

Hong Kong, 15 DECEMBER 2020

## CPA AUSTRALIA: BUSINESS SENTIMENT IN HONG KONG CONTINUES TO FALL IN 2021 AS COVID-19 WEIGHS ON ECONOMIC RECOVERY

The COVID-19 pandemic continues to weigh on the confidence of Hong Kong's accounting profession, with many professionals expressing a pessimistic outlook for the economy in 2021, according to CPA Australia's annual Hong Kong Economic Sentiment Survey.

Seventy-five per cent of surveyed accountants expect Hong Kong's GDP to continue to contract in 2021 and nearly half of the respondents expect their company's revenue to decrease, according to the survey.

Mr. Anthony Lau, Divisional President of Greater China of CPA Australia 2020 said: "While Hong Kong's economy registered some improvements in the third quarter of 2020, most respondents believe that the negative impacts of COVID-19 will continue to affect Hong Kong's economic recovery in 2021 unless a vaccine is universally available."

Global capital markets have reacted positively to news about the development of COVID-19 vaccines. This suggests that investors are increasingly confident that there could be a global economic recovery once a vaccine become available. The bleak outlook among accountants indicates that the positive global sentiment has yet to reach the real economy and there is some way to go before business confidence turns positive.

Pessimistic sentiment is reflected in respondents' expectations for business growth, with 46 per cent expecting their company's revenue to decrease and 45 per cent foreseeing that headcount will freeze in 2021. Lau said, "In the face of tough economic conditions, employers tend to take a more prudent approach to managing their business, such as focusing on cost reduction and improving efficiency."

The survey findings suggest that the Government's Employment Support Scheme (ESS) was the most effective relief measure in assisting businesses to manage through these tough times. Sixty-one per cent of respondents stated that among the various relief measures introduced in 2020, the ESS has supported their business the most. Thirty-eight per cent also think that the Government should extend and optimise the ESS to help sustain their business and address any potential short-term unemployment stress.

"In light of depressed revenue due to pandemic-related social distancing rules, many businesses, especially small and medium-sized enterprises (SMEs) in hard-hit sectors such as retail and tourism, face the prospect of collapsing early next year. With 46 per cent of respondents foreseeing that their revenue will decrease in 2021, the Government could also consider measures such as introducing a temporary tax loss carry back measure for SMEs or businesses in hard-hit sectors," Lau said.

When asked what actions would improve Hong Kong's international competitiveness, maintaining Hong Kong's world-class legal system (49 per cent) and strengthening the city's international financial position (48 per cent) were the options most frequently chosen by respondents.

Lau explains, "Our members believe that a robust and trustworthy legal system is a cornerstone to continue attracting companies around the world to conduct business in Hong Kong. Equally important, further measures to

strengthen Hong Kong's position as an international financial centre are necessary to improve Hong Kong's competitiveness."

Regarding the various measures announced recently in the Policy Address, such as the tax concession for carried interest issued by private equity funds operating in Hong Kong and the promotion of family office businesses, Lau believes these are helpful in boosting the development of the financial services industry.

"Hong Kong will benefit from mutual access to financial markets through the cross-boundary Wealth Management Connect Scheme, other connect programs, and more presence of family offices from high-net-worth individuals."

"Hong Kong's economic recovery will also depend on the mainland's strong post-pandemic recovery, improvements in Sino-US relations and the recovery of the global economy in 2021. Companies in Hong Kong should pay attention to opportunities from expanding trade connections with countries in ASEAN and the Regional Comprehensive Economic Partnership (RCEP)," Lau said.

CPA Australia recommends that the Government consider the following measures to support Hong Kong's economic recovery in 2021:

- introducing incentives for commercial landlords who reduce rent for small business tenants
- expand the scope of eligible securities under the mutual market access programs and promote mutual access between the Mainland and Hong Kong financial markets, such as the implementation of Wealth Management Connect Scheme
- issuing perpetual bonds and / or long-term bonds in international bond markets.
- continue expanding international economic and trade connections and proactively seek to join the Regional Comprehensive Economic Partnership (RCEP) as soon as possible.
- optimise the Greater Bay Area Youth Employment Scheme to attract more employers to offer opportunities to Hong Kong talents.

Download [CPA Australia's annual Hong Kong Economic Sentiment Survey](#)

#### **About CPA Australia**

CPA Australia is one of the world's largest accounting bodies with more than 166,000 members working in 100 countries and regions around the world, and more than 25,000 members working in senior leadership positions. It has established a strong membership base of more than 19,000 in the Greater China region.

**Media contact:** Ms Carmen Pan, Tel: 5318 9655 / 2202 2722 or Email: [carmen.pan@cpaustralia.com.au](mailto:carmen.pan@cpaustralia.com.au)

Ms Rachel Liu, Tel: 6233 5872 / 2891 2747 or Email: [rachel.Liu@cpaustralia.com.au](mailto:rachel.Liu@cpaustralia.com.au)

# HONG KONG ECONOMIC SENTIMENT SURVEY 2021



## POSITIVE CONTRIBUTORS

1. Universally available COVID-19 vaccine
2. Recovery of the global economy
3. Growth in Mainland China's economy

**75%**

**Expect Hong Kong's recession to continue into 2021**

## CHALLENGES

1. COVID-19 pandemic
2. Local political environment
3. Weak global economic recovery

## BUSINESS SENTIMENT AND KEY STRATEGIC FOCUS

- Cost reduction
- Improve business efficiency
- Improve cash flow

**46%**

**Expect business revenue to decrease by more than 2 per cent**

**45%** expect headcount to remain the same

**57%** expect salary to remain the same

- EMPLOYMENT SUPPORT SCHEME**
- **61%** believe the scheme was the relief measures that supported their business the most in 2020
  - **38%** think the government should extend the scheme to help sustain their business in 2021

## IMPROVE HONG KONG'S COMPETITIVENESS

### ACTIONS TO BE TAKEN

- Maintain Hong Kong's world class legal system
- Strengthen Hong Kong's international financial position
- Strengthen cooperation with the rest of the GBA

### SKILLS NEEDED

- Creativity and innovation
- Critical thinking and analytical skills
- Digital and technical skills

## RECOMMENDATIONS



Extend and optimise the Employment Support Scheme to provide further time-limited financial support to employers to retain employees



Issue perpetual bonds and / or long-term bonds in international bond markets



Expand the scope of eligible securities under the mutual market access programs and promote mutual access between the Mainland and Hong Kong financial markets such as the implementation of Wealth Management Connect Scheme



Continue expanding international economic and trade connections and proactively seek to join the Regional Comprehensive Economic Partnership as soon as possible