

The 15th Survey of the Business Environment in Hong Kong (2nd half of 2024)

February 2025



日本國駐香港總領事館
Consulate-General of Japan in Hong Kong

Consulate-General of Japan in Hong Kong



JETRO Hong Kong



The Hong Kong Japanese Chamber of Commerce & Industry

Survey Points

1. DI value in the 2nd half of 2024 was -0.5 points, an increase of 12.0 points compared with the 1st half of 2024, and a sixth consecutive period of negative growth since the 1st half of 2022. Although DI of the manufacturing industry was -23.8 points, which is 23.8 points down from the 1st half of 2024, non-manufacturing industry upturned +2.3 points, which rose 15.8 points from the last survey. The DI for the 1st half of 2025 (forecasted) is expected at -3.1 points. The cause of depreciation is due to a “decrease in sales in Hong Kong market” and there is a strong expectation that the “decrease in sales in exports to mainland China” and “decrease in sales in overseas exports other than mainland China” will continue.
2. Regarding the business environment in Hong Kong compared to a year ago, the number of respondents indicating that business costs and securing human resources had ‘deteriorated’ or ‘seriously deteriorated’ has decreased slightly, but their concern continues to be strong. More than 60% of companies which responded that they had experienced a loss of employees in the past six months indicated that they were "unable to secure replacement personnel." The main reasons given were that "there were no applications from personnel who met the hiring criteria" and "the employment conditions were not suitable."
3. More than 70% of logistics companies responded that the volume of imports and exports passing through Hong Kong has decreased compared to pre-COVID. The most common reasons cited for this include the stagnation of the Chinese market, the stagnation of the Hong Kong market and the establishment of trade patterns bypassing Hong Kong. In an assessment of the logistics environment, many respondents continued to believe that transportation costs and labour costs had increased compared to pre-COVID and there was an increase in the percentage of respondents who said that warehousing fees had also increased. Customs procedures, however, are returning to pre-COVID levels.
4. Compared to pre-COVID, only about half of the respondents said that travel is “back to normal”. Although the acquisition of Chinese visas was relaxed in November 2024, the reasons why travel has not recovered include “the establishment of online meetings”, “changes in Hong Kong’s functions (substituted by the ASEAN region etc),” “the weak yen and rising business costs,” and “sluggish sales and reduced transactions.”

Concept of the survey

1. Purpose of the survey

The purpose of this survey is to understand the business environment surrounding Japanese companies in Hong Kong, including the rising cost of doing business, the shortage of human resources that companies are facing, the decline in trade and logistics due to the economic downturn, the entrenchment of trade bypassing Hong Kong etc. and to consider possible measures to be taken.

2. Coverage

Total: 664 companies

3. Survey period

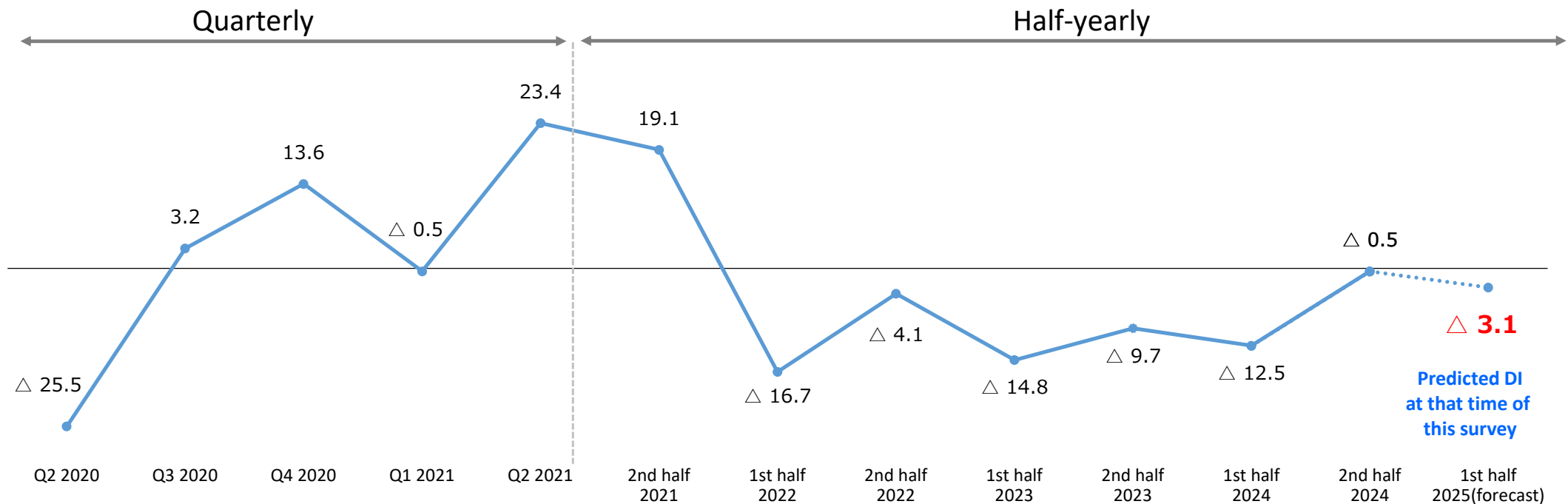
8th January – 19th January 2025

4. The number of respondents

210 businesses, including businesses belonging to "The Hong Kong Japanese Chamber of Commerce & Industry", "NPO Hong Kong Wakyokai Ltd" and the "Hong Kong Japanese Restaurant Association".

Diffusion Index

- DI value for the 2nd half of 2024 was **-0.5 points**, which rose 12.0 points from that of the last survey (1st half of 2024). The negative growth trend is continuing since the 1st half of 2022.
- The forecast for the 1st half of 2025 is **-3.1 points**, which has dropped by 2.6 points from the DI value of the 2nd half of 2024. Economic trends are expected to deteriorate slightly.

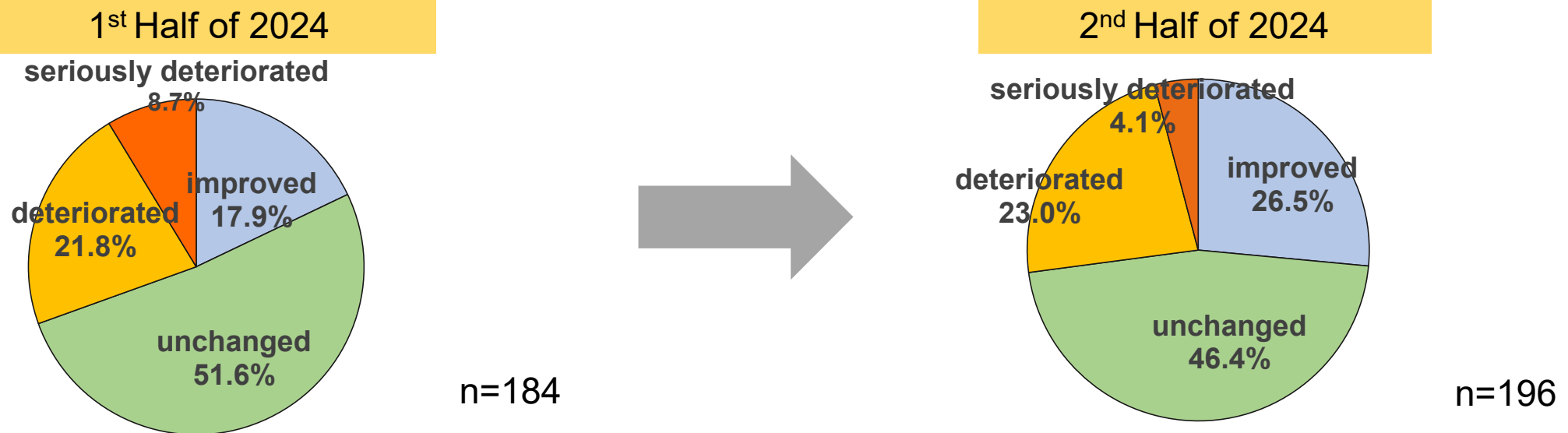


*DI stands for Diffusion Index and is calculated by subtracting the proportion of companies that responded 'deteriorated' and 'significantly deteriorated' from the proportion of companies that responded 'improved'.

Business Performance in the 2nd half of 2024

- The ratio of 'improved' increased to 26.5%, an increase of 8.6 points compared with the last survey (17.9%). The ratio of 'deteriorated' or 'seriously deteriorated' slightly decreased to 27.1%, 'unchanged' decreased to 46.4%, a decrease of 5.2 points compared with the last survey (51.6%).
- In terms of performance trends compared to the last survey (Jan-Dec 2024), respondents from many industry sectors answered that their business performance had 'improved' since the last survey. Industry sectors which especially have a big ratio of improvement are Information, Communications & Media advertising (from 0.0% to 33.3%) and Food, Beverage & Retail (from 9.1% to 37.5%).
- The ratio of respondents who answered 'deteriorated' or 'seriously deteriorated' has increased since the last survey in Construction and Real Estate (from 14.3% to 40.0%), and Precision and Electrical/Electronic Equipment (from 40.0% to 50.0%).

※ Please note that Food, Beverage & Retail, Precision and Electrical/Electronic Equipment, Information and Communications & Media advertising are for reference only, with fewer than 10 responses.



Reasons for the improvement or deterioration of business performance in the 2nd half of 2024

*Multiple answers allowed.

Reasons for 'improved' performance

Increase in exports overseas other than China	43.1%
Increase in sales in Hong Kong market	37.3%
Reduction of employment costs	25.5%
Increase in exports to mainland China	17.6%
Improvement of production and sales efficiency	13.7%
Exchange fluctuations	13.7%
Reduction of other expenses (administrative fees, electricity and fuel fees)	7.8%
Reduction of procurement costs	7.8%
Reduction of rent through office relocation or rent decrease	3.9%
Others	7.8%

Reasons for 'deteriorated' performance

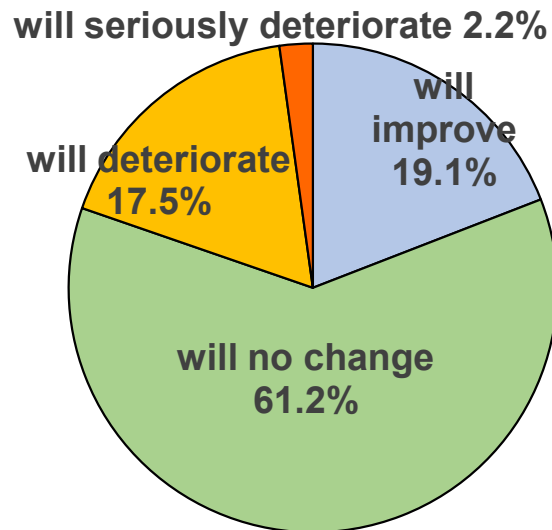
Decrease in sales in Hong Kong market	56.6%
Decrease in exports to mainland China	28.3%
Decrease in exports overseas other than China	22.6%
Rise in employment costs	20.8%
Exchange fluctuations	15.1%
Rise in procurement costs	15.1%
Insufficient transfer to sales price	9.4%
Rise in other expenses (administrative fees, electricity and fuel fees)	5.7%
Rise in rent through office relocation or rent increase	5.7%
Shortage of human resources	3.8%
Others	5.7%

Forecast of business performance in the 1st half of 2025

- The ratio of 'will improve' decreased to 18.2%, a decrease of 0.9 points compared with the last survey (19.1%) and the ratio of 'will deteriorate' or 'will seriously deteriorate' rose to 21.4%, increasing by 1.7 points from the last survey (19.7%).
- Compared to the performance in the period Jul-Dec 2024, the ratio of 'will improve' has increased in Information, Communications & Media advertising (from 0.0% to 33.3%) and Food, Beverage & Retail (from 18.2% to 50.0%). The ratio of companies that answered 'will deteriorate' or 'will seriously deteriorate' has increased; Construction and Real Estate (from 14.3% to 30.0%), Transport and warehousing (from 10.5% to 20.0%) and Finance & Lease (from 11.8% to 20.0%) .

※ Please note that Food, Beverage & Retail and Information and Communications & Media advertising are for reference only, with fewer than 10 responses.

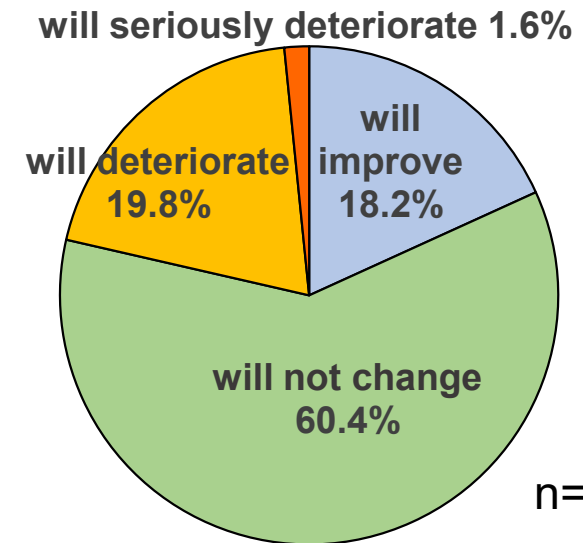
2nd Half of 2024



n=183



1st Half of 2025



n=192

Reasons for the forecast of the improvement or deterioration of business performance in the 1st half of 2025

*Multiple answers allowed.

Reasons for 'will improve' performance

Increase in sales in Hong Kong market	40.0%
Increase in exports overseas other than China	31.4%
Increase in exports to mainland China	14.3%
Improvement of production and sales efficiency	11.4%
Reduction of rent through office relocation or rent decrease	8.6%
Reduction of other expenses (administrative fees, electricity and fuel fees)	8.6%
Exchange fluctuations	5.7%
Reduction of procurement costs	5.7%
Reduction of employment costs	5.7%
Others	14.3%

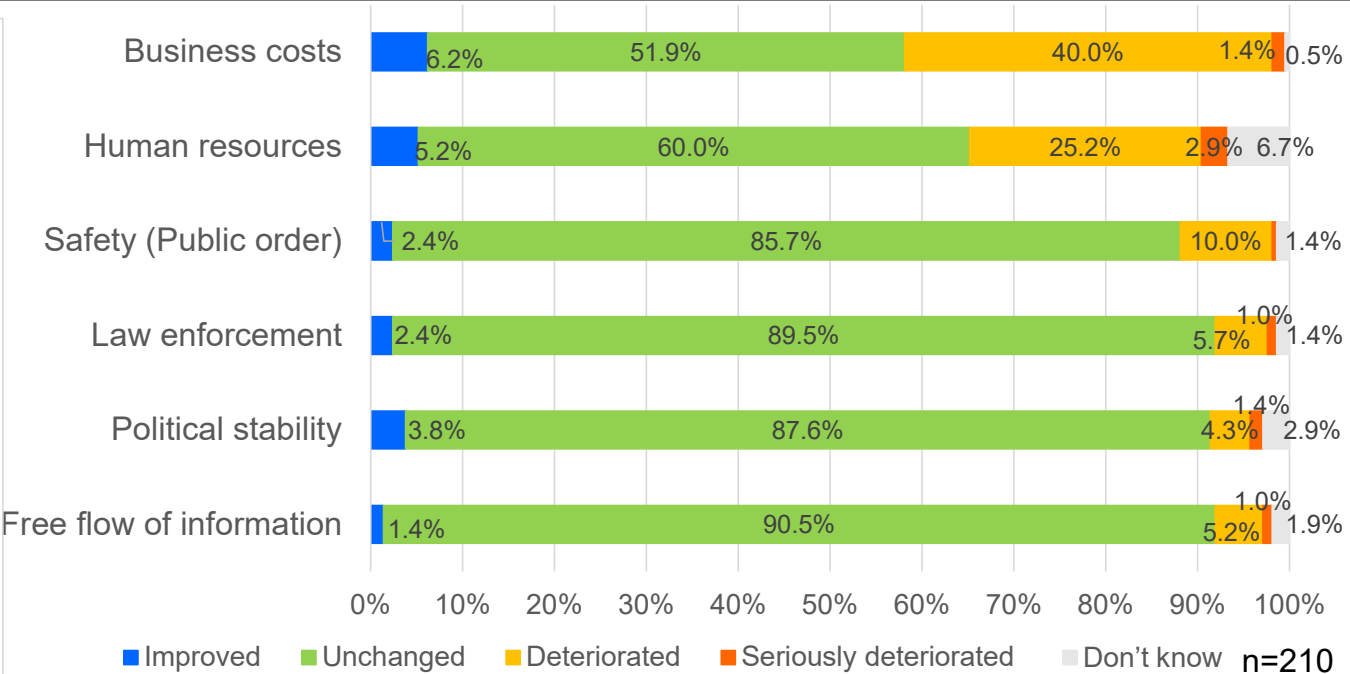
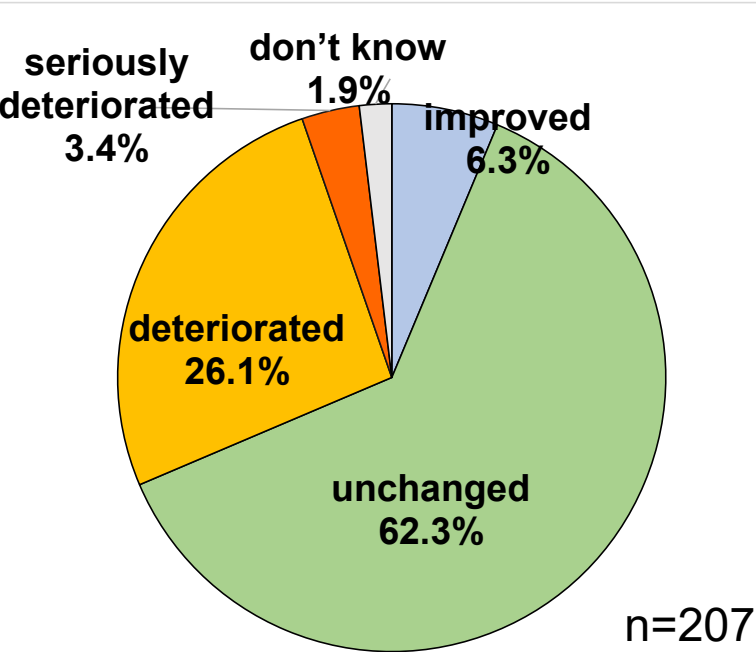
Reasons for 'will deteriorate' performance

Decrease in sales in Hong Kong market	41.5%
Decrease in exports overseas other than China	36.6%
Decrease in exports to mainland China	31.7%
Rise in employment costs	17.1%
Rise in procurement costs	14.6%
Insufficient transfer to sales price	12.2%
Exchange fluctuations	9.8%
Rise in rent through office relocation or rent increase	7.3%
Rise in other expenses (administrative fees, electricity and fuel fees)	4.9%
Shortage of human resources	2.4%
Others	9.8%

Evaluation of Hong Kong's business environment (compared with January 2024)

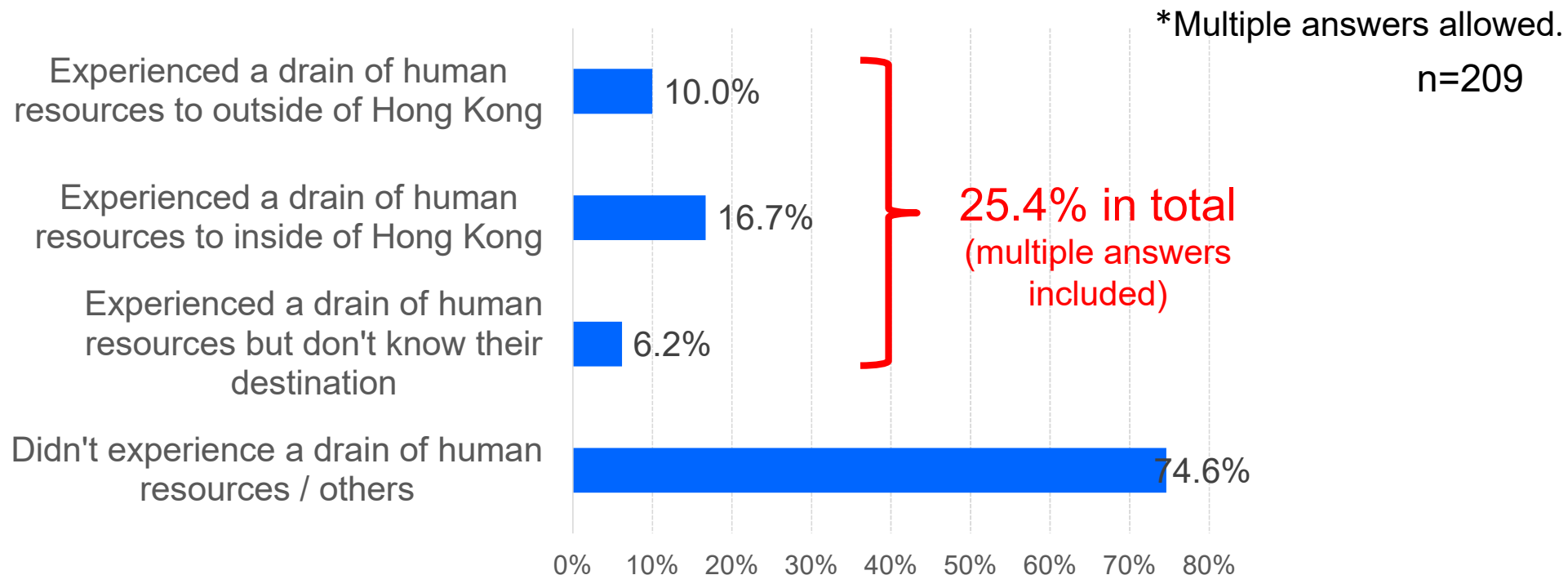
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- As for the business environment, 62.3% of respondents answered that there was 'no change' (previously 63.5%). 6.3% answered that it had 'improved', which is 0.9 points lower than the previous survey (7.2%). 29.5% answered that it had 'seriously deteriorated' or 'deteriorated', which is 1.7 points higher than the previous survey (27.8%).
- In itemised assessments, 41.4% of the companies answered 'deteriorated' or 'seriously deteriorated' in the areas of 'Business Costs' and 'securing human resources', which has slightly decreased since the last survey. 10.5% of the companies answered 'deteriorated' or 'seriously deteriorated' in the areas of 'Safety (Public order)', which rose 4.3% compared to the previous survey (6.2%).



Drain of human resources from Hong Kong offices (Jul - Dec 2024)

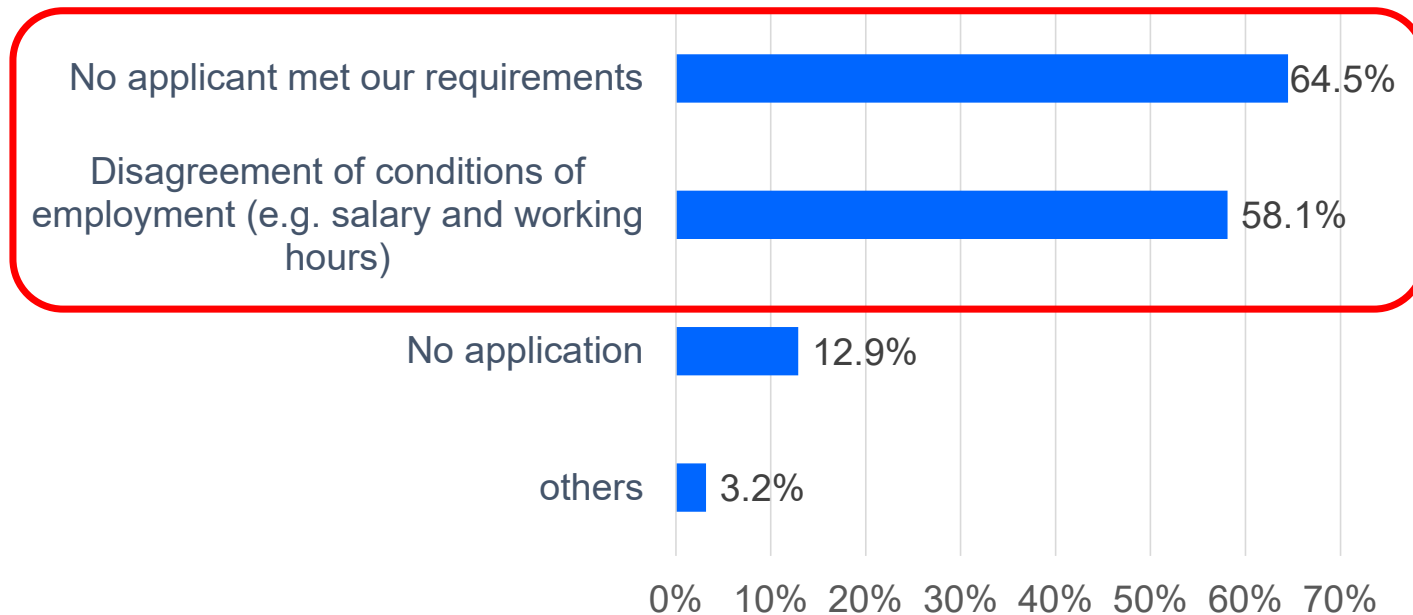
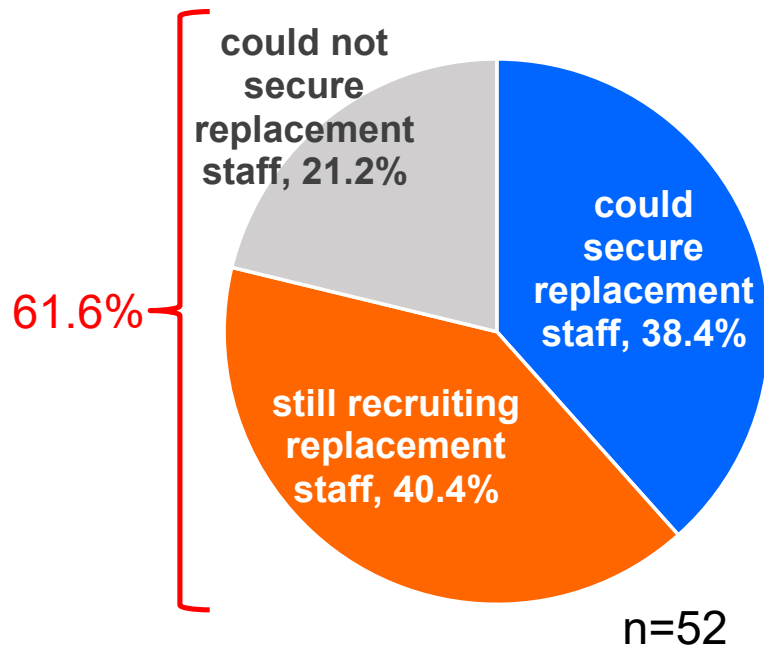
- 25.4% (previously 30.4%) of respondents answered that they had experienced a drain of human resources in the past half year (Jul - Dec 2024).



※This refers to the proportion of companies that selected one of the options 'there was an extraterritorial outflow from Hong Kong', 'there was an intra-regional outflow in Hong Kong' or 'there was an outflow, but we do not know where they have gone since they left'. As multiple responses are possible, the percentages do not correspond to the percentage of responses added to the respective response rates.

Securing replacement staff in Hong Kong offices (Jul – Dec 2024)

- Regarding replacement staff for a vacancy due to a drain of human resources, **61.6% of the respondents (32 companies)** who had experienced talent drain answered **'could not secure' or were 'still recruiting'** (previously 57.6% (34 companies)).
- 'No applicant met our requirements' and 'Disagreement of conditions of employment (e.g. salary and working hours)' were raised as the two main reasons.



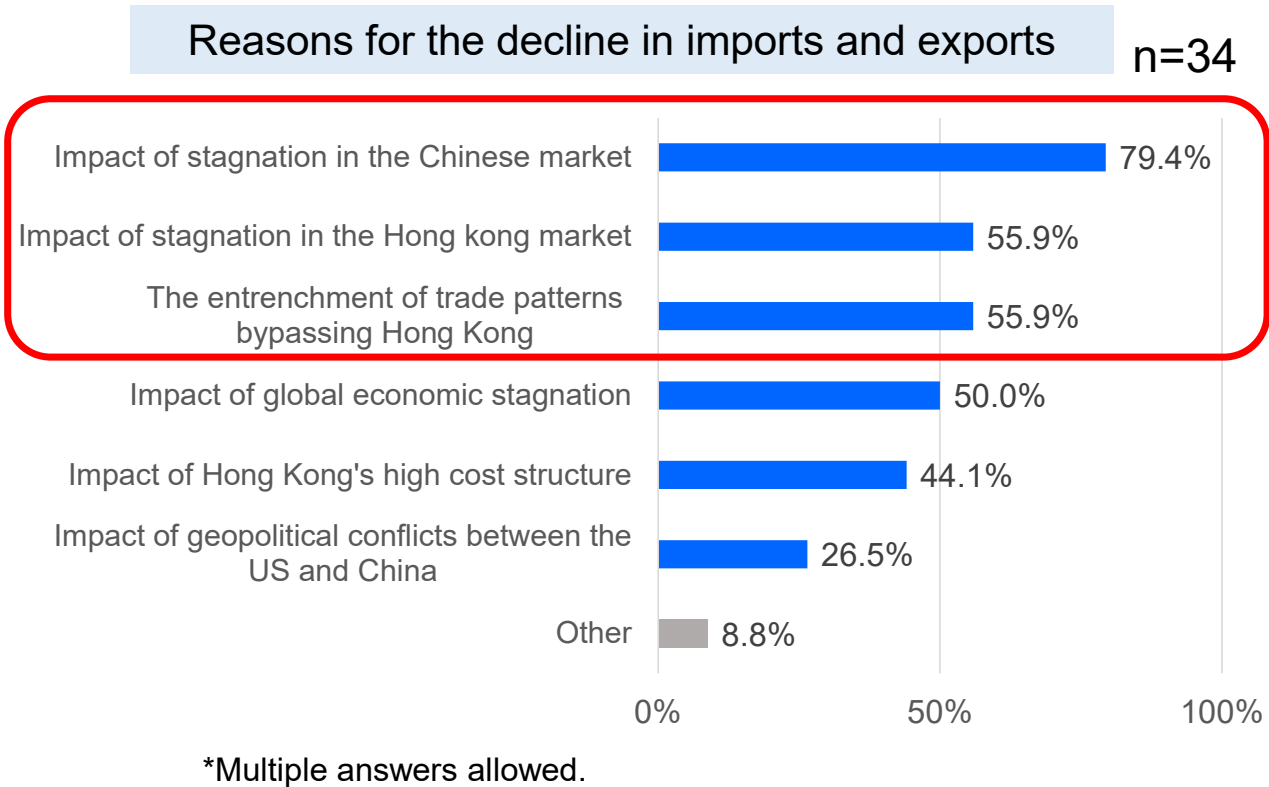
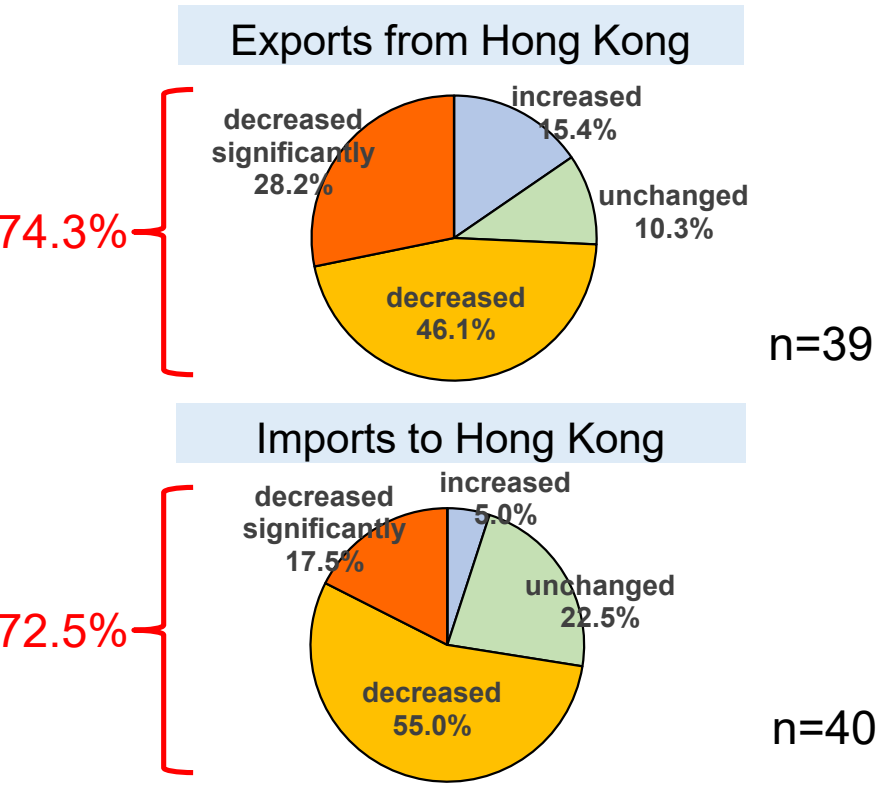
*Multiple answers allowed.

n=31

Changes in logistics volumes (Jul - Dec 2024, Compared with pre-COVID)

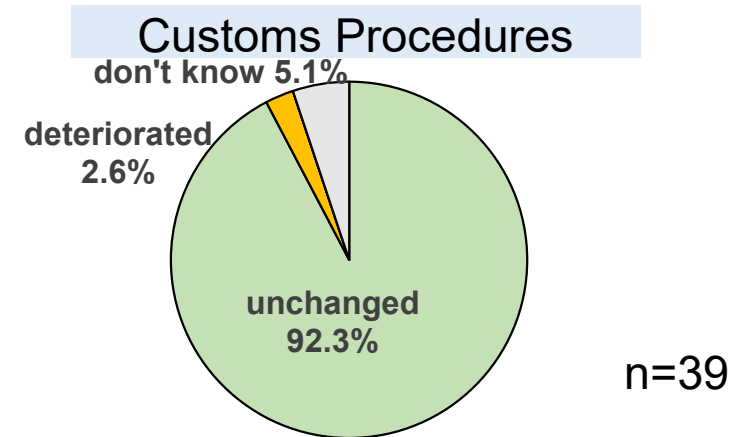
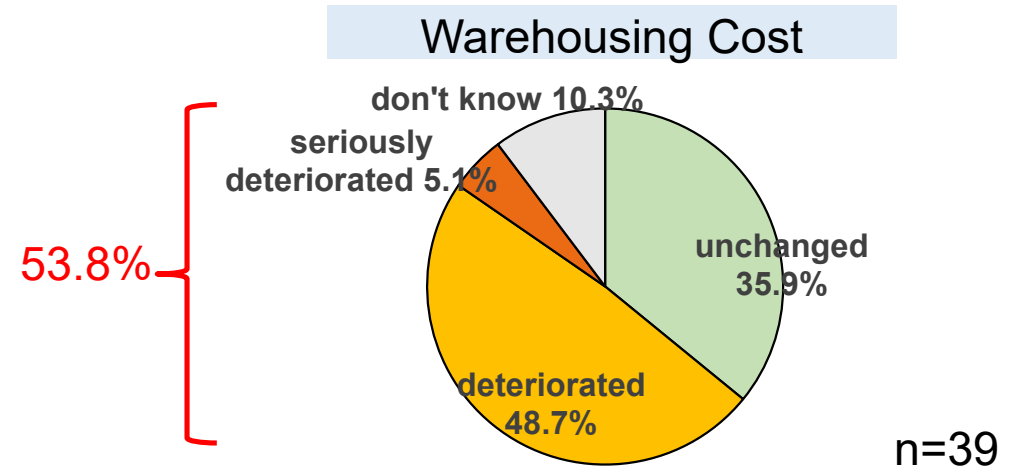
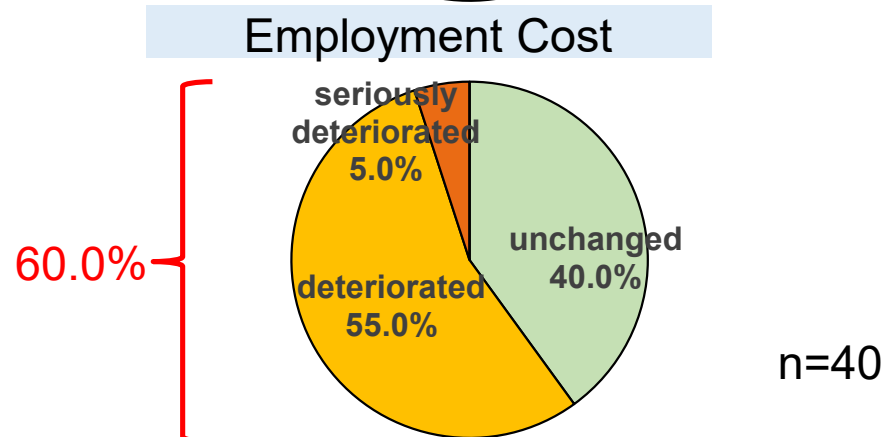
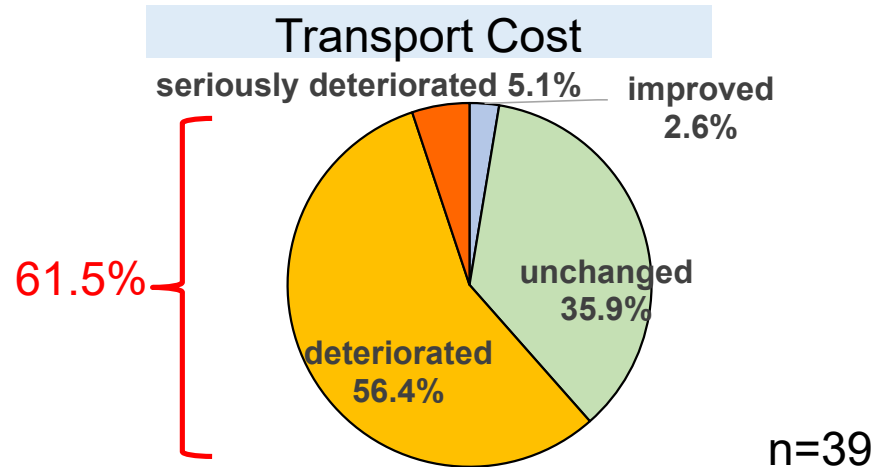
12

- The ratio of companies which answered that 'exports from Hong Kong' and 'imports to Hong Kong' had 'decreased' or 'decreased significantly' was 74.3% (previously 64.5%) and 72.5% (previously 58.8%), respectively, indicating a downward trend in import and export logistics volumes from more than 70% of the respondents.
- 'The impact of the stagnation of the Chinese market' and 'the establishment of trade patterns bypassing Hong Kong' are cited as reasons for the decline in import and export volumes.



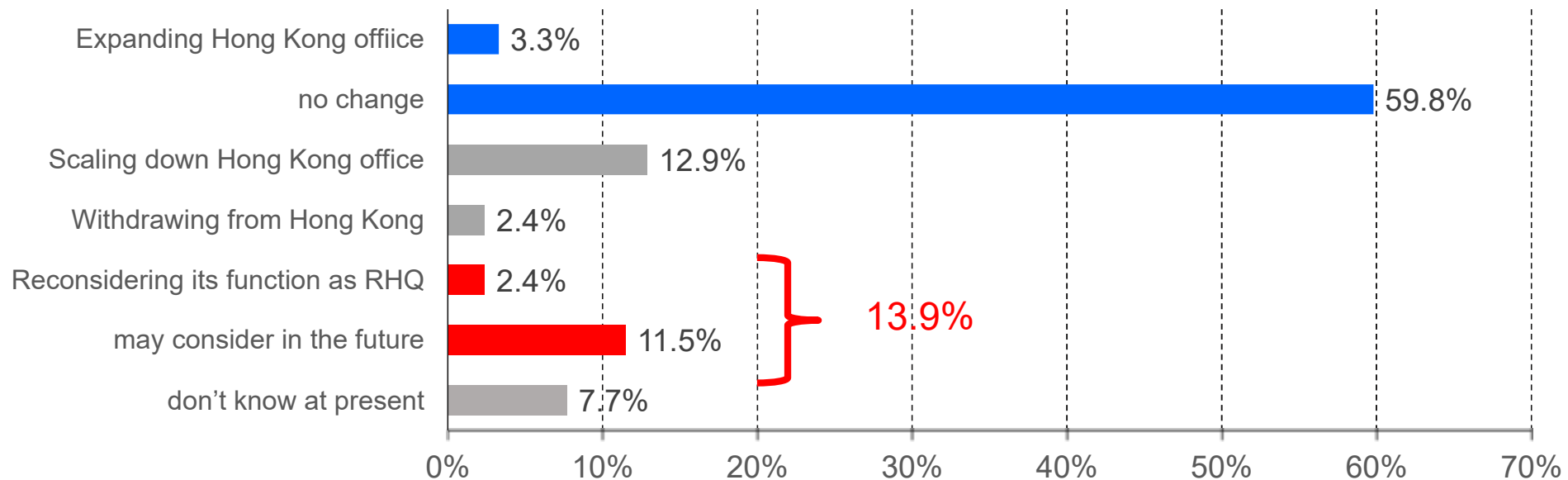
Logistics environment (Jul - Dec 2024, Compared with pre-COVID)

- Questions were asked of companies involved in logistics. The item with the highest ratio of companies that said the logistics environment had 'deteriorated' or 'seriously deteriorated' was 'Transport Cost' at 61.5% (previously 58.8%), followed by 'Employment Cost' at 60.0% (previously 64.7%) and 'Warehousing Cost' at 53.8% (previously 44.1%).
- 'Customs procedures' was 2.6%, which is dropped by 6.2 points from the previous survey (8.8%).



Future direction of Hong Kong offices

- 3.3% (previously 3.1%) of respondents answered that they would 'expand' the business functions of their Hong Kong offices. Reasons for expansion include: "Expectation of business expansion (e.g. release of new products and services)" etc.
- The ratio of companies which answered 'reconsider its function' (previously 5.2%) and 'may consider in the future' (previously 20.6%) has dropped 11.9%. The number of companies that responded 'no change' increased by 8.8% points to 59.8.



n=209

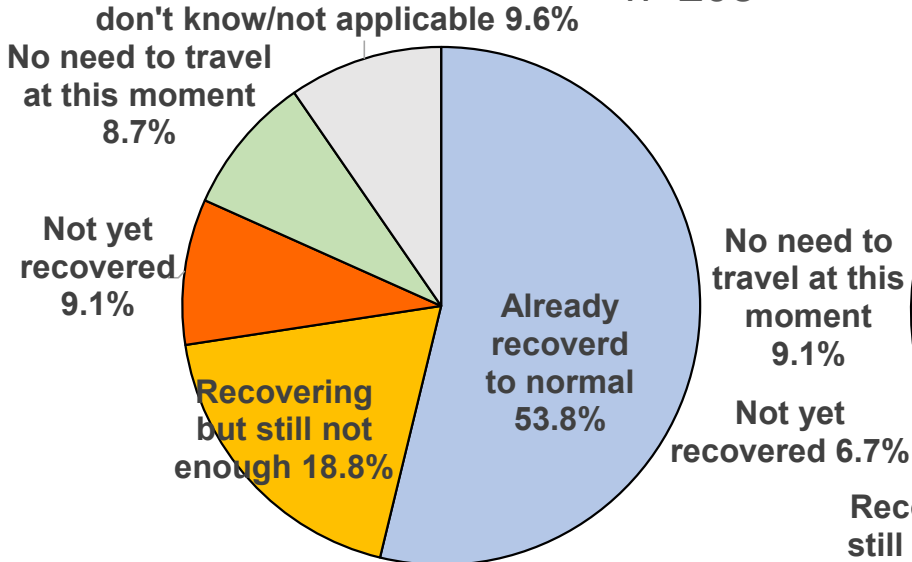
Status of recovery of human traffic (compared with normal times)

15

- Regarding the recovery of human traffic by internal business travellers, expats and customers/clients, **only around half of the respondents answered, “Already recovered back to normal”**.
- Reasons given for the lack of recovery in human traffic include **“establishment of online meetings”, “changes in Hong Kong’s functions (substituted by the ASEAN region etc.)”, “weak yen and rising business cost” and “sluggish sales and decreased transactions”**.

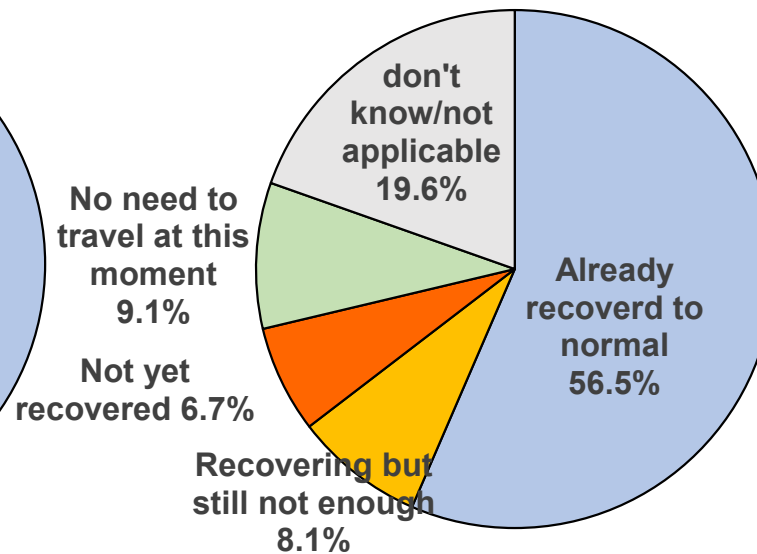
Internal Business Travellers

n=208



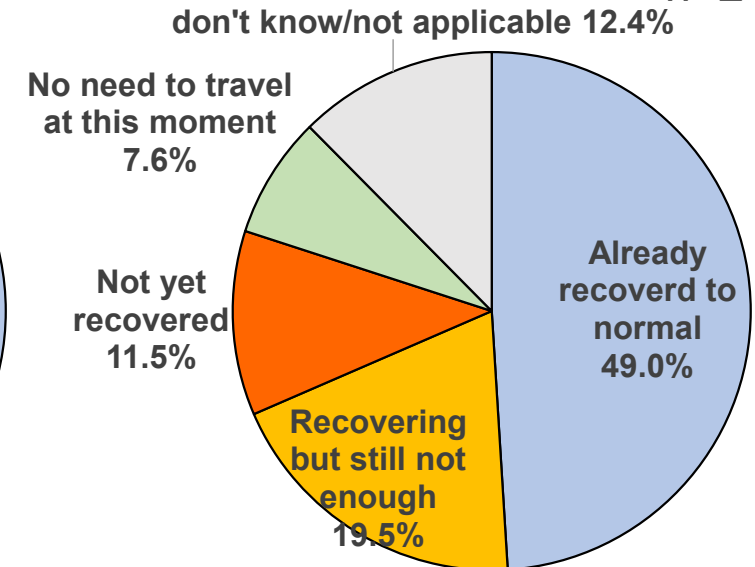
Expats

n=209



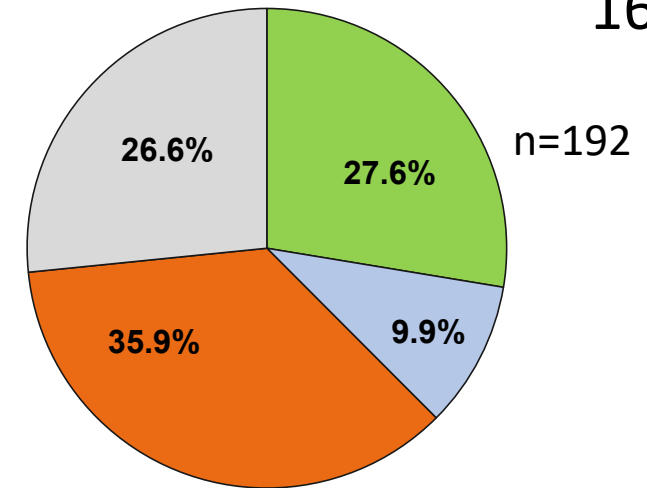
Customers/Clients

n=210

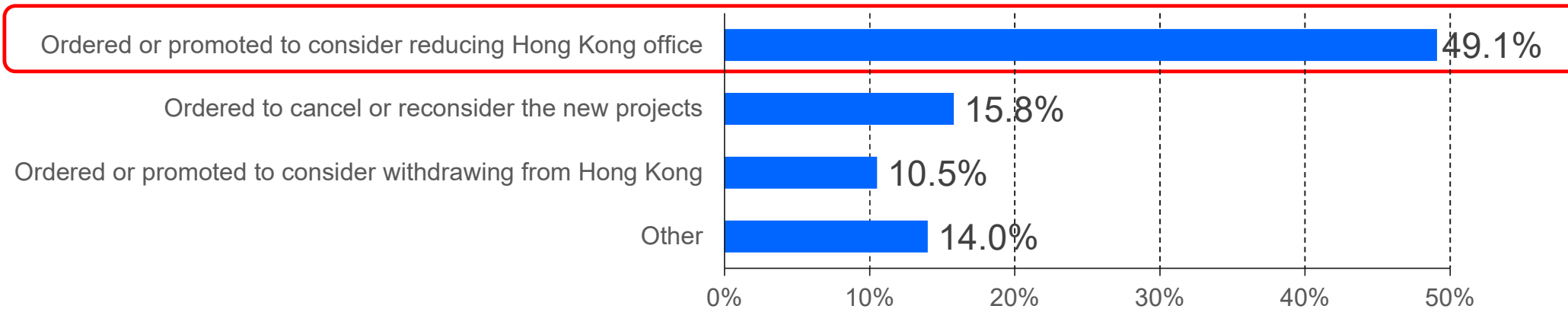


Japan HQs' view on Hong Kong

- The most common response to the Japan HQ's view on Hong Kong was 'pessimistic about Hong Kong's situation' at 35.9% (previously 41.4%) and an 'accurate view on the actual situation of Hong Kong' was 27.6% (previously 20.4%).
- Regarding the impact of the pessimistic view on business, 49.1% of respondents answered that they had been 'ordered or urged to consider scaling down their Hong Kong offices and/or business', which is 8.7 points higher than the last survey.



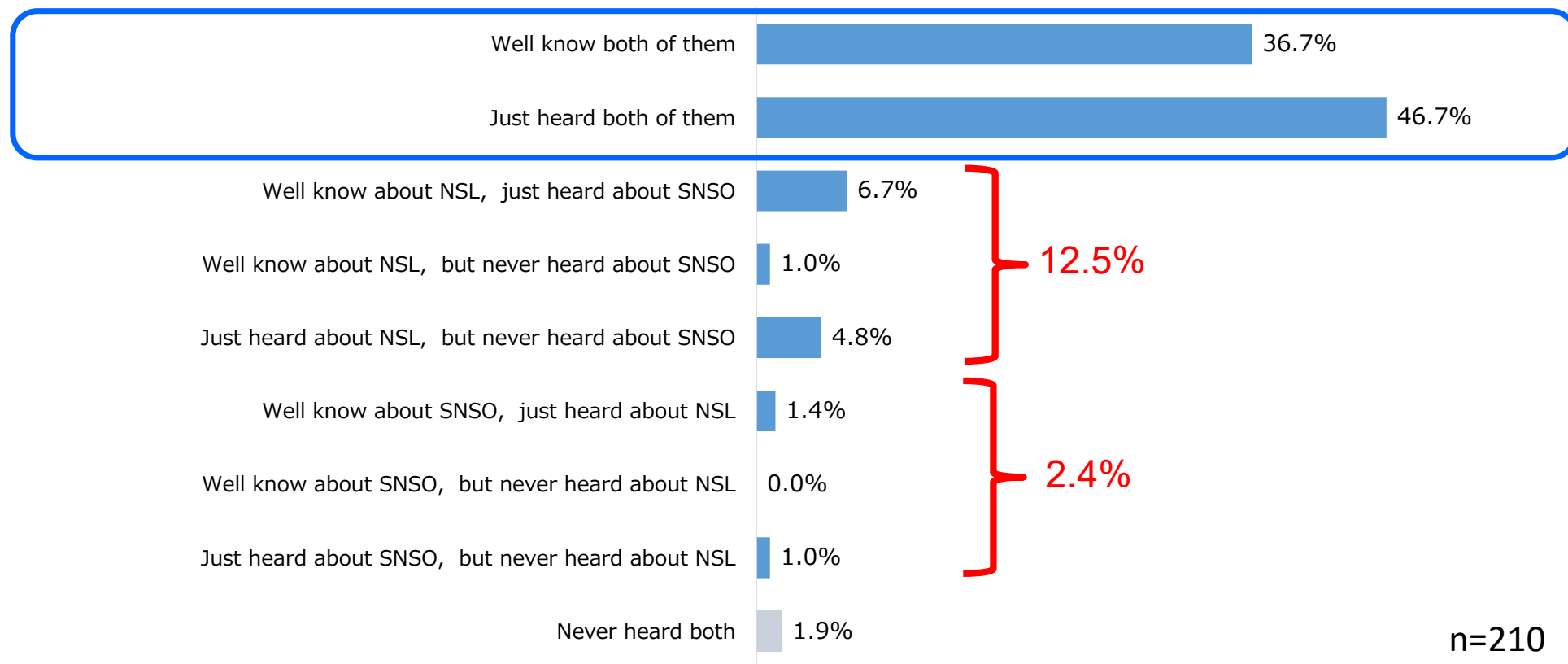
■ HQ in Japan has an accurate view on the actual situation of Hong Kong
■ HQ in Japan is optimistic about Hong Kong's situation
■ HQ in Japan is pessimistic about Hong Kong's situation
■ can't say either



*Multiple answers allowed. n=57

Recognition of the National Security Law (NSL) and the Safeguarding National Security Ordinance (SNSO)¹⁷

- The percentage of respondents who answered “well know” or “just heard” of both the NSL and SNSO was 83.4% (previously 83.4%).
- The NSL was recognised much more than the SNSO.

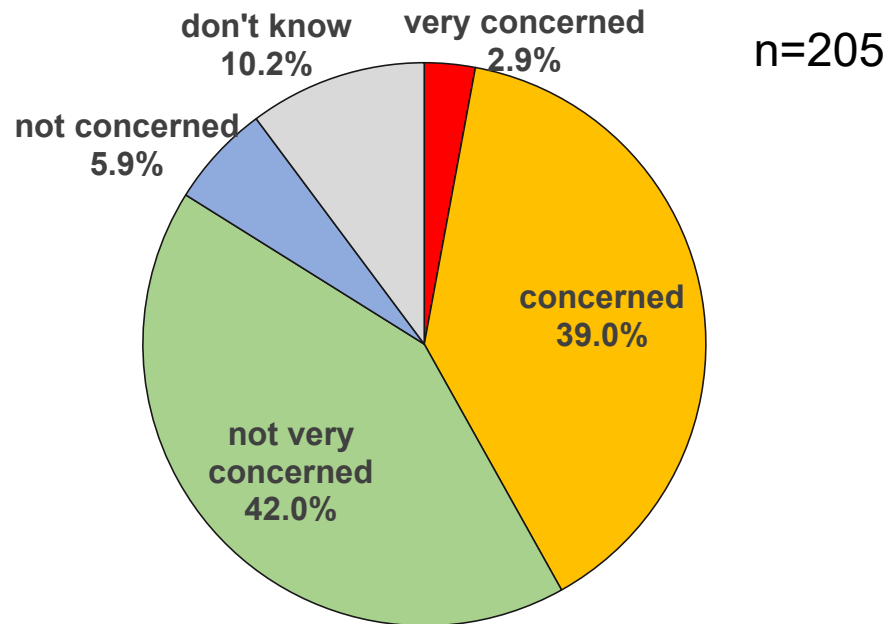


Impact of National Security Law (1)

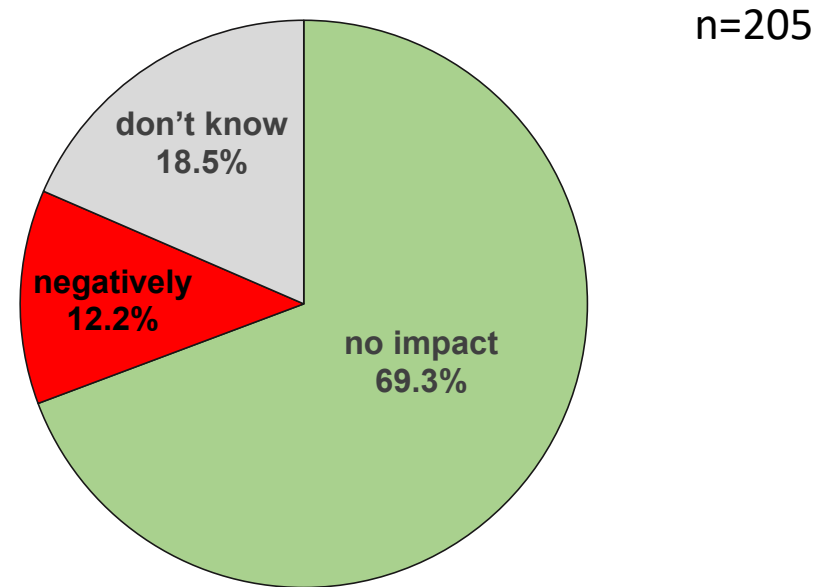
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- 41.9% (previously 43.7%) of respondents answered that they were 'very concerned' (2.9%) or 'concerned' (39.0%) about the NSL, which is 1.8 points lower than the last survey.
- 12.2% of respondents answered that it had a 'negative impact on business', which is almost the same percentage as the last survey (13.5%).

How concerned about National Security Law?



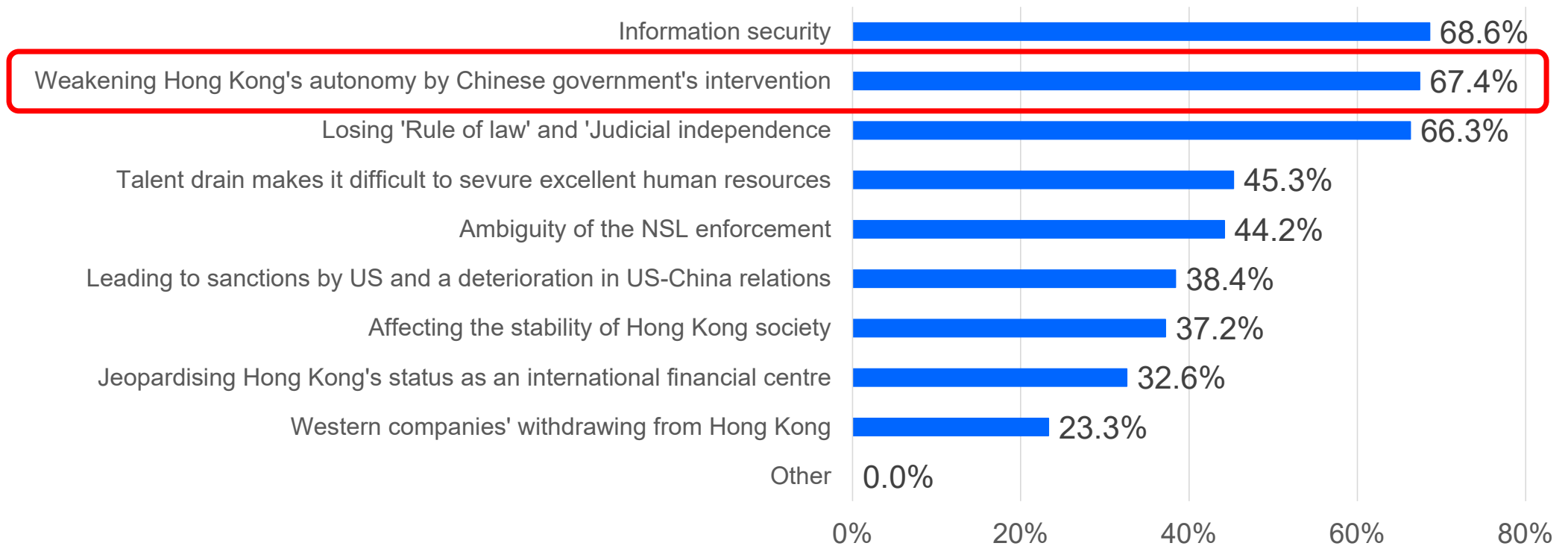
Impact on the business by National Security Law



Impact of the National Security Law (2)

- Regarding a reason for concern about the NSL, the number of companies that responded “Information Security” is 68.6% (previously 72.6%) dropped by 4.0 points from the last survey.
- The number of companies that responded “Weakening Hong Kong's autonomy by Chinese government's intervention” is 67.4% (65.5%), rose by 1.9 points from the last survey.

*Multiple answers allowed. n=86



Impact of the National Security Law (3)

Opinions from respondents regarding the impact of the NSL:

【Negative impact】

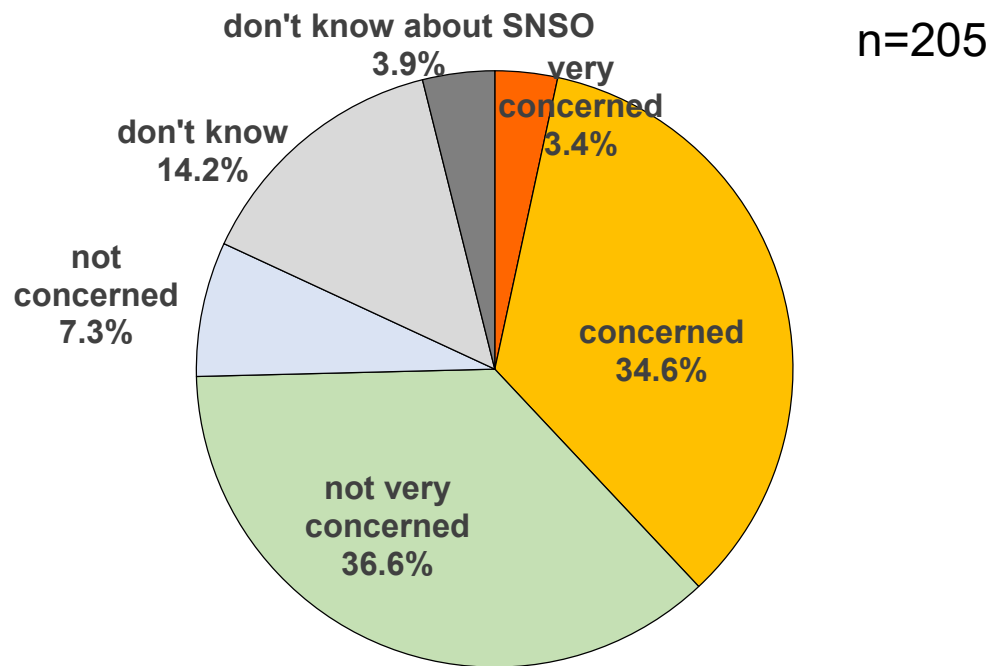
*Free description

- Labour outflow and overseas migration.
- Cautious and restrained investment in Hong Kong.
- The growing tendency to equate Hong Kong with mainland China.
- Increasing business concerns in Hong Kong.
- Business downsizing and closure due to relocation of Hong Kong-based companies to other countries and regions.

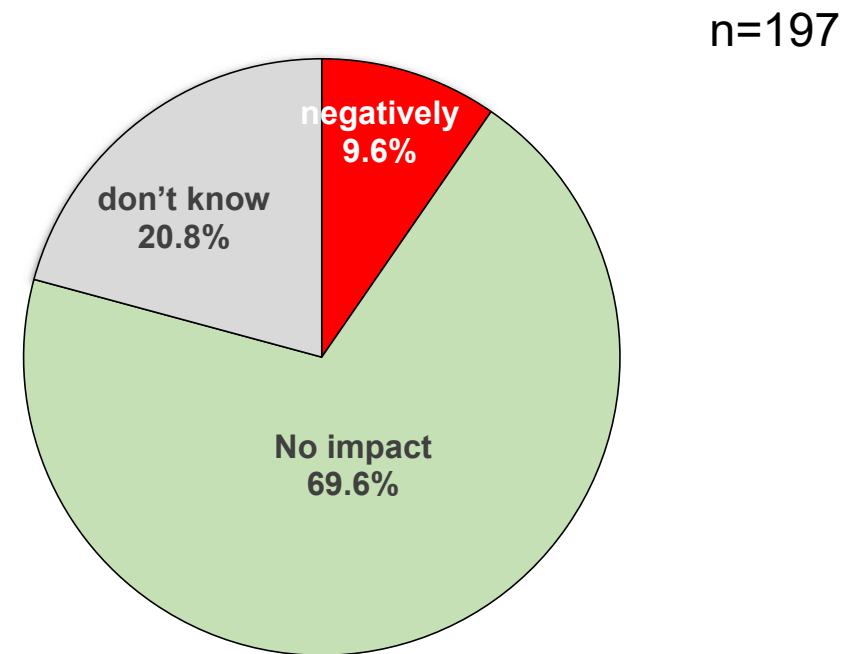
Impact of the Safeguarding National Security Ordinance (1)

- **38.0%** (previously 39.6%) of respondents answered that they were 'very concerned' or 'concerned' about the SNSO, which is **1.6 points lower than the last survey**.
- **9.6%** of respondents answered that it had a "negative impact on business", which is **1.8 points lower than the last survey**.

How concerned about the SNSO?



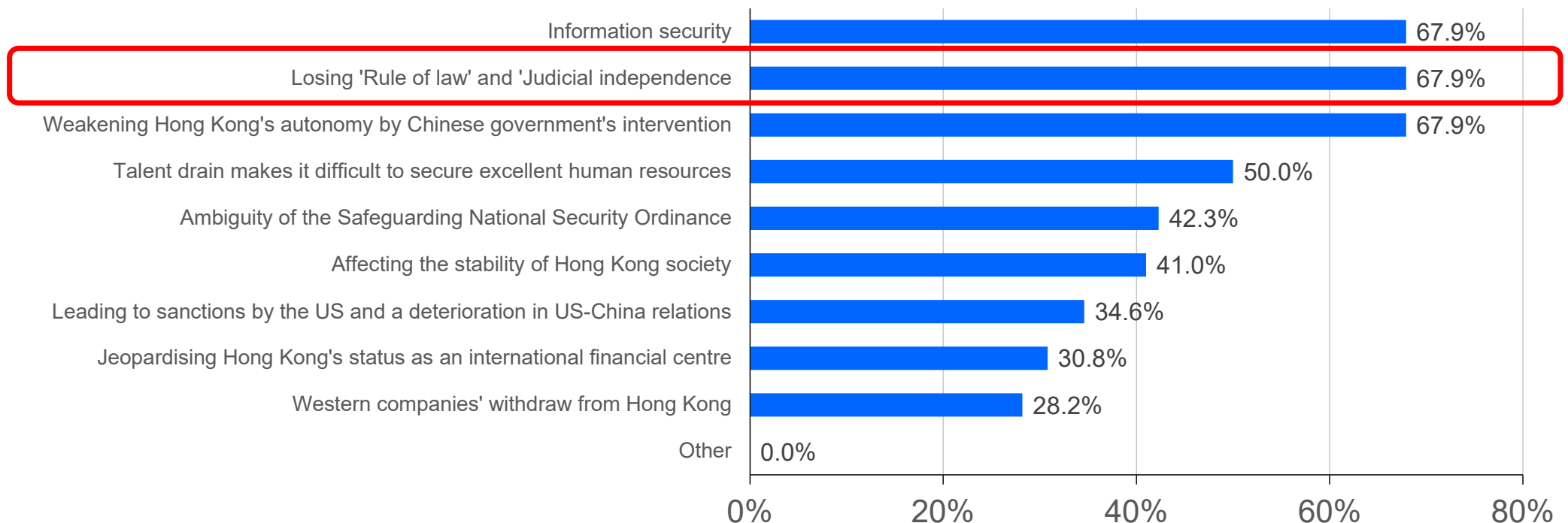
Impact on the business by the SNSO



Impact of the Safeguarding National Security Ordinance (2)

- Regarding a reason for concern about the SNSO, the number of companies that responded “**Information Security**” is **67.9%** (previously 73.7%), **dropped by 5.8 points from the last survey**.
- The percentage of respondents who answered “**Losing ‘Rule of law’ and ‘Judicial independence’**” is **67.9%** (previously 57.9%), **rose by 10.0 points from the last survey**.

*Multiple answers allowed. n=78



Impact of the Safeguarding National Security Ordinance (3)

Opinions from respondents regarding the impact of the SNSO:

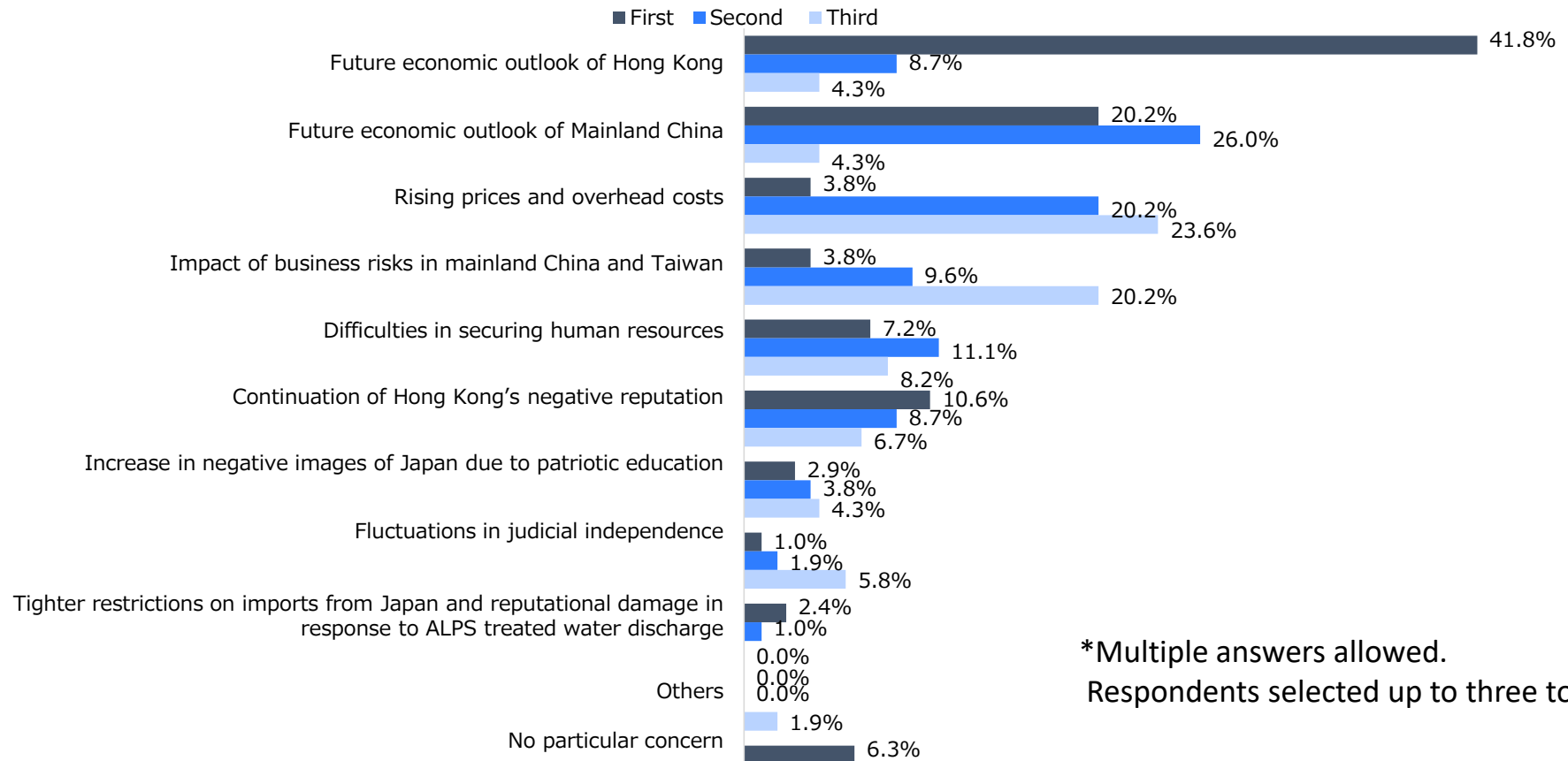
*Free description

【Negative impact】

- Labour outflow and overseas migration.
- Encouragement from the HQ to downsize or reassess business operations.
- The growing tendency to equate Hong Kong with mainland China.
- Business downsizing and closure due to relocation of Hong Kong-based companies to other countries and regions.
- Negative perception of Hong Kong.

Concerns about doing business in Hong Kong

- The biggest serious concern is “Future economic outlook in Hong Kong”, followed by “Future economic outlook in mainland China”.
- Regarding the percentage of answers, most respondents were concerned about “Rising prices and overhead costs” in the last survey, but “Future economic outlook in Hong Kong” is top ranked this time. There were many answers expressing their concern about the economic outlook.



*Multiple answers allowed.

Respondents selected up to three top choices.

n=208

Problems in business operations

- Regarding problems in business operations, “Geopolitical and Chinese risks”, “Impact of the weak yen”, “Securing human resources”, “Hong Kong's high cost structure and high interest rates”, “Economic deterioration in Hong Kong and China” are the most common responses, as in the last survey.

Main opinions from respondents:

*Free description n=28

- Geopolitical and Chinese risks.
- Increased operating expenses due to the weak yen and decreased sales.
- Difficulty in securing human resources (Rising labour costs, employee retention, etc.)
- Hong Kong's high cost structure and interest rates remain high.
- Economic deterioration in Hong Kong and China.
- Others (Building a network with other companies in the same industry, etc.).

Expectations for the HKSAR Government

- Among the responding companies, many mentioned requests such as: “Expansion subsidy and financing support policy” and “Initiatives aimed at early economic recovery and economic revitalisation”.

Main opinions from respondents:

*Free description n=36

- Guidance and Expansion on financial for businesses, holding briefings, etc.
- Initiatives aimed at early economic recovery and economic revitalisation (creation of new industries, etc.).
- Government support measures to maintain and promote employment.
- Maintaining business superiority and promoting it externally.
- Steady implementation of infrastructure development and public works projects, such as the Northern Metropolis development strategy.
- Providing the latest information on regulations regarding disposable plastic tableware.