

Hong Kong, 6 October 2016

Hong Kong's economy remains subdued and the SAR faces growing competitive pressures

CPA Australia, one of the world's largest professional accounting bodies, encourages the SAR government to provide even greater support to spur businesses and entrepreneurs to undertake innovation in Hong Kong.

The recommendation follows the release of economic sentiment survey data from CPA Australia that reveals strong support for the government to take further action to ensure Hong Kong's position as one of the world's best places to do business is maintained.

Alex Malley, chief executive of CPA Australia, says the results from the annual Hong Kong economic sentiment survey show there is a real appetite for reforms to improve Hong Kong's impressive international competitiveness.

"Hong Kong-based members are concerned about the region's competitiveness with 56 per cent of respondents expecting it will decline in 2017. Respondents believe that Mainland China and Singapore are the markets that are challenging Hong Kong's competitiveness the most.

"The Hong Kong government showed in this year's Budget that it has a real commitment to generating long-term growth through strategic investments in innovation, research and development, education, airport development and the logistics industry.

"With its increasing integration into the Mainland's economy, business-friendly environment, low taxes, well-developed capital markets and a large pool of professional talent, Hong Kong is very well placed to build on its reform agenda," Malley said.

Jeffrey Chan, Divisional President 2016 Greater China CPA Australia said the survey results also show that low growth expectations for the Hong Kong economy in 2017 are another reason the government should take action to improve Hong Kong's competitiveness.

"With 58 per cent of respondents forecasting that Hong Kong's economy will remain the same or will grow less than 2 per cent in 2017, actions to improve Hong Kong's competitiveness are needed to provide an important boost to the economy.

"In the context of the global economy underperforming, it is not surprising that confidence in the Hong Kong economic outlook is not high. However, Hong Kong's economy has proven to be very resilient in the past and we don't expect this low level of confidence to last.

"The main drivers of Hong Kong's growth in 2017 are expected to be growth in the Mainland's economy, low interest rates and major infrastructure projects like the Hong Kong-Zhuhai-Macao Bridge and the Western Kowloon Cultural District. Meanwhile, respondents identified the political environment as most likely to have a negative impact on the economy. E-commerce, healthcare and IT/technology are the industries that are viewed as having the highest growth potential.

"The low growth expectation is also expected to impact employment with 61 per cent of respondents expecting their employer to either keep their headcount the same, or make cuts.

"The low growth environment is also expected to hit salaries with 70 per cent of respondents either expecting their salary to remain the same or increase by less than 3.5 per cent. Respondents are also worried that the current environment will impact their chances of finding a new job with respondents being significantly less likely to believe they will actively seek to change employers in the next 12 months than not.

"Taking further action to make the Hong Kong economy more competitive will not only boost growth, it will have positive influence on employment, salaries and career advancement opportunities," Chan said.

MEDIA RELEASE



Other recommendations to improve Hong Kong's international competitiveness include:

- Take further action to attract more multinational corporations to set up regional headquarters in Hong Kong
- Provide greater support for businesses to undertake Fintech activity in Hong Kong
- Provide greater support for Hong Kong businesses to undertake research and foster innovation
- Provide more information to SMEs to improve their understanding of the Belt and Road initiative and the opportunities it will create.

CPA Australia is one of the world's largest accounting bodies with more than 155,000 members working in 118 countries around the world, with more than 25,000 members working in senior leadership positions. It has established a strong membership base of more than 17,000 in the Greater China region.

For more details, please contact:

Racepoint Global

Clara Liddell / Jessica Wong

Tel: 3111 9934 / 3111 9931

Mobile: 6317 8002 / 9244 5752

Email: cliddell@racepointglobal.com /
jwong@racepointglobal.com

CPA Australia

Carmen Pan

Tel: 2202 2722 / 5318 9655

Email: carmen.pan@cpaaustralia.com.au

Key statistics from the survey

COMPETITIVENESS

	2016 Survey	2015 Survey
Respondents who believe Hong Kong's competitiveness will decline	56.2%	67.4%
Respondents who believe the Mainland most challenges Hong Kong's international competitiveness	44.3%	48.9%
Respondents who believe Singapore most challenges Hong Kong's international competitiveness	45.6%	37.5%

Actions that could most improve Hong Kong's competitiveness

	2016 Survey
The actions the Hong Kong government could take that respondents think will most improve Hong Kong's international competitiveness	<ol style="list-style-type: none"> 1. Enhance existing measures to encourage the establishment of Corporate Treasury Centres in Hong Kong 2. Greater support for businesses to undertake FinTech activity in Hong Kong 3. Provide support for businesses to take advantage of the Belt and Road initiative/ 3. Greater support for businesses to undertake research and innovation

ECONOMIC GROWTH EXPECTATIONS

GDP forecast

	2016 Survey	2015 Survey
Respondents who expect the Hong Kong economy to grow by less than 2 per cent in the following year	47.3%	44.6%
Respondents who expect the Hong Kong economy to grow by 2 per cent or more in the following year	27.9%	16.3%
Respondents who expect the Hong Kong economy to neither grow nor decline in the following year	10.2%	9.2%
Respondents who expect the Hong Kong economy to decline in the following year	11.1%	25.0%

Main factors impacting economy

	2016 Survey	2015 Survey
The factors respondents believe will most positively contribution to Hong Kong's economy in the following year	<ol style="list-style-type: none"> 1. Growth in the Mainland's economy 2. Low interest rates 3. Infrastructure projects 	<ol style="list-style-type: none"> 1. Simple, predictable and low tax system 2. Low interest rates 3. Growth in the Mainland's economy
The factors respondents believe will most negatively impact Hong Kong's economy in the following year	<ol style="list-style-type: none"> 1. The political environment 2. Lower economic growth in the Mainland 3. High property prices 	<ol style="list-style-type: none"> 1. The political environment 2. High property prices 3. Lower economic growth in the Mainland

MEDIA RELEASE



Industry growth expectations

	2016 Survey	2015 Survey
Industries with the highest growth potential in Hong Kong in the next three years	1. E-commerce 2. Healthcare 3. IT/Technology	1. E-commerce 2. Healthcare 3. Financial and banking services

EMPLOYMENT DATA

Salary expectations

	2016 Survey	2015 Survey
Expect salary will increase by 3.5 per cent or more in the next 12 months	24.3%	32.6%
Expect salary will increase by less than 3.5 per cent in the next 12 months	47.8%	47.8%
Expect salary to remain the same or decrease in the next 12 months	22.1%	13.0%

Company headcount expectations

	2016 Survey
Company headcount will increase by more than 5 per cent in the following year	16.8%
Company headcount will increase by less than 5 per cent in the following year	14.6%
Company headcount will remain the same in the following year	44.3%
Company headcount will decrease in the following year	16.4%

Change of employer expectations

	2016 Survey
Expect to actively seek to change employer in the next 12 months	21.2%
Do not expect to actively seek to change employer in the next 12 months	45.6%
Unsure whether they will actively seek to change employer in next 12 months	27.4%

PROPERTY PRICE EXPECTATIONS

Residential property price expectations

	2016 Survey	2015 Survey
Expect residential property prices to grow by 10 per cent or more in following year	23.4%	5.4%
Expect residential property prices to grow less than 10 per cent in the following year	29.2%	20.1%
Expect residential property prices to remain the same in the following year	15.9%	7.1%
Expect residential property prices to decline in the following year	24.3%	64.7%

Retail property prices

	2016 Survey	2015 Survey
Expect retail property prices to grow by 10 per cent or more in following year	12.4%	2.2%
Expect retail property prices to grow less than 10 per cent in the following year	14.6%	8.7%
Expect retail property prices to remain the same in the following year	13.7%	8.2%
Expect retail property prices to decline by less than 10 per cent in the following year	23.0%	23.4%
Expect retail property prices to decline by 10 per cent or more in the following year	29.6%	54.3%

MEDIA RELEASE



Office property prices

	2016 Survey	2015 Survey
Expect office property prices to grow by 10 per cent or more in following year	18.1%	4.9%
Expect office property prices to grow less than 10 per cent in the following year	30.1%	20.1%
Expect office property prices to remain the same in the following year	21.2%	13.6%
Expect office property prices to decline in the following year	23.4%	57.6%

Industrial property prices

	2016 Survey	2015 Survey
Expect industrial property prices to grow by 10 per cent or more in following year	11.9%	3.3%
Expect industrial property prices to grow less than 10 per cent in the following year	23.0%	17.9%
Expect industrial property prices to remain the same in the following year	30.5%	17.4%
Expect industrial property prices to decline in the following year	26.5%	55.4%