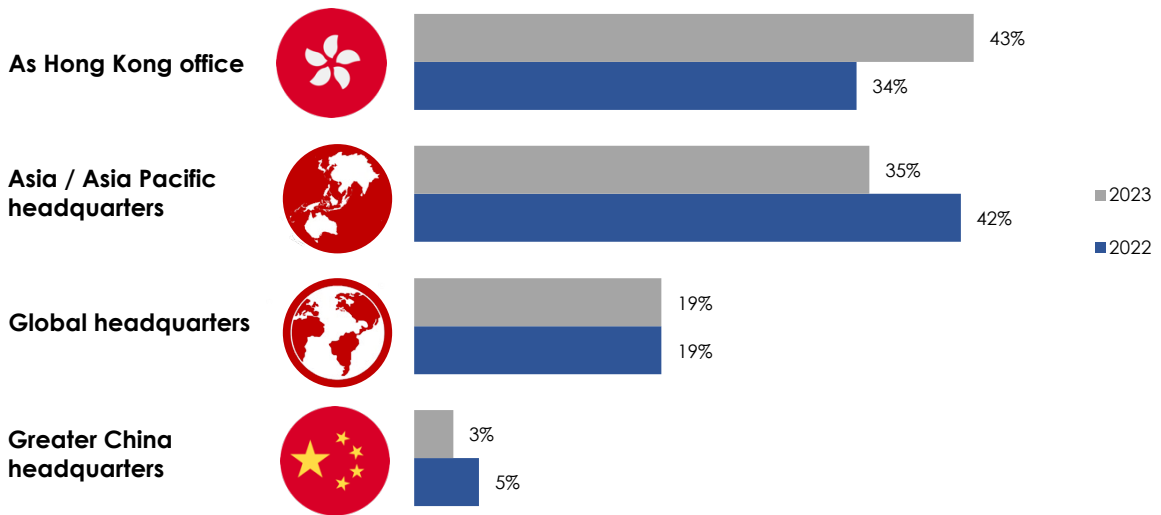
Ranking in () are based in 2021



ROLE OF HONG KONG OFFICE

Over half of the member businesses in Hong Kong remain either global or regional headquarters, although there the proportion of businesses that are purely Hong Kong offices has increased from 34% to 43% in 2023.

Fig 11A. What is the role of your Hong Kong office?



ASSESSING FUTURE PLANS

Those remaining with HK as HQ are more definite in their plans now. 6 in 10 are clear they are not moving out of HK, while on the other side, 9% do plan to move their HQs with another 9% saying they will move some functions. Hong Kong's competitiveness as an international hub gets a higher rating this year.

Fig 11B. Do you plan to move your headquarters away from Hong Kong in the next 3 years?

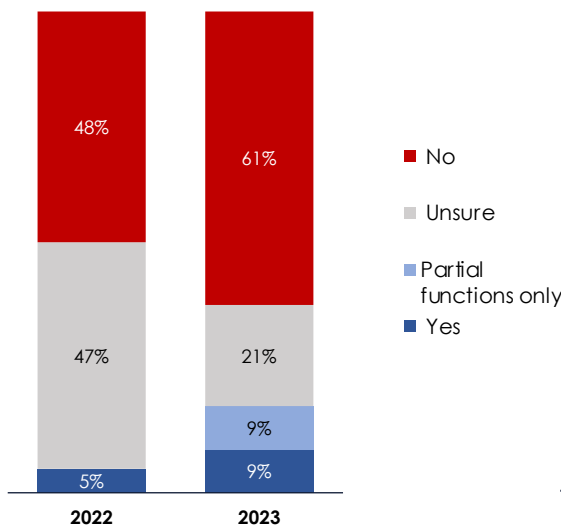
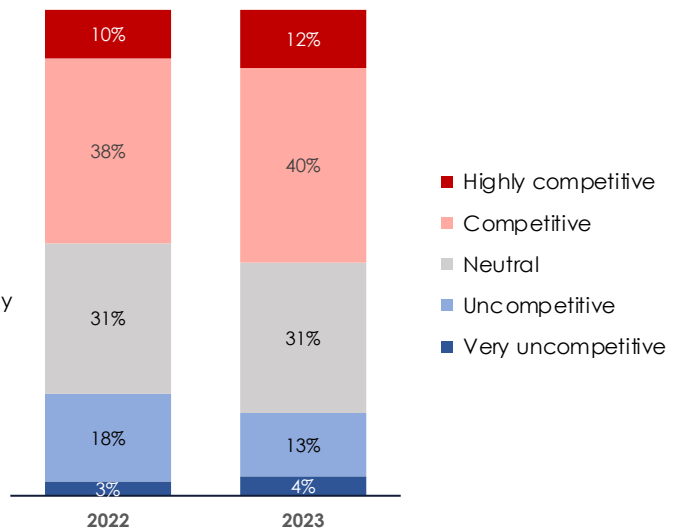


Fig 11C. What is your assessment of Hong Kong's competitiveness as an international business hub in Asia?





LEGAL & SANCTIONS

HONG KONG'S RULE OF LAW

73% are currently confident about Hong Kong's rule of law, but 54% think it has somewhat worsened in the past 12 months.

Fig 12A. Current confidence in Hong Kong's rule of law

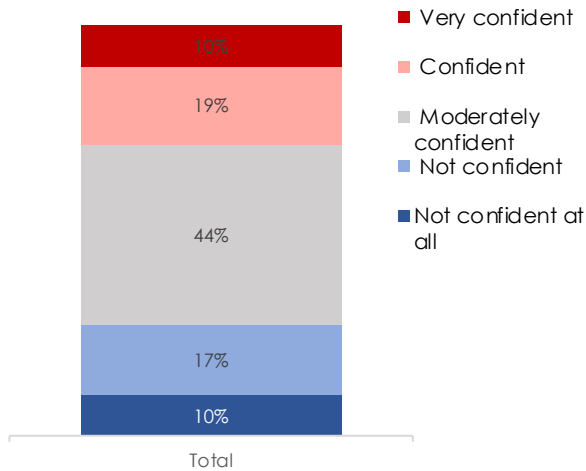
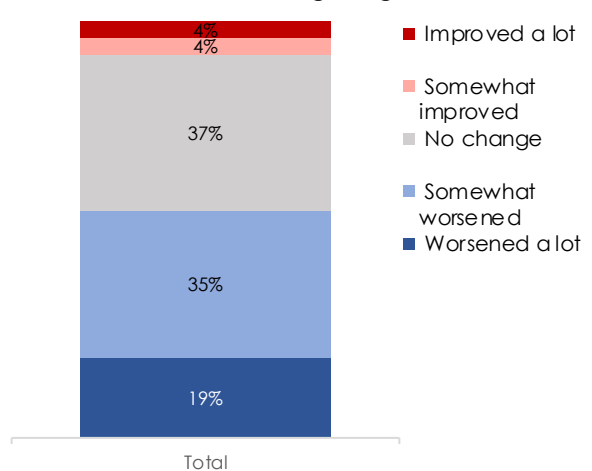


Fig 12B. Change in confidence over last 12 months in Hong Kong's rule of law



IMPACT OF NATIONAL SECURITY LAW ON COMPANY OPERATIONS

Over 6 in 10 businesses experienced no negative impact from the National Security Law. Of those who experienced negative impact, 68% note that they have been indirectly impacted, whereas 23% note that they have been directly impacted. Examples of the direct impact include departure of Hong Kong employees or changes in headquarters decisions. Sanctions on Hong Kong government officials have impacted less than a third.

Fig 12C. Has your company's operations in Hong Kong been negatively impacted by the National Security Law?

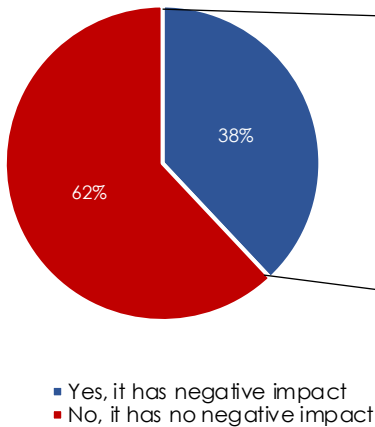


Fig 12D. How has your company been negatively impacted by the National Security Law?

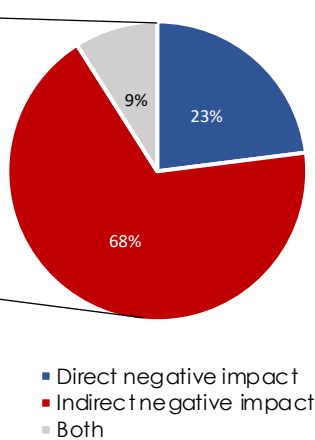
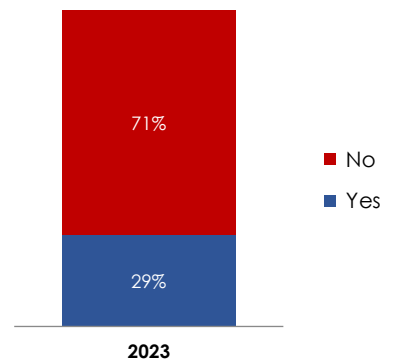


Fig 12E. Have foreign governments' sanctions on some Hong Kong government officials impacted your company's operations?





HIRING OUTLOOK

HIRING PLANS AND CHALLENGES

Companies have slowed their hiring plans, with 29% plan to increase their headcount in the coming year. Businesses continue to encounter challenges due to a shrinking talent pool. 56% say there is a decrease in qualified staff in Hong Kong compared to 46% in 2022.

Fig 13A. What are your expected hiring plans over the next 12 months?

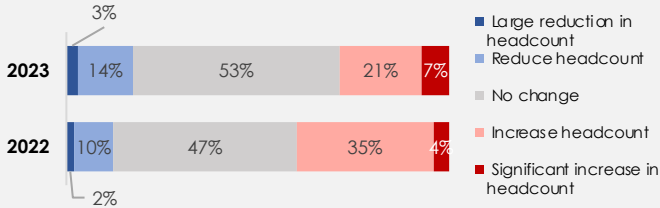


Fig 13B. What is your assessment of the availability of qualified staff in Hong Kong in the past 12 months?

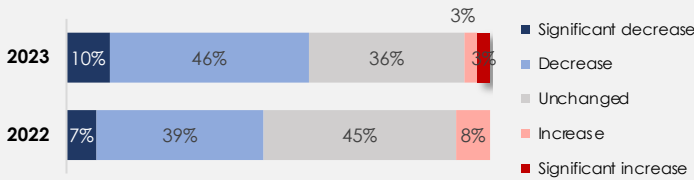
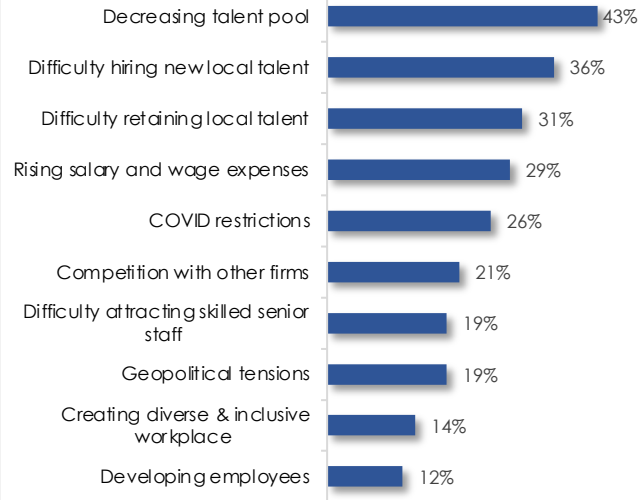


Fig 13C. Please select your top three human resource challenges



SALARIES AND HIRING FOREIGN TALENT

The labor market is not favorable, with increasing employee turnover rates, increasing costs of paying employees and challenges in recruiting and retaining foreign talent due to negative perceptions of NSL, leaving Hong Kong for other opportunities, and the high cost of living.

Fig 13D. Employee turnover rate in 2022 compared to 2021

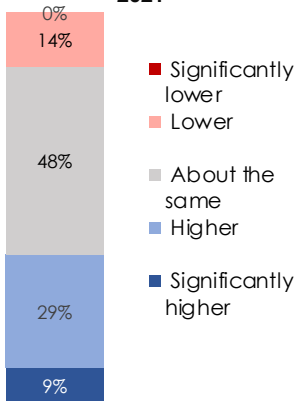


Fig 13E. How has the cost of paying employees changed in the past 12 months for your company?

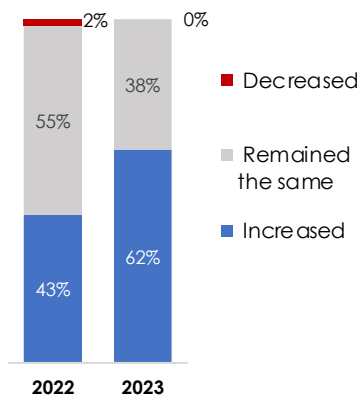
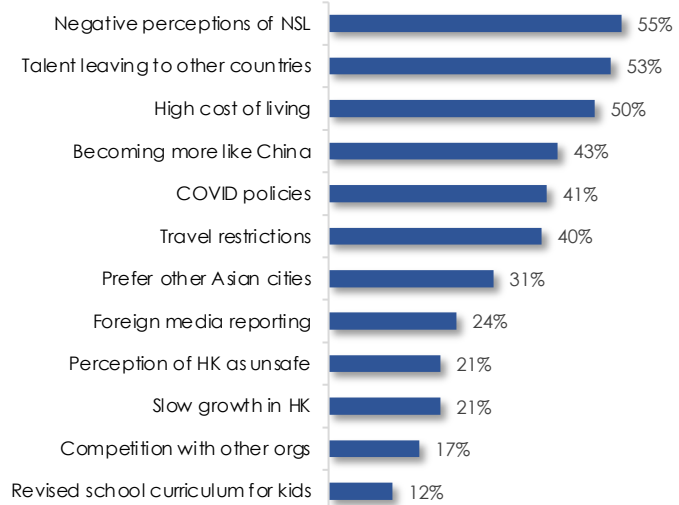


Fig 13F. Which of the following factors is a significant challenge to your organization's ability to recruit and retain foreign talent to work in Hong Kong?





GREATER BAY AREA

OPERATIONS & PROSPECTS IN THE GREATER BAY AREA

Two in three businesses are operating in the Greater Bay Area (GBA) with Shenzhen and Guangzhou remaining the most popular cities for doing business as they are perceived to offer the best environment for foreign companies. A third of businesses plan to grow their business in GBA over the next few years. Compared to 2022, the number has decreased slightly, as has their anticipation of the business potential within GBA.

Fig 14A. Percentage of members whose companies are conducting business in the GBA, excluding Hong Kong

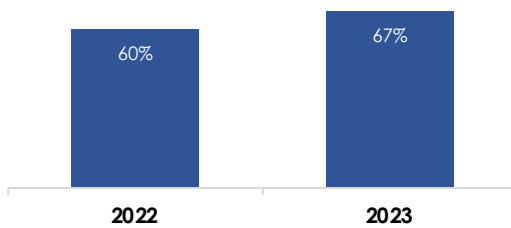


Fig 14C. Please select the cities in which your company currently conducts business

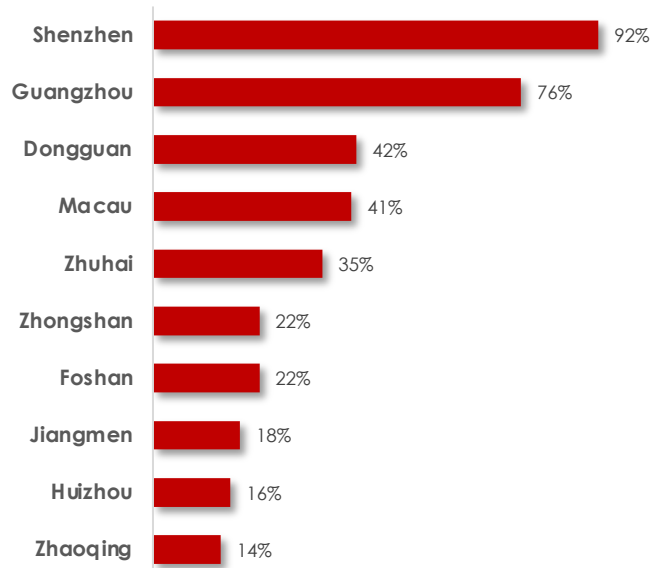


Fig 14B. Cities provide best business environment for foreign companies

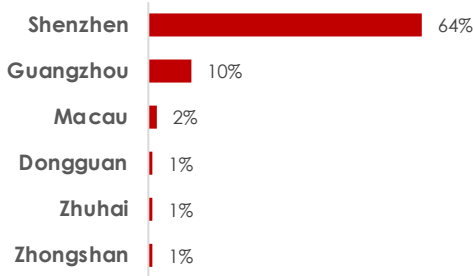


Fig 14D. Does your company plan to expand its operations in the Greater Bay Area in the next 3 years?

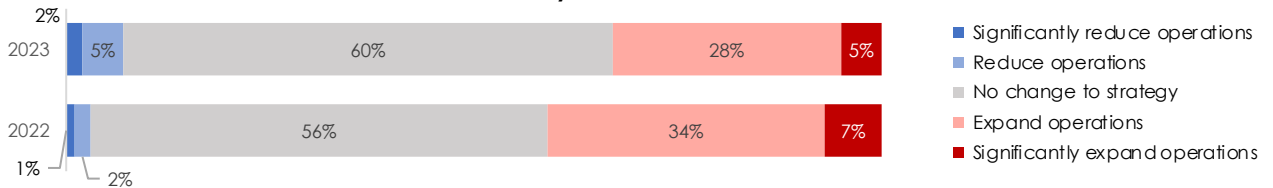
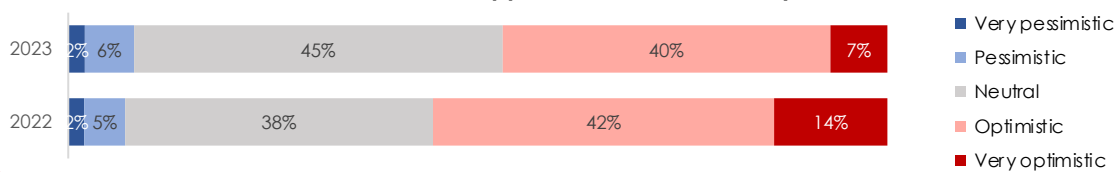


Fig 14E. What is your/your company's expectation of the Greater Bay Area's business opportunities in the next 3 years?



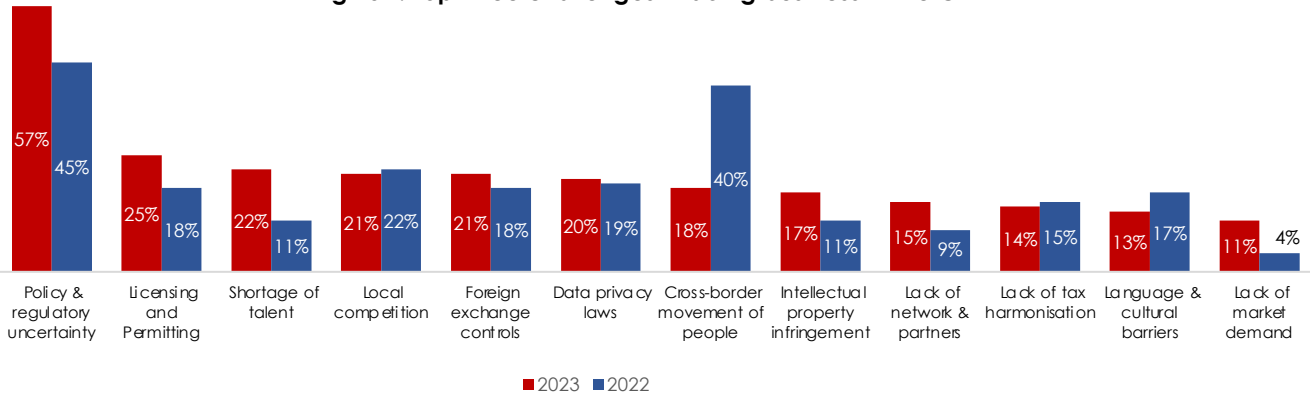


GREATER BAY AREA

CHALLENGES WITHIN THE GREATER BAY AREA

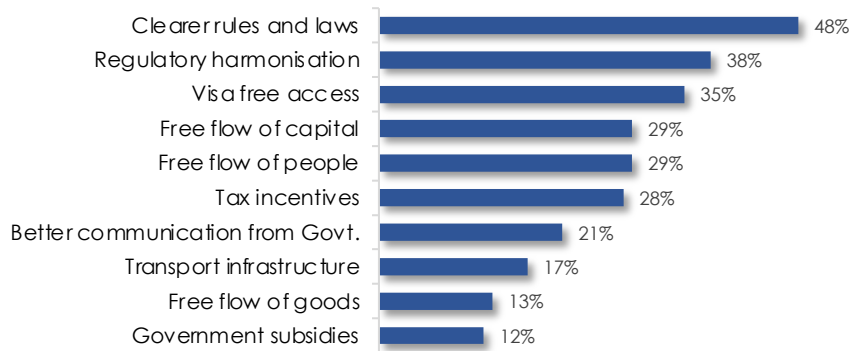
Uncertainty in policy remains as a top challenge. Licensing & permitting, as well as the talent shortage, are clearly increasing concerns in 2023.

Fig 15A. Top three challenges in doing business in the GBA



Clearer rules & laws have become the most important factor supporting GBA opportunities, followed by regulatory harmonisation and visa free access.

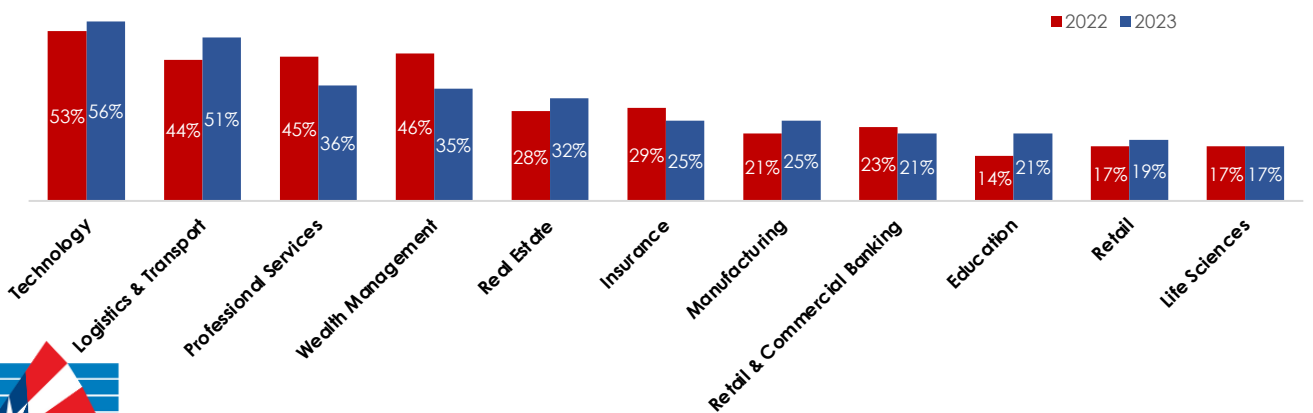
Fig 15B. Top three factors that would support companies' GBA opportunities



INDUSTRIES THAT BENEFIT FROM GBA'S DEVELOPMENT

Information Technology continues to benefit most from the GBA's development, closely followed by Logistics & Transport.

Fig 15C





DATA FREEDOM, PRIVACY & TECHNOLOGY

CURRENT & FUTURE ACCESS TO INTERNET AND INFORMATION PLATFORMS

More rate Hong Kong as having good data freedom than not. 66% are optimistic or neutral about free access to global internet and information platforms in the next 3 years, which is a slight improvement compared to last year (58%).

Fig 16A. On a scale of 1-5 (1 being least and 5 being most), how happy are you with the data freedom in Hong Kong?

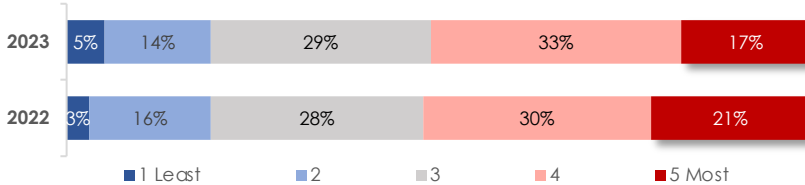


Fig 16C. What is your expectation for Hong Kong to continue to have free access (without government censorship and/or firewall) to global internet and information platforms in the next 3 years?

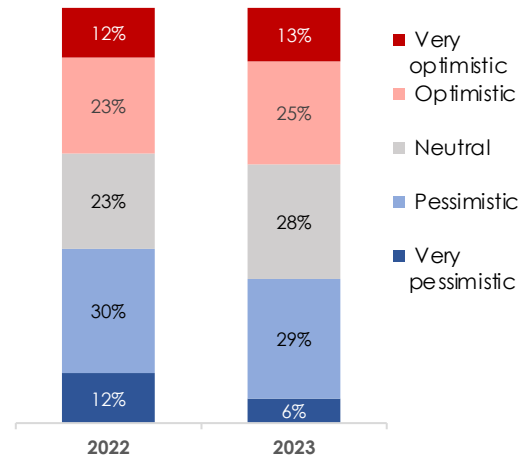
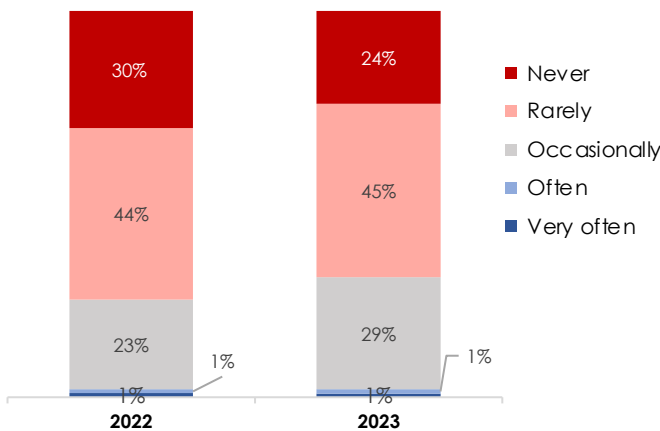


Fig 16B. How often do you or your businesses encounter difficulties in terms of accessing data (e.g. news, information, website) online in Hong Kong?



29% are optimistic about Hong Kong's prospects as a regional data center, and 33% are pessimistic about the prospects, both of which is a small improvement from 2022. 67% are confident or neutral about storing customer and company data locally in Hong Kong, with 33% who are unconfident.

Fig 16D. Hong Kong's future as regional data center

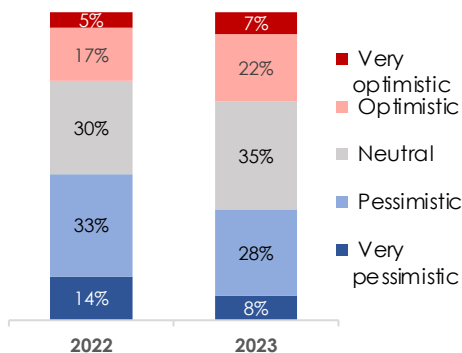
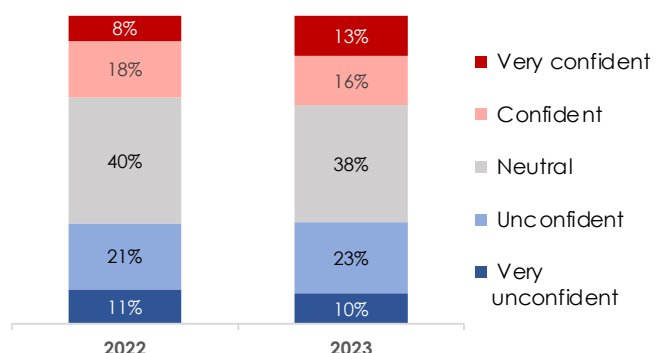


Fig 16E. Confidence in storing customer and company data locally in Hong Kong



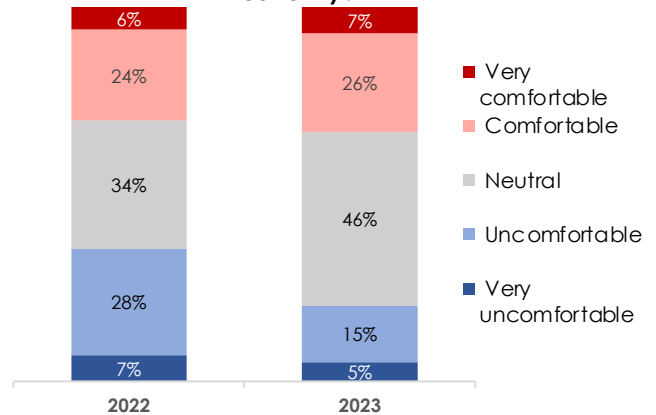


DATA FREEDOM, PRIVACY & TECHNOLOGY

DATA PRIVACY

Most businesses are either neutral or comfortable with the regulation of data privacy protection in Hong Kong. They rarely have difficulties accessing data online.

Fig 17A. How comfortable are you with the regulation of data privacy protection in Hong Kong currently?



SUPPORT FOR R&D AND STARTUPS

The Hong Kong government is perceived to be more supportive on research and development of innovation and technology than in 2022, but Shenzhen and Singapore are seen as better locations for R&D. Although there is sufficient funding available in the market for new ventures, entrepreneurs have polarised views on creating start-ups in Hong Kong – 33% being positive versus 34% being negative about it.

Fig 17B. Hong Kong Government support to Research & Development

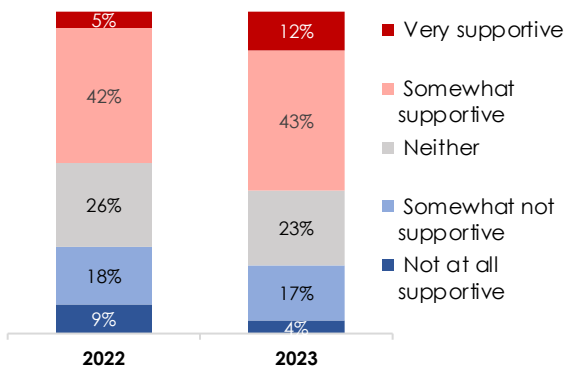


Fig 17C. Best location for Research & Development

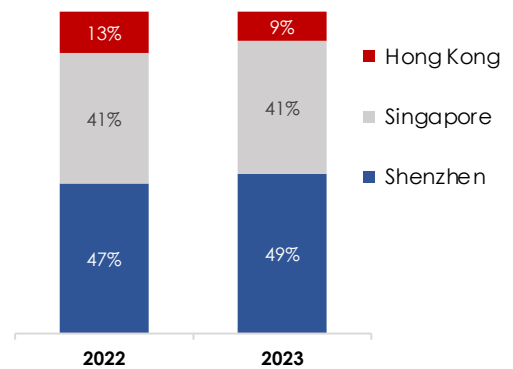


Fig 17D. Hong Kong as a place for entrepreneurs to create start-ups

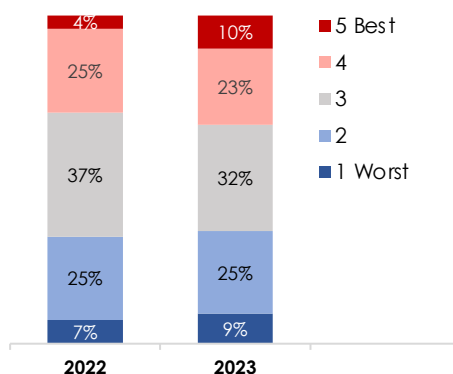
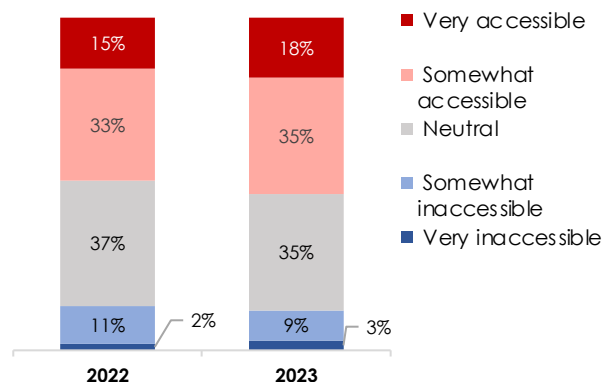


Fig 17E. Access to venture capital funding





ENVIRONMENT & SUSTAINABILITY

ESG ADOPTION IN HONG KONG

ESG practices have yet to be prioritized and widely implemented by Hong Kong companies. Majority perceived Hong Kong to be falling behind other Asia cities in terms of decarbonization. Having the right talent is the major challenge for Hong Kong to become a green financial center, followed by a lack of government support.

Fig 18A. To what extent do you think Hong Kong companies are adopting ESG (Environmental, Social, and Governance) practices as a priority?

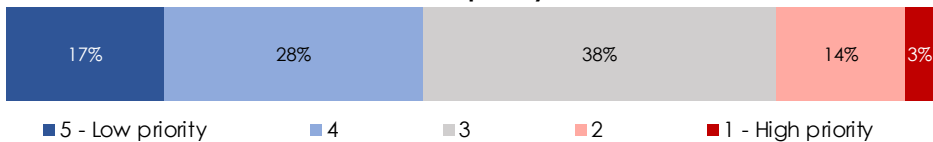


Fig 18B. Effectiveness of the Hong Kong Government's commercial vehicle electrification initiatives

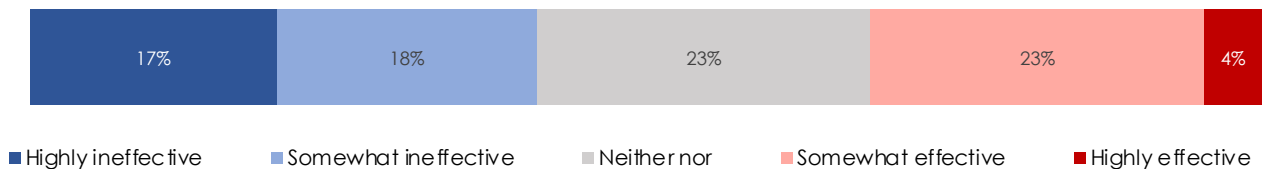


Fig 18C. How's Hong Kong doing in decarbonization vis-à-vis other cities such as Shenzhen, Singapore?

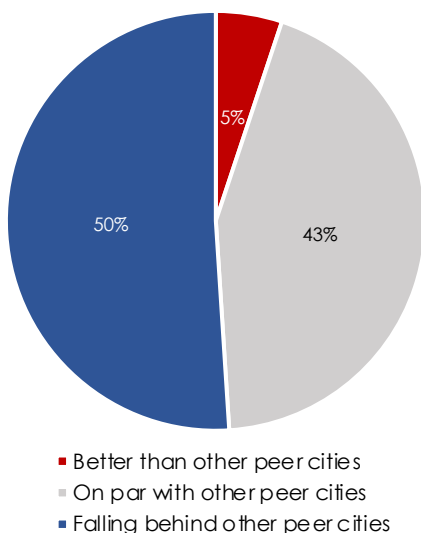
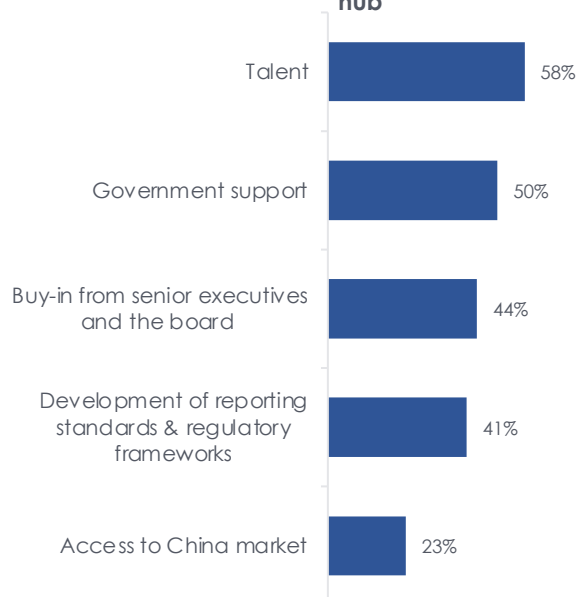


Fig 18D. Challenges to be addressed of becoming a green and sustainable financial hub





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