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**HONG KONG BUSINESSES ADAPT TO CHANGES,
PLAN FOR GRADUAL RECOVERY: HSBC NAVIGATOR**

** Three-quarters of surveyed Hong Kong companies are implementing changes, highest among global peers **

** 50% intend to increase investment in their business in 2021 **

** 72% expect to return to pre-COVID-19 profitability level by end of 2022 **

Hong Kong companies are adapting to changes amid market uncertainties and investing in gradual recovery ahead. Despite two-thirds not expecting revenues to grow, half of Hong Kong businesses intend to increase business investment over the next year, while another 20% plan to maintain current levels of investment.

The latest *HSBC Navigator* surveyed over 10,000 businesses from 39 markets in September and October this year, including 351 businesses in Hong Kong. Almost three-quarters (72%) of the Hong Kong respondents expect to see a return to pre-COVID-19 profitability levels by the end of 2022. In addition, three-quarters of them are implementing changes to meet evolving customer demand – the highest of any market surveyed, demonstrating a high level of agility.

Terence Chiu, Head of Commercial Banking, Hong Kong, HSBC, said, “Despite a difficult operating environment and uncertain outlook, Hong Kong businesses have once again shown how resilient they are. They are leaning in to the new business environment, investing to increase resilience and adapt to new patterns of demand, from digitisation, regional expansion, to supply chain reform and greater focus on environmental, social and governance.”

The survey found that Hong Kong companies are focusing on boosting their sales channels (51%), improving cash flow and capital management (46%) and marketing (43%). To sustain business growth, digital-only platforms & tools, process innovation and supply chain transformation (52%, 48% and 48% respectively) are considered as top future priorities.

In addition, over 80% of Hong Kong companies want to expand internationally in the next 3 to 5 years, attracted by access to new suppliers and partners (51%), competitive advantages (50%) and growing customer demand (48%). In terms of target markets, Asia Pacific (60%) remains the top region for businesses expanding or trading.

Chiu continued: “As an international business and trade hub, Hong Kong is set to benefit from trade liberalisation including the latest Regional Comprehensive Economic Partnership (RCEP). Measures like the harmonisation of rules of origin will reduce regional trade friction, expanding opportunities for Hong Kong companies, especially in the SME sector.”

Almost all businesses in Hong Kong (98%) are concerned about their supply chain. Recognising the need to boost resilience, companies say they will reshape their supply chains by focusing on suppliers who are closer to their customers.

The pandemic has also prompted companies to rethink their priorities: more than 70% of Hong Kong respondents say they have put new social and environmental safeguards in place over the past year. Up to 96% see opportunities from improving environmental and ethical sustainability, which they say will increase customer demand, attract investment and enhance their reputation.

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Note to editors:

HSBC Navigator

The Navigator survey is conducted on behalf of HSBC by Kantar. This survey of over 10,000 businesses spans 39 countries, markets and territories. It was conducted between 11 September and 7 October 2020. Markets in scope:

- Europe: Belgium, France, Germany, Greece, Ireland, Italy, Netherlands, Poland, Russia, Spain, Sweden, Switzerland, UK
- Asia-Pacific: Australia, Bangladesh, mainland China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, Vietnam
- Middle East & North Africa: Egypt, Saudi Arabia, Turkey, UAE
- North America: Canada, Mexico, USA
- South America: Argentina, Brazil
- Rest of Africa: South Africa

For more information, visit: <https://www.business.hsbc.com/navigator/hong-kong>

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