



GIC/GCC Business Confidence Survey

August 2024



German Industry
and Commerce Ltd.
德國工商會有限公司



German Chamber of
Commerce Hong Kong
香港德國商會

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EXECUTIVE SUMMARY

German Business in Hong Kong 2024

The 2024 Business Confidence Survey conducted by GIC and GCC reveals a cautious outlook among German businesses in Hong Kong. While the city retains strengths in key areas, concerns about Hong Kong's future as a competitive business hub suggest a need for careful consideration by businesses and policymakers.

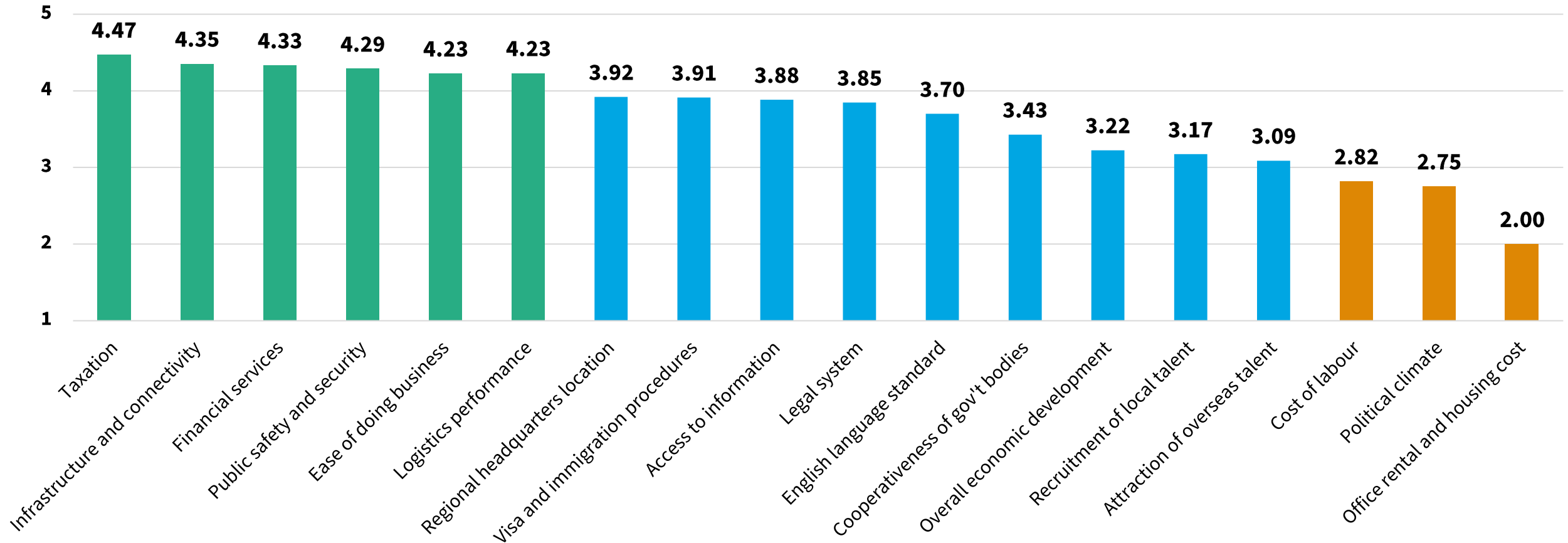
According to most survey respondents, Hong Kong excelled in aspects such as taxation (with an average rating of 4.47 out of 5) and infrastructure and connectivity (4.35). However, the political climate (2.75) and office rental and housing costs (2.00) were ranked significantly lower, reflecting a certain level of unease among businesses about the sustainability of operating in the city, particularly when looking ahead to 2025. While some respondents were expecting improvements with regards to the overall economic development (24.3%) as well as infrastructure and connectivity (20.8%) in the coming twelve months, many were anticipating a further deterioration in the political climate (43.9%) and challenges in attracting talent from overseas to the city (38.3%). With regards to recruiting and retaining staff, respondents reported high living costs, a shrinking talent pool, and industry-specific difficulties in attracting skilled workers as particular challenges. A widely perceived decline in the English language standard and Hong Kong's international appeal further exacerbated these staffing issues.

Meanwhile, business confidence in Hong Kong improved from the previous years with an average rating of 3.36 (on a scale from 1 to 5), nearly matching the pre-Covid rating from August 2019. Confidence among respondents' international stakeholders remained noticeably lower, but likewise improved from 2023. The impact of the new security law on Hong Kong's international reputation was a point of worry, with some respondents questioning the city's ability to maintain its status as a global financial hub. Despite these concerns, 86% of respondents stated their company was not considering a relocation in the immediate future, while one in four (24.3%) indicated further investments in Hong Kong in the next two years, suggesting a commitment to maintaining stable operations in Hong Kong.

ANSWERED: 107 | SKIPPED: 12

How do you assess Hong Kong's competitiveness in these aspects?

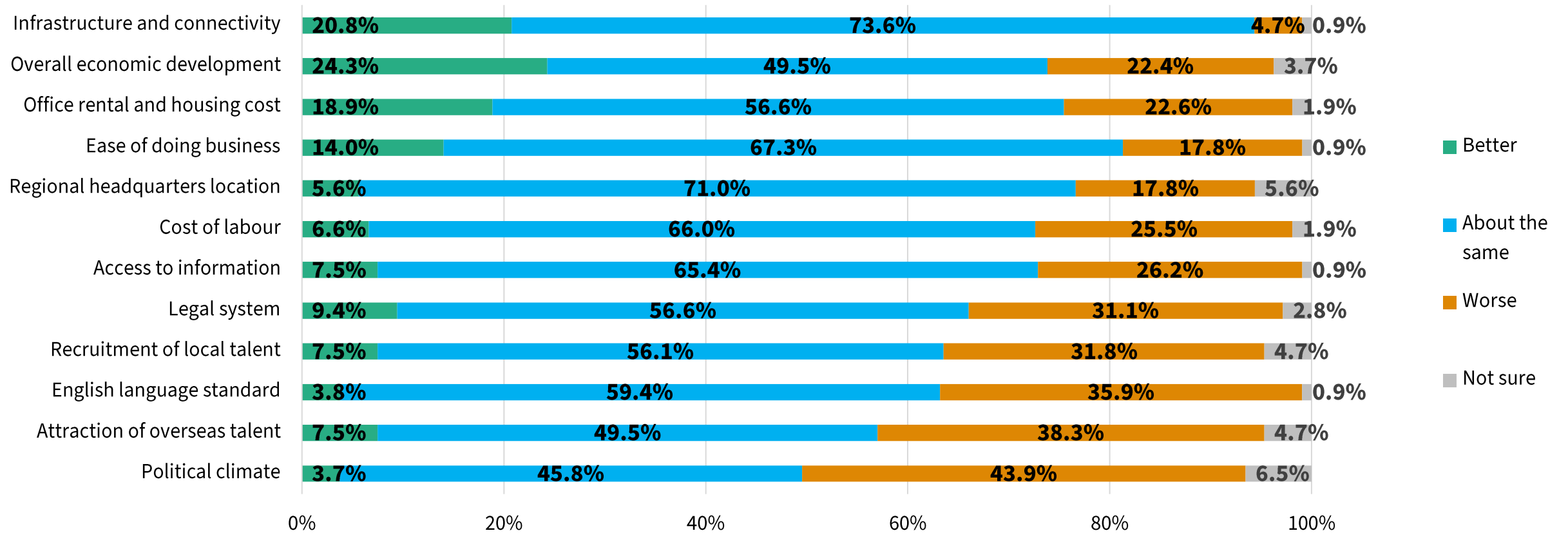
(1 = low competitiveness; 3 = average; 5 = high competitiveness)



ANSWERED: 107 | SKIPPED: 12

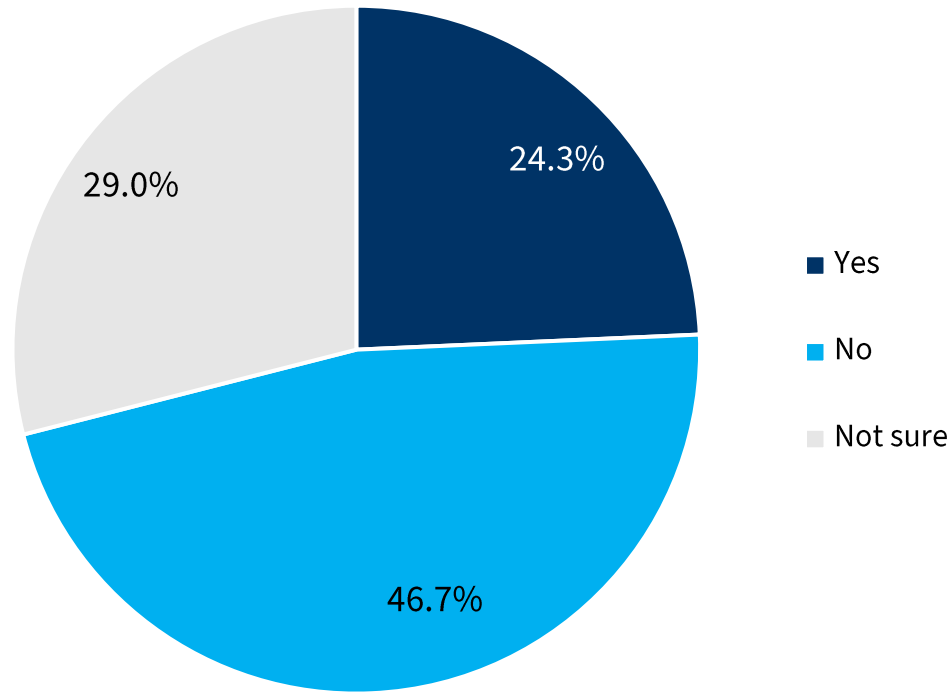
How do you expect Hong Kong's competitiveness in these aspects to develop in 2025 compared to the present?

Note: Aspects not highlighted here (taxation, financial services, public safety and security, e.g.) were expected to remain unchanged by most respondents.



ANSWERED: 107 | SKIPPED: 12

Do you expect the new security law to impact your business operations in Hong Kong? (if yes, please specify)



“There are concerns from expat/foreign colleagues and customers to come to [Hong Kong], let alone do business.”

“Not directly on the business in short term, as it appears to stay in a specific political sphere. But the noise around it does not help to position [Hong Kong].”

“Overall sentiment in Europe drives us to relocate some operations and supply chains to other Asian countries.”

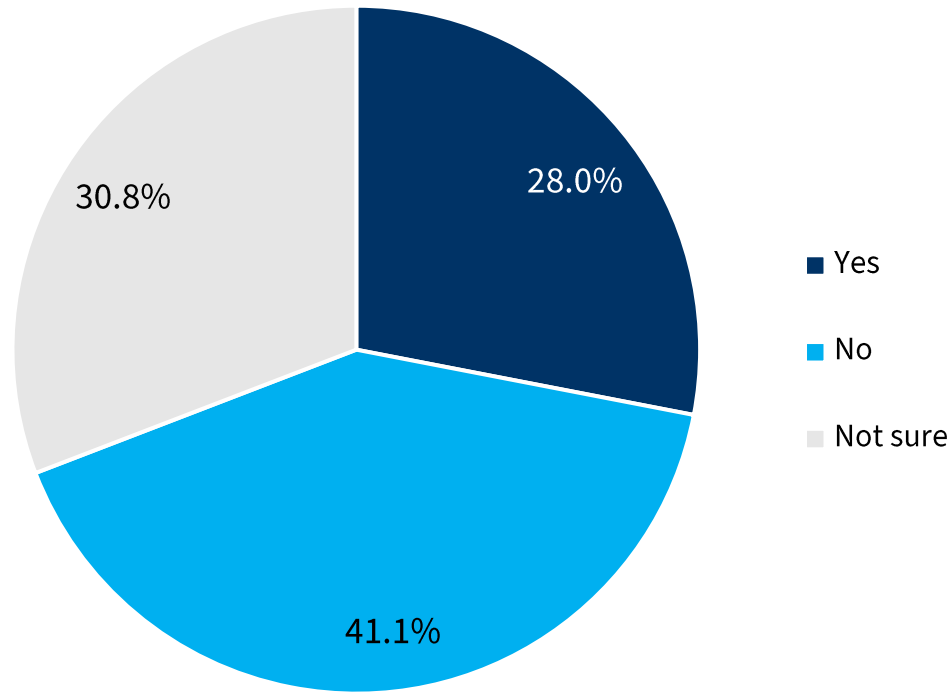
“Interlocutors will be more cautious when talking to / collaborating with us.”

“More control and related overhead processes and uncertainties.”

“Reputational issue with negative effects on recruitment, retention and attrition.”

ANSWERED: 107 | SKIPPED: 12

Has the new security law impacted your stakeholders' business confidence in Hong Kong? (if yes, please specify)



"Slightly negative; erosion of trust in international character of the city."

"Negative sentiment increased; political uncertainty remains a big issue."

"Not on all, but some. More questions arise. People that visit see it a lot more positive, but people only exposed to overseas media may hold a more negative view."

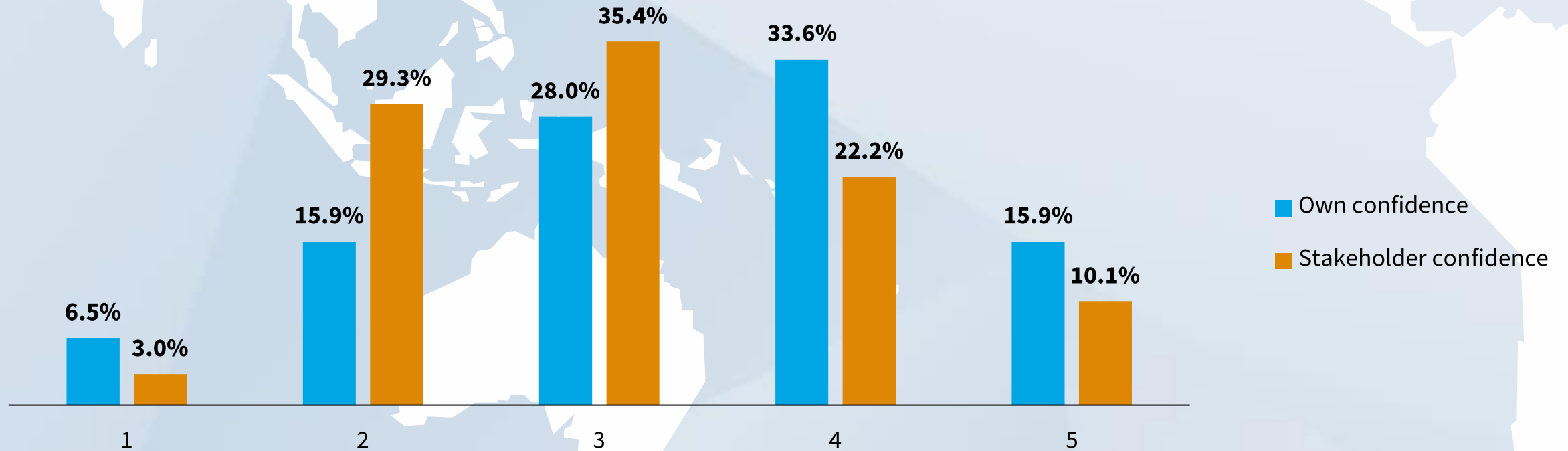
"Further weakened perception of Hong Kong as truly a 'two systems' city."

"Questioning of [Hong Kong] as an office location for the group."

ANSWERED: 107 | SKIPPED: 12

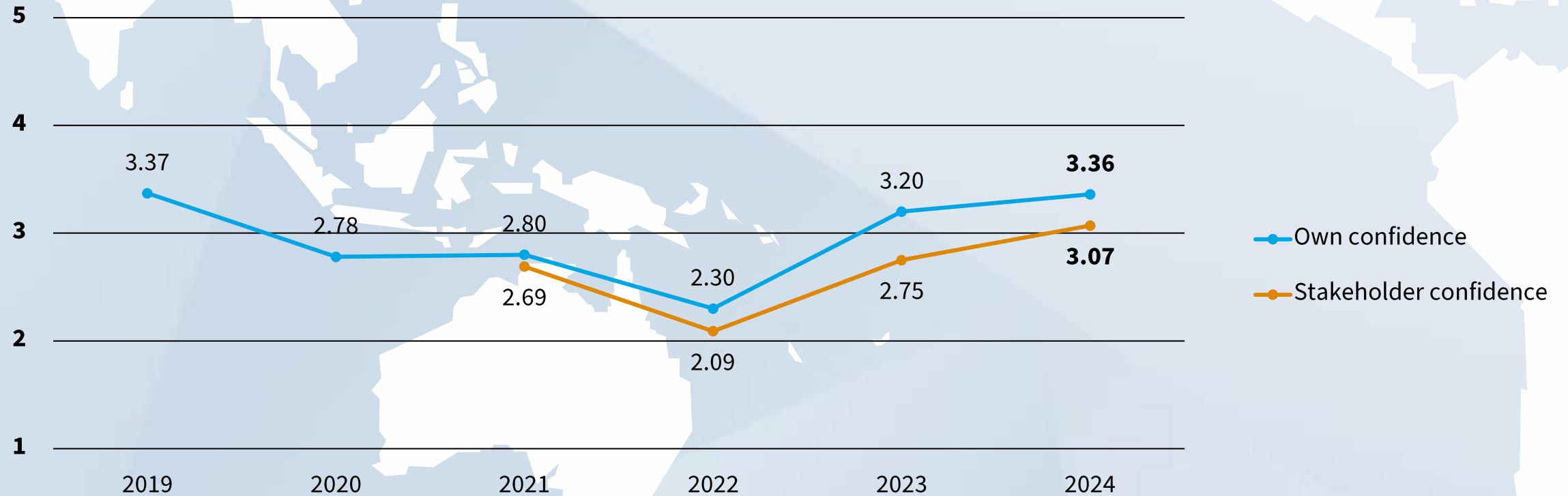
How would you rate your own / your stakeholders' confidence in Hong Kong as a business location over the next 2 years?

(1 = low confidence; 3 = average; 5 = high confidence)



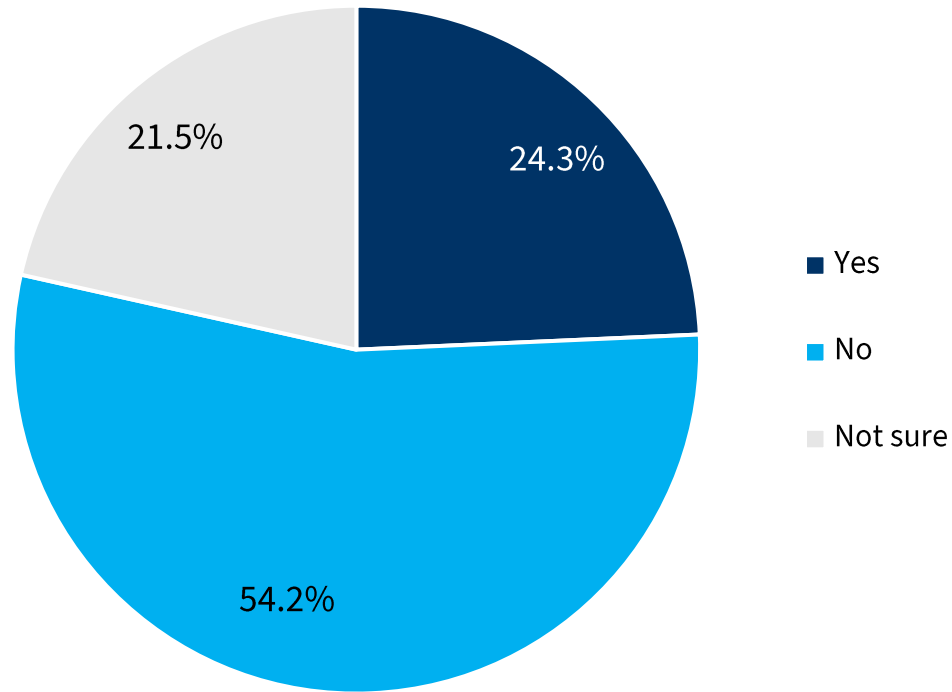
YEARLY COMPARISON

How would you rate your own / your stakeholders' confidence in Hong Kong as a business location over the next 2 years?



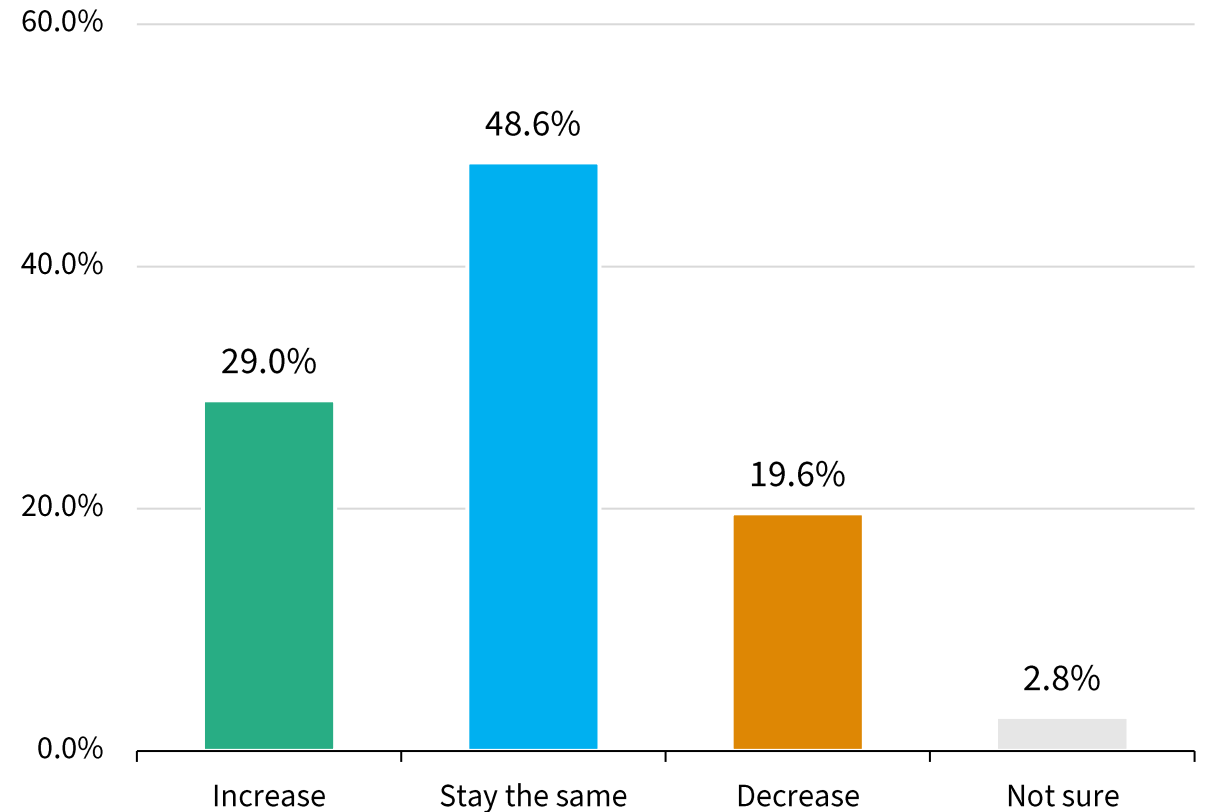
ANSWERED: 107 | SKIPPED: 12

Does your company plan to invest further in Hong Kong within the next 2 years?



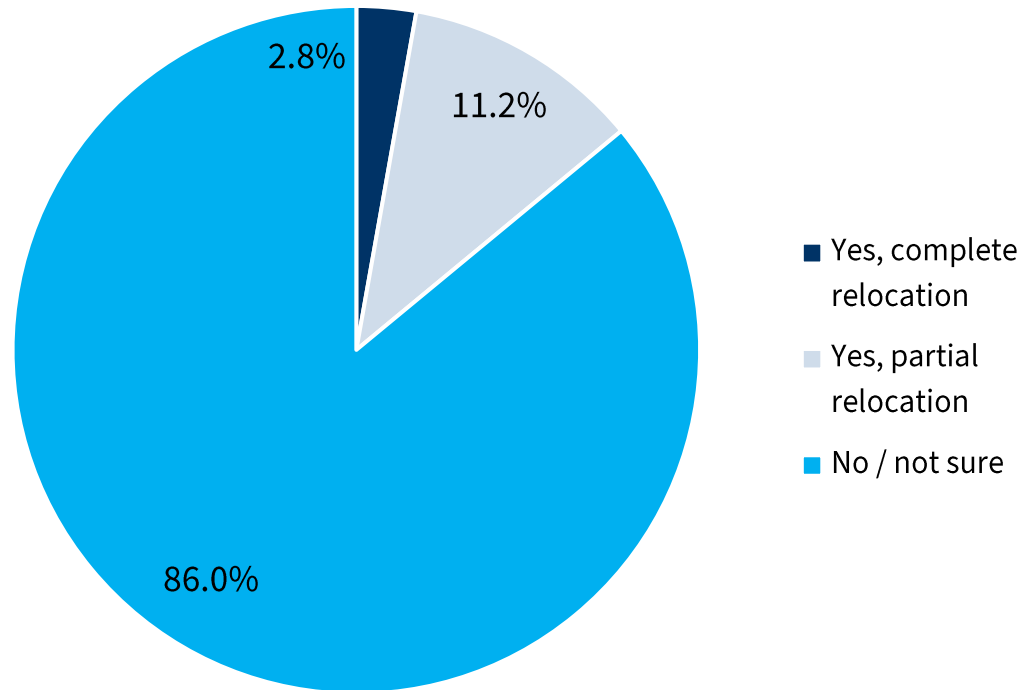
ANSWERED: 107 | SKIPPED: 12

How will your company's headcount in Hong Kong develop in the next 12 months?



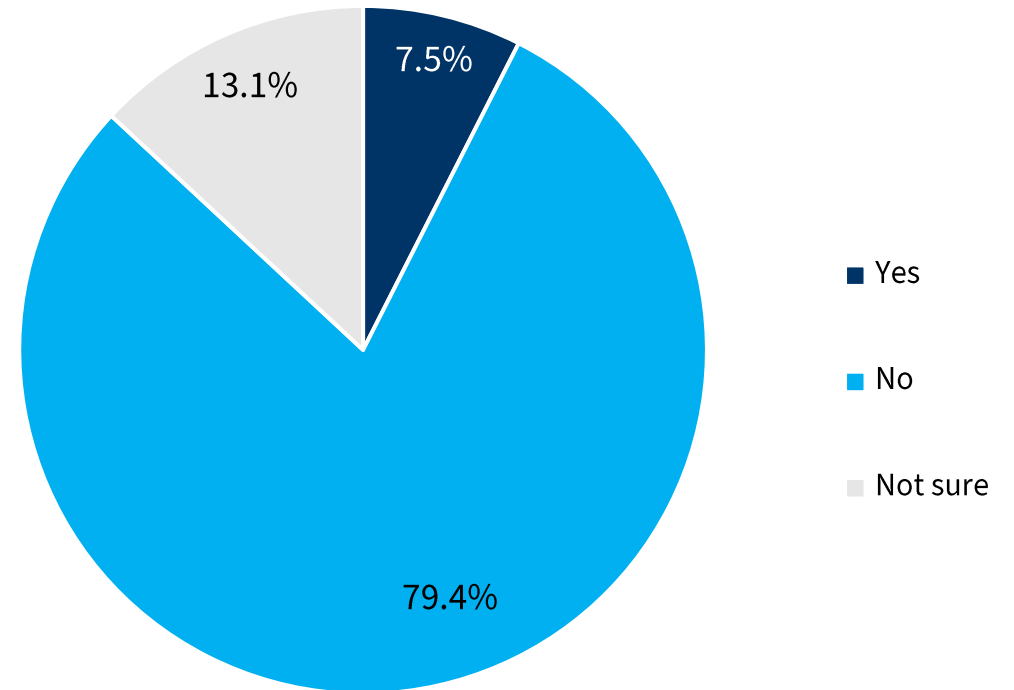
ANSWERED: 107 | SKIPPED: 12

Is your company considering a relocation within the next 12 months?



ANSWERED: 107 | SKIPPED: 12

Is your company considering bringing previously relocated staff back in the next 12 months?



ANSWERED: 94 | SKIPPED: 25

What are your company's main challenges when it comes to recruiting and/or retaining staff in Hong Kong?

Top mentions	Summarised answers
Industry-specific challenges (39 mentions)	Companies in certain industries, such as logistics, supply chain management, finance, and IT, are finding it hard to attract skilled workers who are interested in these fields, and there is a particular struggle to find young talent who view these sectors as attractive career options.
Talent availability and skills (28 mentions)	Companies are facing significant challenges in finding qualified candidates with the necessary skills and experience. This issue is compounded by a shrinking talent pool, particularly as skilled workers are emigrating or being drawn to opportunities in other regions.
Cost-related challenges (28 mentions)	High living costs, including expensive housing and office rent, are making it difficult for companies to offer competitive salaries that match the cost of living in Hong Kong. This financial pressure affects both the recruitment of new staff and the retention of existing employees, as salary expectations are rising.
Demographic shift (13 mentions)	The demographic change in Hong Kong is resulting in a talent gap, particularly for roles requiring up-to-date technical skills and the energy often associated with younger employees. Additionally, the older workforce may not be as aligned with the changing demands of certain industries.
Language barriers (12 mentions)	Language proficiency, particularly in English and Mandarin, is a critical issue for respondents' companies. Insufficient language skills among local candidates make it difficult to fill roles that require international communication or advanced technical knowledge conveyed in these languages.
Attractiveness of Hong Kong (11 mentions)	Hong Kong's appeal as a major financial hub and a destination for international talent is perceived to be declining. This is due in part to political changes, economic uncertainty, and a shifting global perception of the region. As a result, potential candidates, both local and international, are less inclined to seek opportunities in Hong Kong.



Photo: Shutterstock

Greater Bay Area



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Activities and Outlook of Surveyed Companies in the GBA

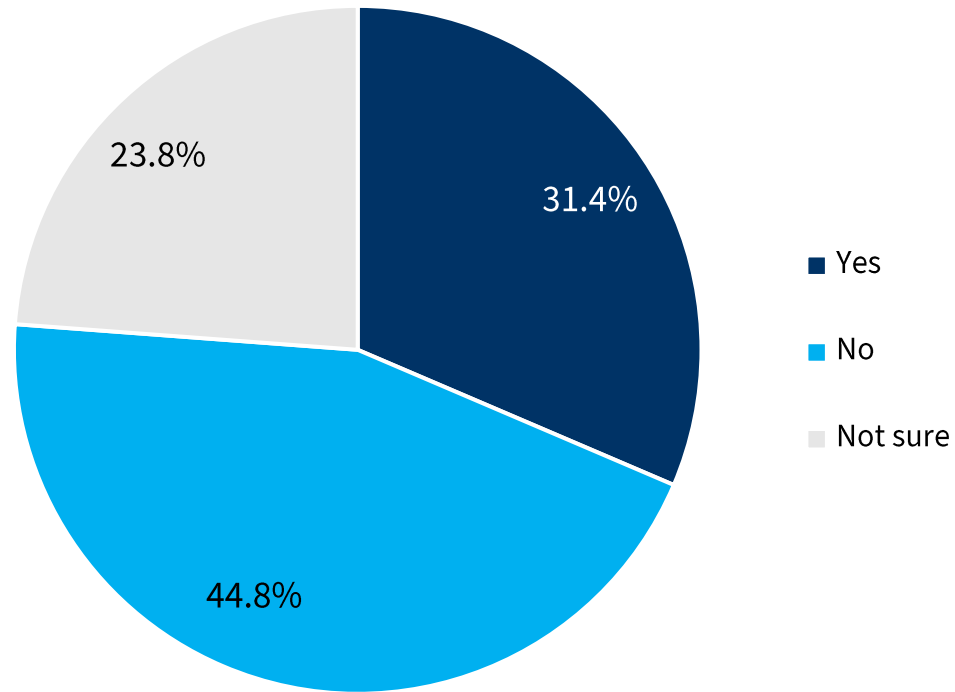
The survey results show mixed sentiments with regards to how German companies perceive and engage with the Greater Bay Area (GBA). Nearly every third respondent (31.4%) found their company was benefiting from Hong Kong's integration in the GBA, with many already invested in neighbouring cities like Shenzhen (28%) and Guangzhou (25%). At the same time, a much smaller group (15.2%) was able to identify specific advantages that distinguish the GBA from other regions in Mainland China.

The close physical and logistical ties between Hong Kong and the rest of the GBA were seen as a major advantage, facilitating easier travel, supply chain management, and business operations. Respondents also noted tax incentives and the relative ease of travel within the GBA as compared to other regions. Moreover, the GBA was acknowledged for its rapid development in technology and innovation, which presents opportunities for businesses looking to tap into cutting-edge markets.

Yet, despite these recognised benefits, investment plans in the GBA remain cautious. Some companies were planning to establish new offices, innovation hubs, or testing laboratories in the GBA over the coming two years. Specific mentions included expanding merchandising functions and setting up data management offices in Shenzhen. However, nearly 63% of respondents stated there were no investment or expansion plans. Practical and regulatory challenges, such as difficulties in opening bank accounts in Mainland China, were cited as barriers limiting the full exploitation of GBA opportunities and tempering the enthusiasm for broader investment. In addition, one in five respondents was experiencing issues regarding cross-boundary data transfers between Hong Kong and the Mainland.

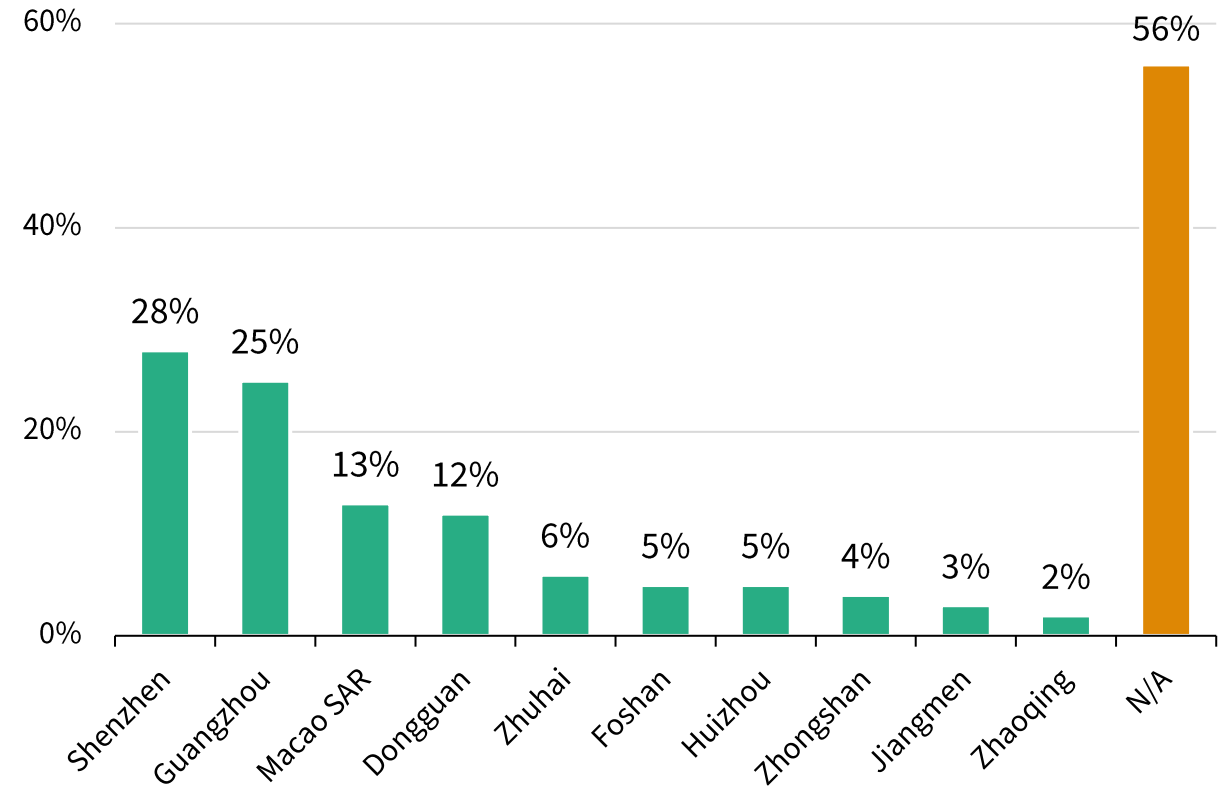
ANSWERED: 105 | SKIPPED: 14

Does your company benefit from Hong Kong's integration in the GBA?



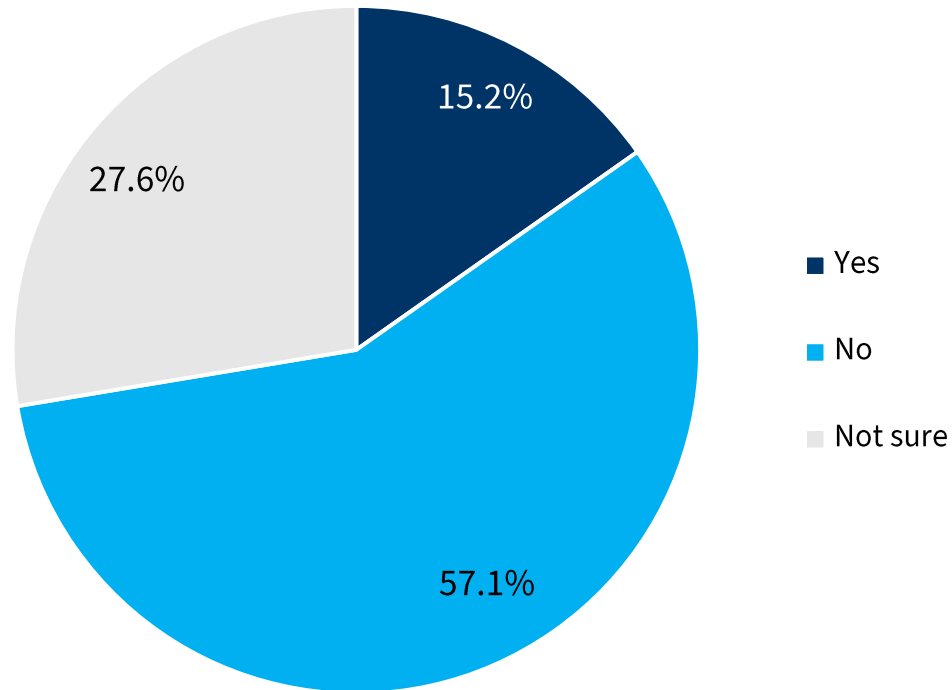
ANSWERED: 100 | SKIPPED: 19

Other than Hong Kong, which GBA cities is your company invested in?



ANSWERED: 105 | SKIPPED: 14

Does the GBA offer specific advantages for your company that distinguish it from other regions in Mainland China? (if yes, please specify)



“Proximity, connectivity, supply chain flexibility.”

“Dynamic development, technology and innovation.”

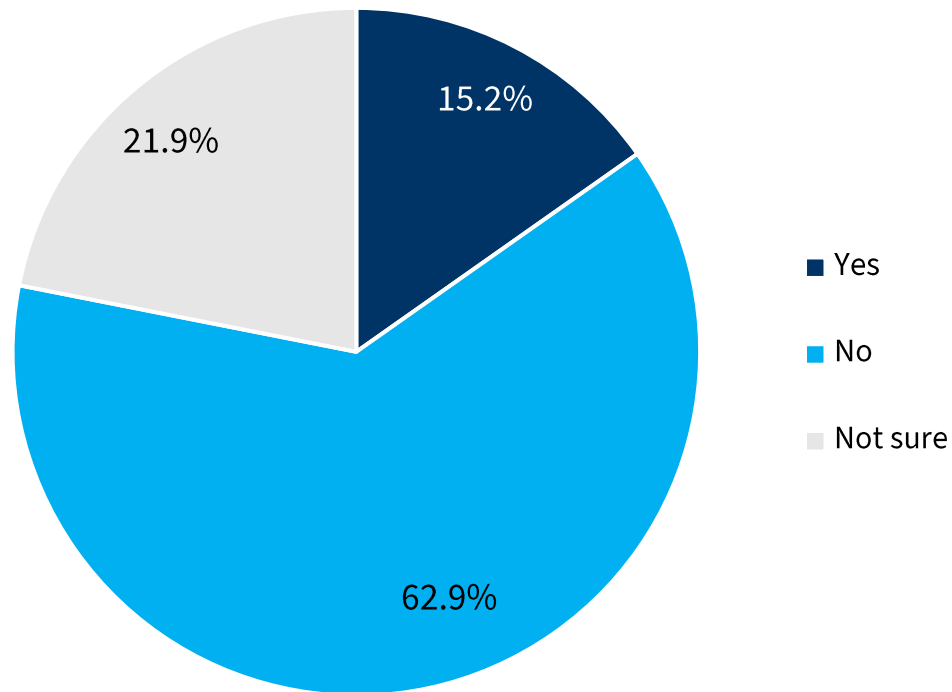
“High income and education level with market potential.”

“Easy to travel around, tax benefits and cultural difference is less than other regions.”

“With plants in South China, closer integration will make travel/business arrangements easier.”

ANSWERED: 105 | SKIPPED: 14

Does your company plan to invest or expand further in the GBA within the next 2 years? (if yes, please specify)



“Merchandising functions for key product categories.”

“Data management office in Shenzhen.”

“Establishing new offices and innovation hub in GBA.”

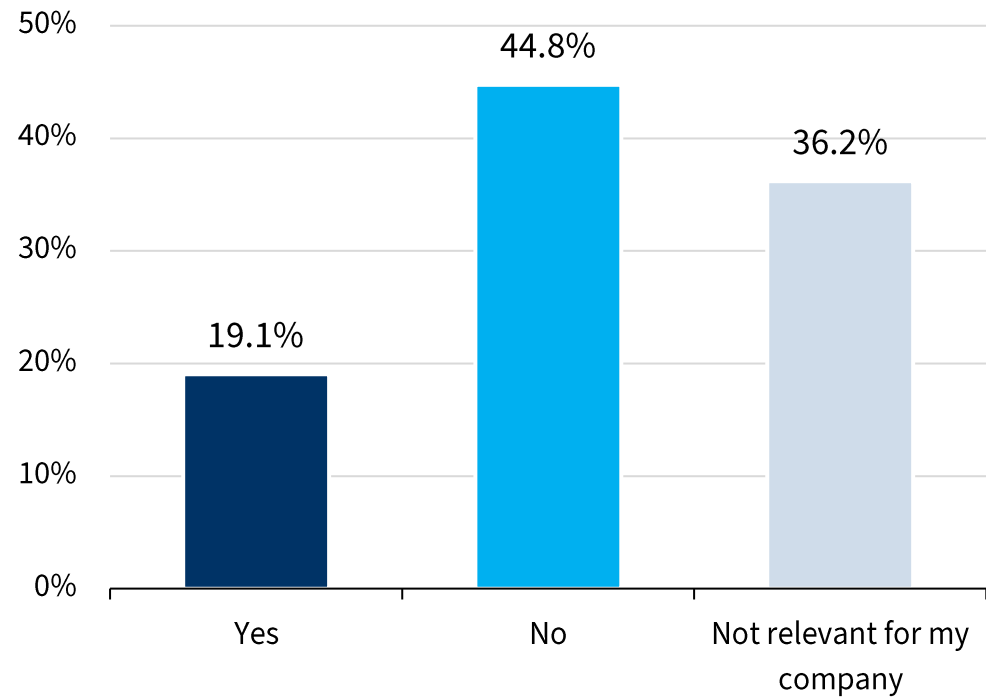
“Testing laboratories for various products (consumer and commercial).”

“As long as there is no easy way to open a bank account in China, GBA remains irrelevant.”

ANSWERED: 105 | SKIPPED: 14

Is your company facing any issues with regards to cross-boundary data transfers between Hong Kong and Mainland China?

Note: This question was raised to GCC by the Liaison Office of the Central People's Government in Hong Kong.



“As a service provider dealing with data, this is a big issue for handling data and cross-border travel for staff.”

“We have to pay high costs for our own government approved VPN tunnel to our office in the mainland.”

“There is a problem with transferring employee data from Mainland China to Hong Kong.”

“Strict rules on data transfer make a ‘parallel’ IT/customer data storage system necessary, leading to increased cost.”

“Chinese data privacy laws prohibit certain exchange of information which makes some processes inefficient.”

“Additional measures have to be implemented to ensure compliance with regulations.”

Methodology and Company Statistics

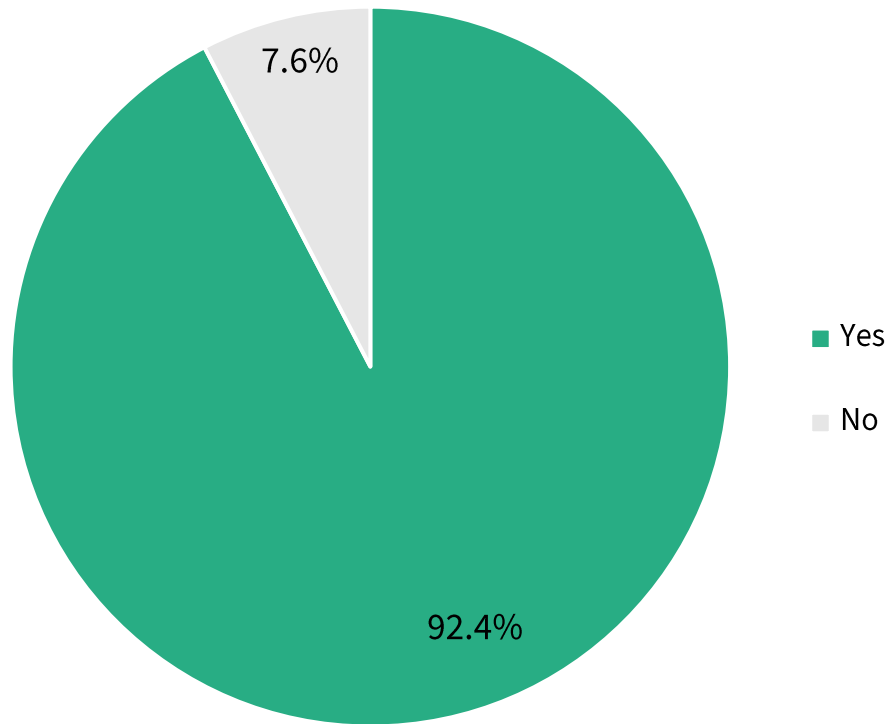
The Delegation of German Industry and Commerce (GIC) and the German Chamber of Commerce, Hong Kong (GCC) conduct a joint Business Confidence Survey each year to gauge the current sentiment and outlook of the German business community, and to provide a helpful reference for business leaders and policymakers locally and overseas.

This year's survey gathered a total of 119 online responses between June and July 2024. The lowest number of registered answers for any of the questions included in this summary report was 89. Survey respondents include corporate members of GCC (92.4%) as well as non-members (7.6%) including local subsidiaries or branches of German parent companies, sales agents and distributors of German brands, as well as locally established entities under German ownership. One in four surveyed companies (25%) were locally established companies, while the vast majority (75%) had their parent companies located outside of Hong Kong and either fulfilled the function of a regional headquarters with managerial responsibility for all business operations in the region (30.6%), a regional office overseeing some other markets/countries (25.9%), or a local office with sole responsibility for the Hong Kong market (18.5%).

The survey respondents come from a wide range of service/industry sectors. The largest share (38.6%) was active in the consumer goods industry, followed by accounting and professional services (13.9%), electronics and electrical parts (13.9%), as well as banking, finance and insurance (11.9%). In terms of the number of employees in Hong Kong, survey responses were largely distributed between small offices with 10 employees or less (40%) and medium-sized offices with 11 to 100 employees (38.3%), while 21.7% of respondents were working in large offices with more than 100 staff. As for their respective companies' global headcount, 43.1% of respondents estimated 500 employees or less, while 29.3% worked in companies with over 10,000 employees worldwide.

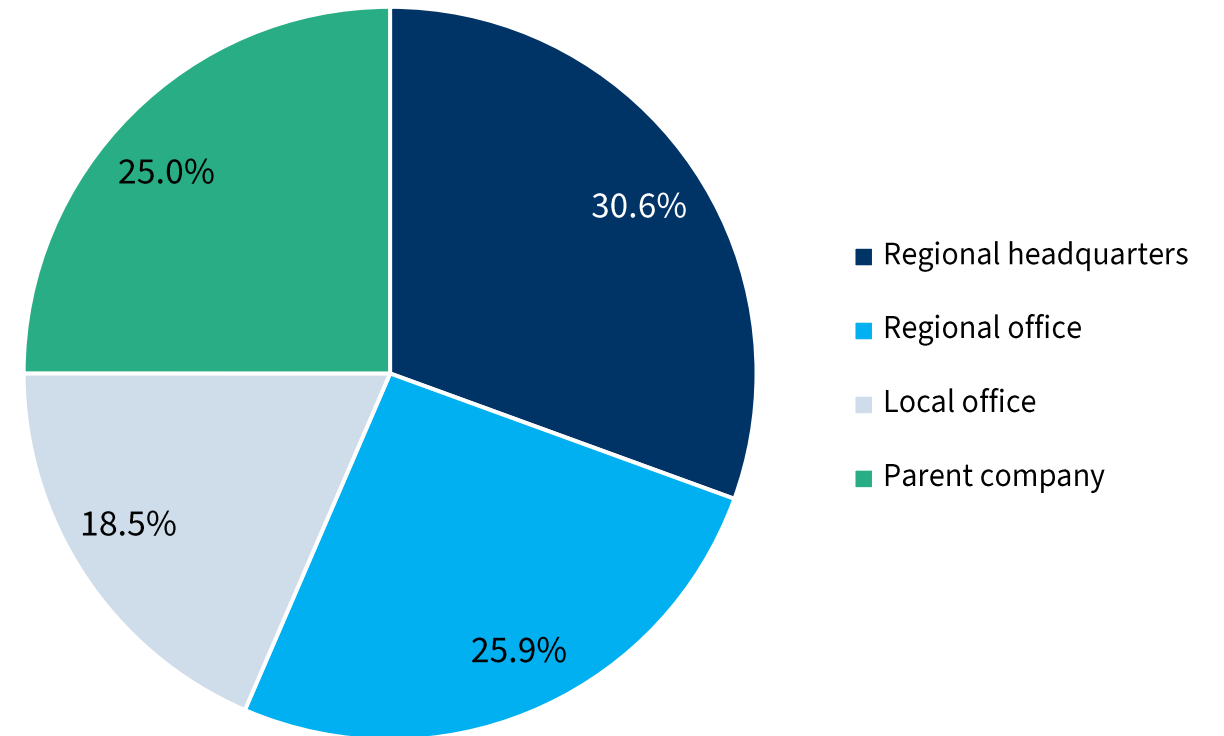
ANSWERED: 118 | SKIPPED: 1

Are you or is your company a member of GCCHK?



ANSWERED: 108 | SKIPPED: 11

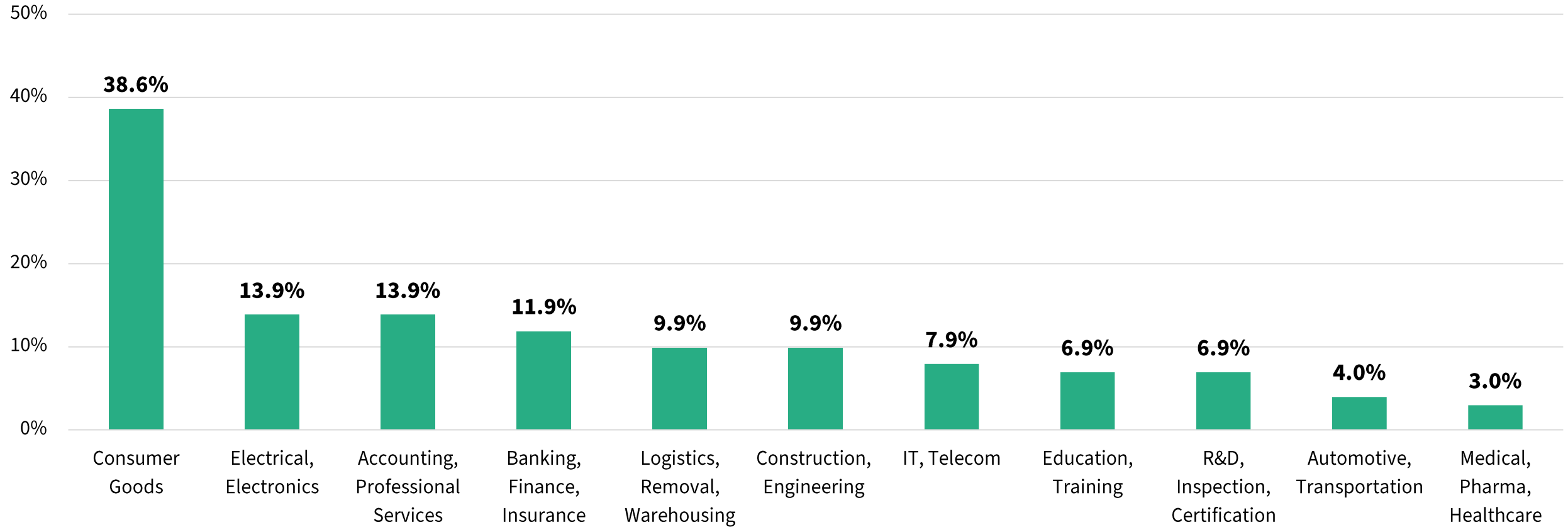
What function does your office in Hong Kong have?



ANSWERED: 101 | SKIPPED: 18

Which service/industry sector is your company mainly engaged in?

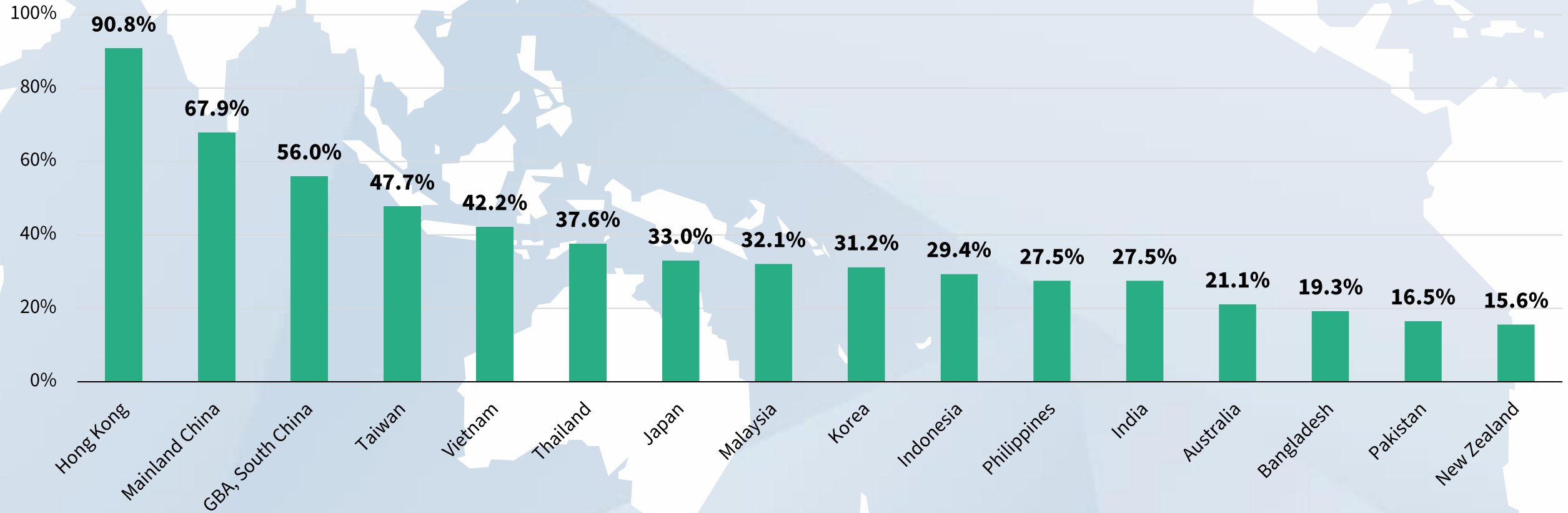
(up to 3 selections possible)



ANSWERED: 109 | SKIPPED: 10

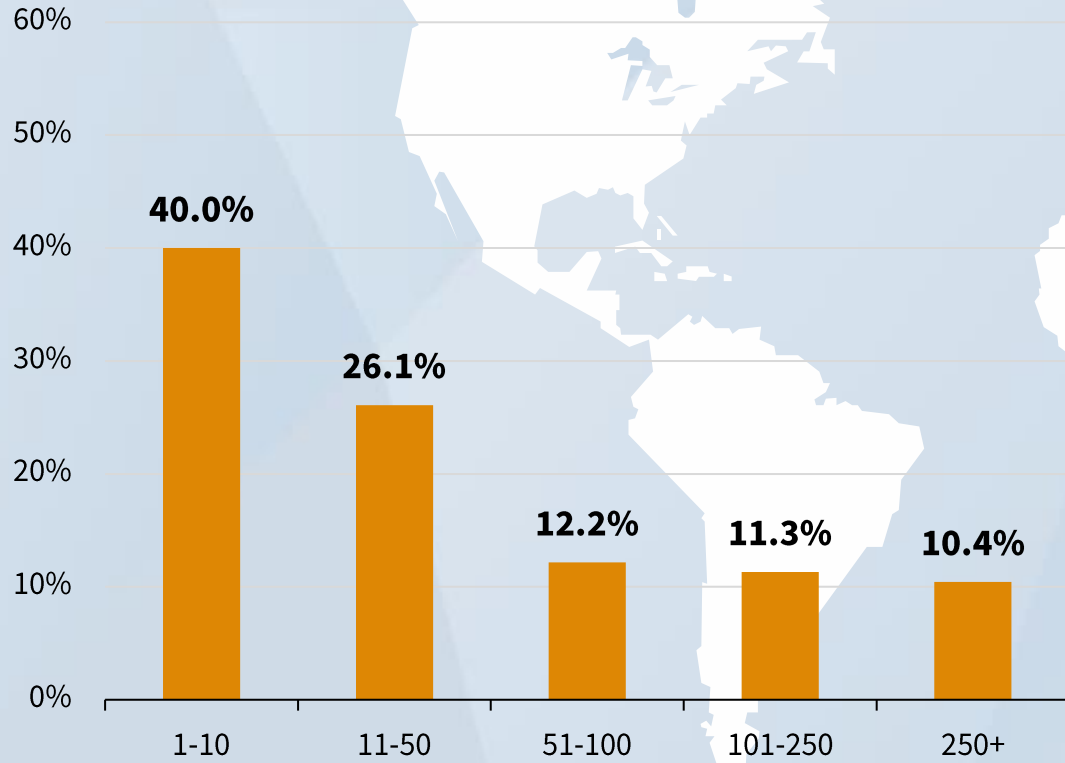
Which markets does your Hong Kong entity oversee?

(multiple selections possible)



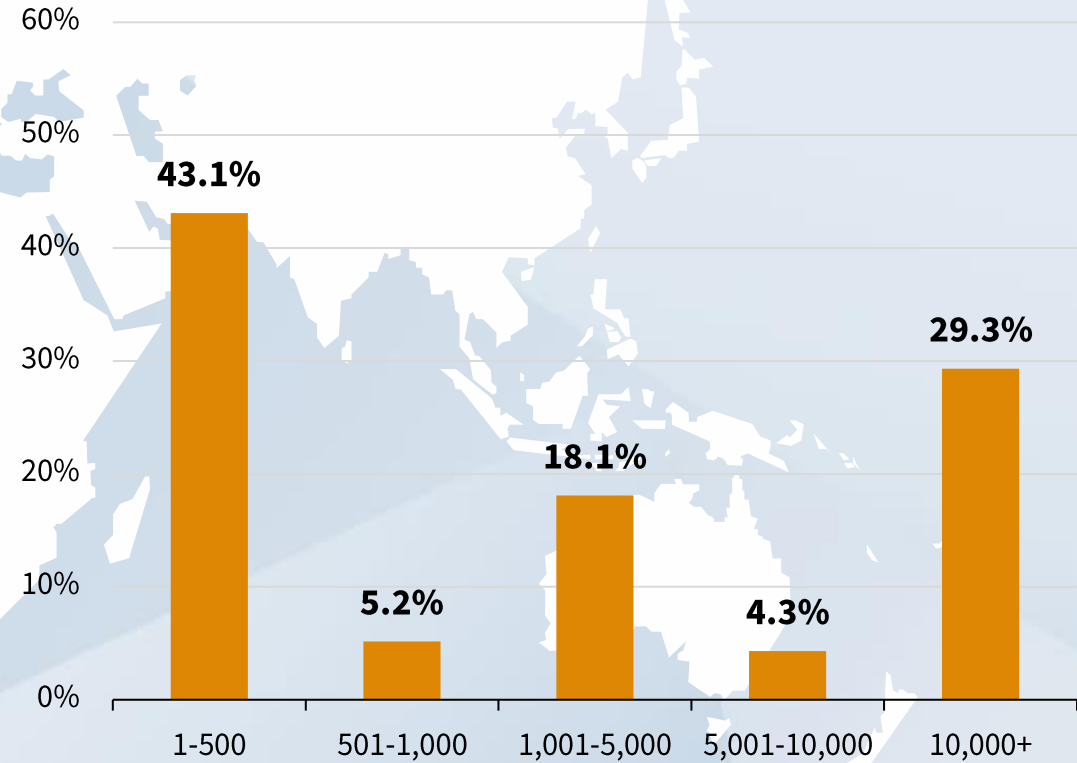
ANSWERED: 115 | SKIPPED: 4

How many employees does your company have in Hong Kong?



ANSWERED: 108 | SKIPPED: 11

How many employees does your company/group have worldwide?





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