COLLIERS LEADERS FORUM | HONG KONG | 28 JULY 2020

A CHAMBER PERSPECTIVE ON CURRENT HONG KONG BUSINESS SENTIMENT

As Hong Kong continues to deal with the impact of social unrest, COVID-19, the US-China tension and a shrinking economy, we brought together a select group of leaders from the Chambers of Commerce in Hong Kong to listen to the sentiment coming from their members. They offered a balanced view from the business community of the major challenges and opportunities facing key stakeholders.

MARKET SENTIMENT

- Chamber members still see value in Hong Kong both professionally and personally.
- Chambers are not seeing a rush of companies to leave and there is still a long-term view of Hong Kong as a regional hub with its unique position still fundamentally important.
- There are concerns over the long-term play of the US-China tension and how it will impact Hong Kong as it runs the risk of being a political football.
- The activity being witnessed now could be the beginning of a longer-term uncoupling of economies which would impact global trade and the economy.
- There is some ambiguity around the introduction of the National Security Law (NSL) with members sharing a view that how the legislation is interpreted and implemented is key.
- Its considered that Beijing will prefer a positive narrative around the future of Hong Kong and will support the city's economic interests.

DISRUPTION AS A ROAD TO RECOVERY

- Hong Kong's key sectors have been hit with prolonged disruption from social unrest, the US-China tension, COVID-19 and an economy in downcycle.
- This disruption has exposed gaps and requires Hong Kong to take a fundamental review of its business model. Hong Kong's last remaining intact economic pillar as an international financial intermediary is being challenged and under a degree of pressure.
- There is a call to action for the government and the private business community to act now and build a business model that is resilient and can support not only the recovery of the city, but also future growth with an eye one how it will enhance its competitiveness.
- Hong Kong and the Greater Bay Area (GBA) need to align in the development of a digital technology eco-system, not work in silos. 'Research' offers a major opportunity for Hong Kong; and 'Development' being undertaken in Shenzhen.
- COVID-19's recovery should be about protocol - not a vaccine. The timeline for a vaccine is unknown and it could take longer than what people and the economy can withstand.

SECTORS TO WATCH OUT FOR

- The educational sector is under increased pressure with schools being cancelled and the potential for expats leaving Hong Kong.
- Media is important and plays a key role in content development and the shaping of people's perspective. They are a key stakeholder and need to be positively engaged.
- Retail, hotel, leisure and tourism sectors are in survival mode and waiting for the introduction of potential travel bubbles and the re-opening of borders.
- Aviation and tourism; people are ready to travel with one global survey showing that 72% of people would like to be on a plane in the next 3-6 months, if it's safe.

FINANCE

- Hong Kong has proved to be resilient as Initial Public Offerings (IPO) and Foreign Direct Investment (FDI) activity has remained active.
- Moving into Q3, its expected that there will be growth in interest from Chinese companies looking to use Hong Kong as a strategic platform.
- Hong Kong is still a 'golden goose' managing the large flow of capital and investment in and out of China. This will not change in the short-term.
- Economic recovery will take longer than expected with businesses needing to gear up to the short-term volatility as we work through a recession and a potential global depression.
- Hong Kong, along with other global governments have provided fiscal stimulus such as the Employee Support Scheme (ESS). This will need to be extended or revised longer into 2020.
- We are in a low interest rate market, which will extend into the foreseeable future making real estate yields attractive.
- A key indicator around economic recovery is the opening of the boundaries between Hong Kong, Macau and China, which will kick-start tourism.

RESILIENCE IN THE BUILT ENVIRONMENT

- In Hong Kong there is a big picture concern around resilience and planning of assets, infrastructure and technology adoption.
- For a built environment like Hong Kong, there is a fundamental shortage of supply which will always drive a high demand. The challenge for the market is that a large number of the current stock is either obsolete or redundant requiring a holistic approach to re-modelling and how we view these assets.
- Mixed-use assets are good approaches to managing buildings, but 'general use' is becoming more relevant as it builds more flexibility into how they can be used during, and post COVID-19.
- The need to take climate change and its impact on the built environment seriously is being accelerated with critical elements such as ESG advancing from a place of awareness to action with organisations now building it into their business plans and financial reporting.
- Resilience is not just natural disasters, it covers a range of factors such as famine, terrorism, bad weather events and now the need to consider the impact of pandemics.

BRAND HONG KONG

- Hong Kong's position as a safe financial hub has been brought into question on more than one occasion.
- Hong Kong needs to re-build its reputation with all stakeholders needing to review their business plans.
- Hong Kong has a strong federal reserve making investment an opportunity to create an innovation-led recovery to ensure Hong Kong doesn't just become another city.
- When the time is right, the world needs to see that Hong Kong is open. The city needs to do more than invest in positive PR, it needs to activate major sporting and cultural events and conferences.

Colliers INTERNATIONAL

Nigel Smith
Managing Director | Hong Kong
+852 2828 9888
nigel.smith@colliers.com