Hong Kong Business Sentiment Report

2024

European Chamber of Commerce in Hong Kong

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Foreword

Hong Kong has long been a city of resilience and opportunity, and this is more evident than ever in the insights shared in the 2024 Hong Kong Business Sentiment Report. As Chairman of the European Chamber of Commerce in Hong Kong, I am pleased to share this comprehensive analysis of what makes Hong Kong an enduring hub for global business, even amidst unprecedented challenges.

This report highlights the dualities of Hong Kong: a city that is both deeply rooted in its strengths and persistently forward-looking. From its unique positioning as a gateway to Asia to its ability to adapt and compete in emerging industries like AI and green technologies, Hong Kong offers unmatched opportunities. At the same time, our members have shared candid views on areas that require attention — geopolitical dynamics, retaining talent, and ensuring Hong Kong's global competitiveness.

For those of us invested in this city's future, these findings are both a call to action and a source of optimism. They reaffirm the importance of strategic leadership, innovation, and collaboration to address challenges and unlock potential. Above all, they serve as a reminder that Hong Kong's story is far from written — it continues to be shaped by the ideas, ambitions, and resilience of its business community.

To all who contributed to the making of this report, thank you for your invaluable perspectives. I hope this report sparks meaningful discussions and inspires new ideas, both here in Hong Kong and across the European business network.

Sincerely,
Iñaki Amate

Chairman, European Chamber of Commerce in Hong Kong

Executive Summary

The 2024 European Business Sentiment Report offers a data-driven analysis of the evolving perspectives within Hong Kong's European business community. Based on over 500 qualitative and quantitative responses, the report reveals a dual narrative: while businesses continue to see Hong Kong as a critical hub for trade, finance, and innovation, concerns about geopolitical dynamics, talent retention, and the city's long-term relevance are growing.

Four key themes emerge. First, respondents consistently highlight Hong Kong's unique advantages, including its efficiency, dynamism, and status as a gateway to Asia. Second, worries about geopolitical risk, closer mainland integration, and declining competitiveness suggest that businesses are reevaluating their strategies. Third, companies are increasingly adopting a "calibrated approach", balancing local operations with regional diversification to mitigate risks. Finally, there is evidence of cautious optimism, with many businesses investing in innovation, sustainability, and partnerships to position themselves for the future.

This report underscores the importance of strategic agility in navigating an uncertain landscape. It provides actionable insights for policymakers and businesses alike, advocating for a focus on addressing systemic challenges while maintaining Hong Kong's competitiveness. The Chamber remains committed to fostering collaboration, leveraging these insights to guide its programming, and supporting the European business community in achieving sustainable growth and innovation in Hong Kong.

Introduction

This report showcases the voice of the European community in Hong Kong. Its foundation are the responses to 2024 survey on Business Sentiment in Hong Kong. The survey's results were analysed and visualized in collaboration with Phrasia. Phrasia provides advanced LLM based signal intelligence services. Quantitative, text-based answers to our survey were analysed to produce quantified values and visual data maps. Our collaborative report analyses the survey results and showcases current and forward-looking sentiments about the business landscape in Hong Kong.

We will begin the report with an overview of the composition of the survey's respondents and responses. Most responses included what made Hong Kong attractive, regardless of the survey question. This suggest that Hong Kong's positive aspects may still be top of mind for many in the business community. We identified four areas that make Hong Kong attractive and explain them in the first half of this report.

Following that, we used Phrasia's narrative map visual to explore drivers underlying current and future views about Hong Kong. First, we identified three groups of general opinions about Hong Kong. Then, we found specific drivers and analysed them by behavioural category and by industry.

Given the visual and interactive nature of the narrative maps and graphs included in this report, we encourage our readers to visit our Website and interact with the narrative map at different levels of detail.

Response Overview

Our survey link was publicised through The European Chamber of Commerce's newsletter. It remained open for participation between June 22nd, 2024, and October 16th, 2024.

How many respondents and responses did we analyse?

A total of 100 respondents completed our twelve-question survey. The survey contained five multiple-choice questions and six open-text questions. For each open-text question the responder chose to answer, they were asked to enter a minimum of five words. We received 548 responses from the optional open-text survey, coming from 100 respondents.

Readers should note that some respondents did not answer all questions, hence percentages in the tabled below may not total to 100%.

The vast majority of responses came from people who have stayed in Hong Kong for over five years*:

Length of stay in Hong Kong	Percentage
Over 5 years	85%
Under 5 years	13%

Table 1: Response composition by respondents' length of stay in Hong Kong

Nearly a third of responses came from people working in the Finance industry*:

Industry	Percentage
Finance	27%
Technology	12%
Retail	12%
Hospitality	4%
Healthcare	3%
Education	3%

Table 2: Response composition by respondents' industries

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* Readers should note that some respondents did not answer all questions, hence percentages in the tabled below may not total to 100%.

Nearly forty percent of responses came from those employed at European Companies*:

Employer's Regional Base or Headquarter	Percentage
European	39%
Other Regions	14%
Hong Kong	11%
Self-Employed	11%

Table 3: Response composition by respondents' their employer's regional base or headquarter

About seventy percent of responses came from people who identified as European*:

Cultural Identity	Percentage
European	71%
Other Regions	16%

Table 4: Response composition by respondents' cultural identity

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* Readers should note that some respondents did not answer all questions, hence percentages in the tabled below may not total to 100%.

1 What makes Hong Kong Attractive

Responses showed a notable surplus of "like" responses

Respondents expressed a notable number of "likes" about Hong Kong and seemed eager to share their positive expressions. Of the six survey questions, only one specifically asked a "like" question ("What do you like about living in Hong Kong?"). However, when analysing responses across all questions, "like" responses accounted for one of five of the total response content.

By calculating the total excess share of "like responses, we find that "likes" contributed to an additional 17% beyond the combined average share of responses from the other five questions. In other words!

Top "like" responses highlighted that Hong Kong "Has it all"*.

Four clusters emerged from responses to the "like" question. We will dive into each. Of the four categories, the top one were responses about liking that Hong Kong "Had it all", it made of up nearly four in every ten responses:

Emphases of Like Responses	Percentage
Vibe and Quality – Hong Kong "has it all"	39%
Ease and Efficiency	36%
Business Dynamism	15%
Safety and Reliability	10%

Table 5: Composition of the focus of like responses

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* Readers should note that some respondents did not answer all questions, hence percentages in the tabled below may not total to 100%.

1.1 "Has it all": Vibe and Quality of Life

People enjoy the multifaceted vibrancy of Hong Kong the most.

This cluster had the highest occurrence, with 39% of responses indicating Hong Kong's appeal was due to it "having it all."

Example Responses:

"Dynamic high-paced environment both professionally and in leisure time. Business oriented mindset in all layers of society. Friendly open-minded atmosphere both with locals and foreigners. Impressive scenery, both city skyline and natural. So much to do, never a dull moment."

"The vibrant atmosphere and the possibility both enjoy the quiet and amazing nature and the buzzing crowed city lifestyle."

Though some responses within this cluster do mention work-related factors, their focus is about Hong Kong being a place they are excited — and happy — to be at.

Example Responses:

"The colorful people, skies, and food. As opposed to the grey skies, food and people of the old Europe."

"Weather, cheap transportation, overall quality of life, diversity of activities in city, closeness to many destinations, friendliness and politeness of locals."

1.2   Ease and Efficiency

People find it fast, easy, and efficient to go about their business in Hong Kong

Making up 36% of responses, the easy and efficiency cluster come in as the second most common underlying reason in the responses.

Example Responses:

"Convenience (transport, food etc.), Nature, Fast paced business environment."

"Convenient place with global outlook."

"Low taxes, a lot of destinations to travel, high salaries, good infrastructure"

1.3   Business Dynamism

A quarter of the responses to the "like" question focused on business dynamism.

This cluster focused on the ability to do business, though it also contains some overlaps with responses reflecting positive lifestyle attributes. These lifestyle attributes are secondary to the business aspects.

Example Responses:

"Financial market strength"

"The diverse cultures, the opportunity to learn and achieve senior positions, the overall lifestyle."

"Business vibe, density of contacts, proximity to China, lifestyle, outdoors, climate. The can-do attitude."

1.4   Comfort Zone: Safety and Reliability

10% of "like" respondents view Hong Kong as their Comfort Zone and are glad for it.

The "Comfort Zone" cluster represent 10% of the responses to the "like" question. These responses mentioned safety — often alongside other comments about convenience or lifestyle.

Example Responses:

"Hong Kong is safe and convenient in its everyday life."

"The convenience of how the city is organized, the international community, low tax and high safety."

"In our experience, it is very safe, public transport is good, people are generally polite."

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2 Main Worries or Concerns

What do you worry about most regarding the city's outlook in the next 5-10 years?

In addition to the above positive factors, we asked respondents what they worry about: Specifically, we asked, "What do you worry about most regarding the city's outlook in the next 5-10 years?" and let respondents choose how to answer.

In a changing world where geopolitics are growing more polarized, being a bridge can be challenging*

Emphases of Worry Responses	Percentage
Uniqueness of Hong Kong's positioning, autonomy, or competitiveness	18%
Geopolitical dynamics	17%
Hong Kong's ability to assert relevance	12%

Table 6: Composition of the focus of "worries" responses.

In a changing world where geopolitics are growing more polarized, being a bridge can be challenging. The responses reflect concerns with how Hong Kong's traditional role can work in a new and different landscape.

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* Readers should note that some respondents did not answer all questions, hence percentages in the tabled below may not total to 100%.

2.1   Uniqueness of Hong Kong's Positioning, Autonomy, or Competitiveness

People are concerned with Hong Kong's ability to carve out its position in the region and the world.

Can the city offer a unique and valuable proposition in its own right? And related to that, can Hong Kong keep or build on its special status? 18% of all "worried" responses were of this category.

Example Responses:

"The vision and courage to position HK in the bigger scheme. Government and business need to cooperate to make it happen. Would this city's leadership be able (mindset, skills etc) to do that?"

"Concerned that HK will lose its status as an international metropole that attracts people and businesses from all nationalities."

"Loss of status as a regional hub."

2.2   Geopolitical Dynamics

People account for how accelerated global geopolitical changes could impact Hong Kong

The geopolitical landscape is changing quickly. Comments in this cluster are concerned with the impact of these changes on Hong Kong. Hong Kong – and the companies that operate here – have always been a convergence point between east and west, which can be a challenging role in an increasingly polarized geopolitical landscape. This category of concerns constitutes 17% of all "worries" responses.

Example Responses:

"Depending on China & USA relationship."

"Whether HK will remain relevant in my business (trade between Greece- China), high costs and impact of US-China tensions."

2.3 Hong Kong's Ability to Assert Relevance

Can Hong Kong continue to assert relevance?

In the context of the above, a related worry is whether Hong Kong can assert relevance, amidst high dependency on perceptions internationally. This category comprised 12% of all "worried" responses.

Example Response:

"The outlook of how the world's perception has changed about Hong Kong. Hong Kong is extremely dependent on international companies' representation and tourism."

"Negative press about HK."

"City needs to take bolder steps and embrace change. Spend more on new technologies in areas like AI, energy. Cut bureaucracy and unnecessary rules."

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3 How are People and Companies Looking Ahead?

Putting likes and concerns aside, we asked open-ended questions to get a forward-looking view:

1. What are your thoughts about the outlook for the city for the next 5 years?
2. To the best of your knowledge, what are the plans of your company/employer regarding its physical presence, resource investment, and headcount in Hong Kong?
3. How crucial is the strategic location of your headquarters?
4. How are you preparing for the next 5-10 years in the city?

346 of the resulting open-text responses were categorized via Narrative Analytics, forming a "narrative map".

Why are we using this methodology?

- <u>For the respondents</u>, there are a high number of possible drivers of their decision – more than a survey designer would reasonably be expected to identify. Even if they could, a traditional survey method would involve a large number of closed questions to cover multiple bases - which would make it harder for us to get a reasonable response rate/completion rate from our members.

- <u>For the chamber</u>, allowing open-ended responses, eliminate blind spots and survey bias, because people write what they want to write. Reviewing the open-text responses through narrative analytics allows organizations to hear the things that may be hard to identify – detecting broader patterns which are unique to this set of responses - and more clearly identifying drivers. Finally, it allows us to ask significantly fewer questions – improving the response and completion rate.

3.1 Narrative Axes

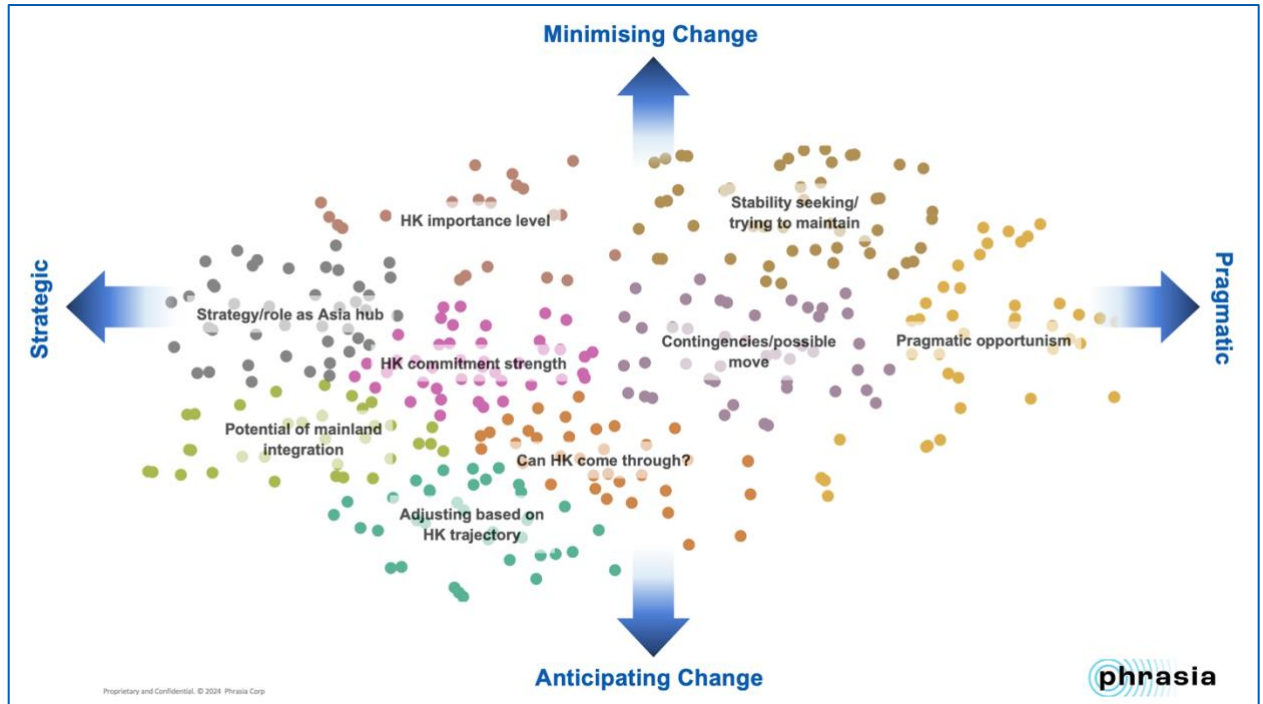## The High-level Shape of the Conversation

Figure 1: 9 Cluster Narrative Map: The High-Level Shape of the Conversation.

The narrative map uncovers respondent-driven themes and axes, revealing distinct postures shaping companies' plans and outlooks.

The map reveals high level axes, as well as detailed clusters. None of the categories or axes are preset – they are formed based on similarities and differences in views expressed by the EuroCham community – factoring trillions of possible combinations. Said another way, the categories and axes are decided by the respondents – not by the tool or the researcher.

The high-level themes are the type of thing that we might not have known to look for. Minimising change, versus anticipating change, on the vertical axis, and regional strategy vs local pragmatism on the horizontal axis. Across all the questions above, these axes reveal different "postures" that companies and individuals are taking as they assess their plans and outlook.
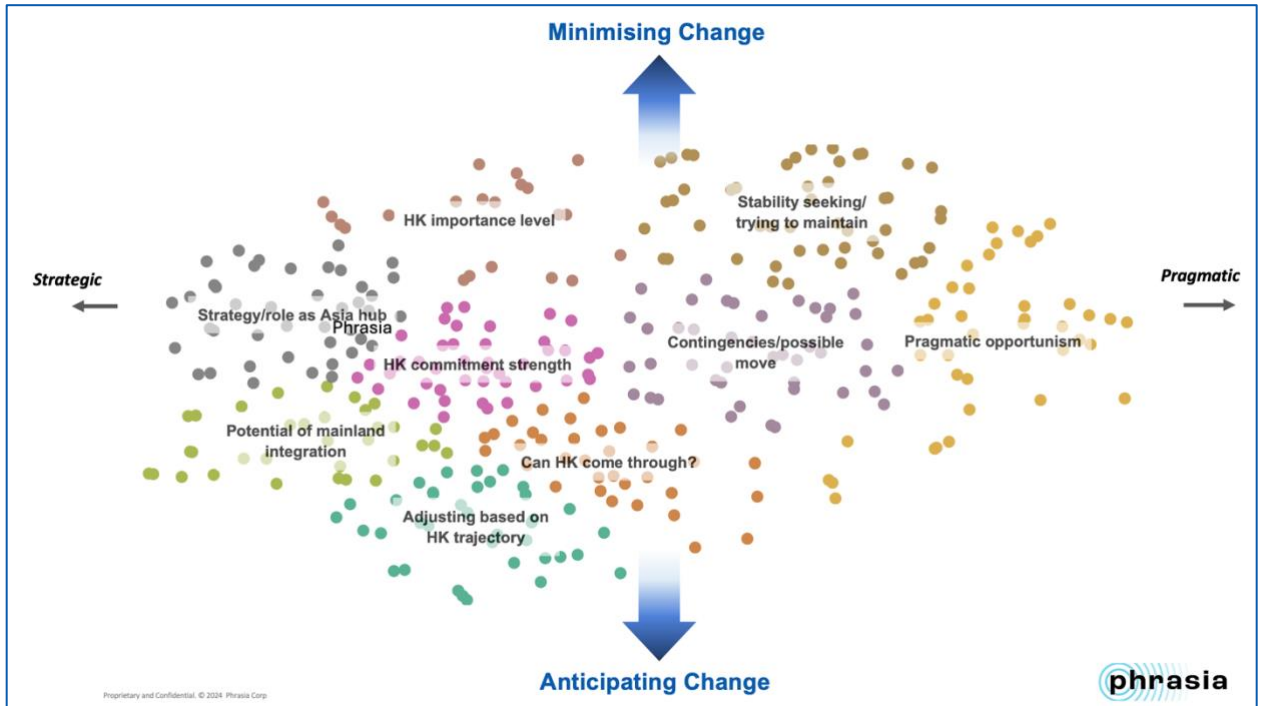
The Vertical Axis:

Figure 2: The Vertical Axis — Minimizing Change vs. Anticipating Change.

- **Minimising Change: Can We Maintain? (18.2% of responses)***
- **Anticipating change: Can We Adjust? (19.1% of responses)***

The vertical axis highlights contrasting strategies, balancing defensive control with dynamic responses to external change.

This axis contrasts a more defensive posture in which people or companies are trying to weather the storm – mostly by focusing on internal controllables like cost - and a more dynamic, outward-looking approach in which they assess and respond to external changes. No value judgement is made – this is merely a contrast in posture. The number of responses in the top vs bottom cluster are similar – almost equally balanced between these two approaches.

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Example Responses from "Minimising Change: Can we Maintain?":

"We are going for a deeper understanding of the potential scenarios before taking any action."

"Decreasing Headcount and leave a leaner solutions possible to serve client's need."

Example Responses from "Anticipating Change: Can We Adjust?":

"Will continue to invest in Great Bay China with confidence."

"Explore more information about the country (China) from different angles and prospectives."

The Horizontal Axis:
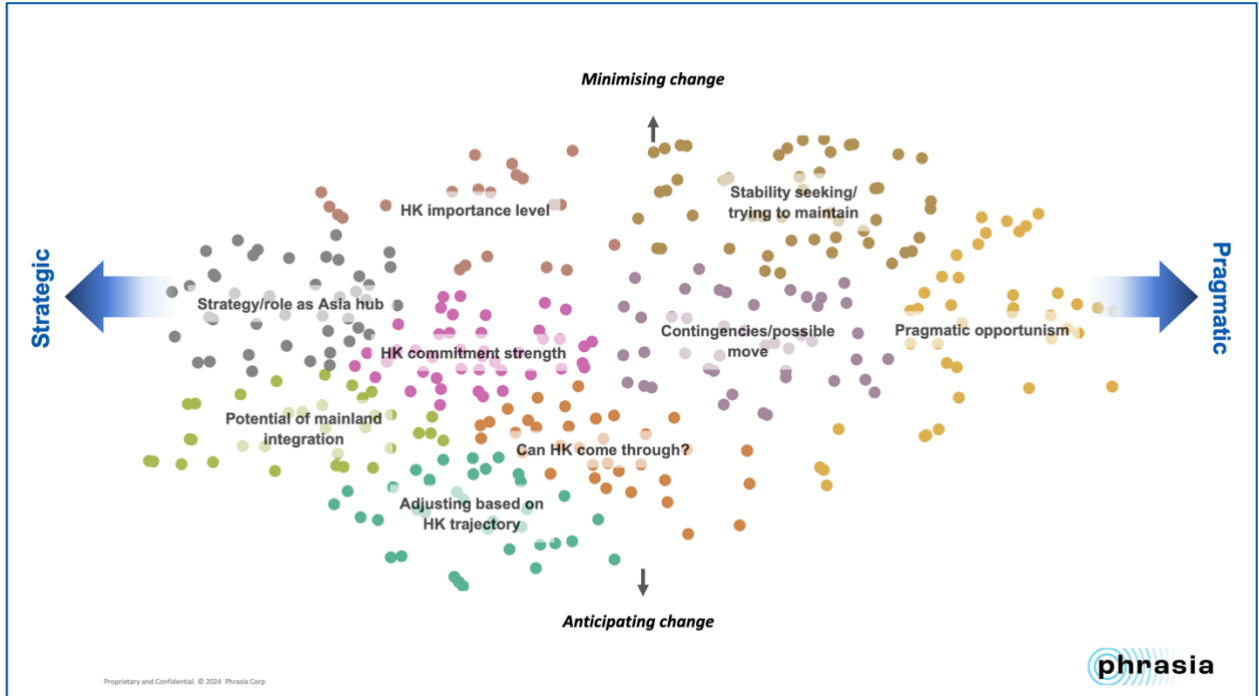
Figure 3: The Horizontal Axis — Strategic vs. Pragmatic

- **Regional Strategy: Longer Term (18.5% of responses)***
- **Local Pragmatism: Here and Now (12.7% of responses)***

The horizontal axis contrasts regional strategic planning with the pragmatic considerations of operating locally, reflecting Hong Kong's dual character.

This axis is relatable for those who have navigated the 'regional vs local' matrix within large organizations. In most companies, forward planning necessarily involves a wider strategic lens on the business within the wider region, in keeping with Hong Kong's status as a hub. By contrast, doing business locally can involve very pragmatic considerations – particularly for businesses in the retail sector, for example. Further, Hong Kong can have a decidedly pragmatic character.

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Example Responses from "Regional Strategy: Longer Term":

"I believe HK is the only gateway into mainland and a good buffer/balancing zone for interchanges between East and West."

"Strategic due to supply chain in Asia."

Example Responses from "Local pragmatism: Here and Now":

"Still keep the restaurant open until we reach a point that we can't make it break even anymore."

"Prepare more cash and not to invest in risky market assets."

The Centre Cluster:
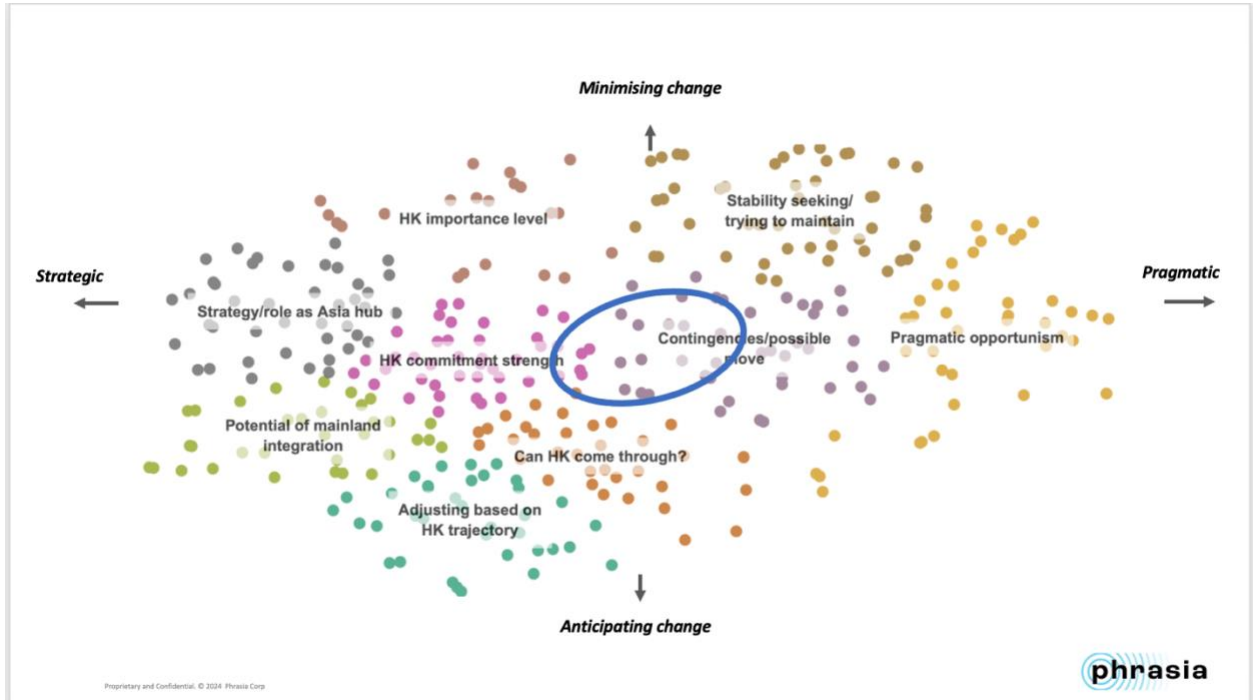
Figure 4: The Central Cluster — Calibrating Plans/Gauging Confidence.

Calibrating Plans/Gauging Confidence in Hong Kong vs. Elsewhere (31.5% of responses)*

Respondents are reassessing Hong Kong's role, balancing regional expansion and alternative locations against the city's current advantages and challenges.

This cluster gets to the heart of the issue, which is why it is in the center — between the poles of the two axes. It shows that respondents are very actively calibrating their stance on Hong Kong – versus other geographic options.

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Example Responses from the Centre Cluster:

"Don't depend on HK only in order to tackle APAC, but expand and set up new offices outside of Hong Kong in APAC countries. Started two years ago with Indonesia and Australia, will continue with Philippines and Thailand. Headcount in Hong Kong has grown in the past 6 years, will slowly stabilize and then decrease over the next 5 years."

"Expect to grow our office in HK and expand our presence in Mainland China"

"Office can be anywhere, so Hong Kong days are numbered if nothing drastic is done"

"We are actually considering moving our office from HKG to Singapore because HKG and Philippines do not have a double taxation agreement :-(- if that existed, I would not leave HKG"

3.2 The Detailed Narrative Themes:

What are the Specific Drivers?
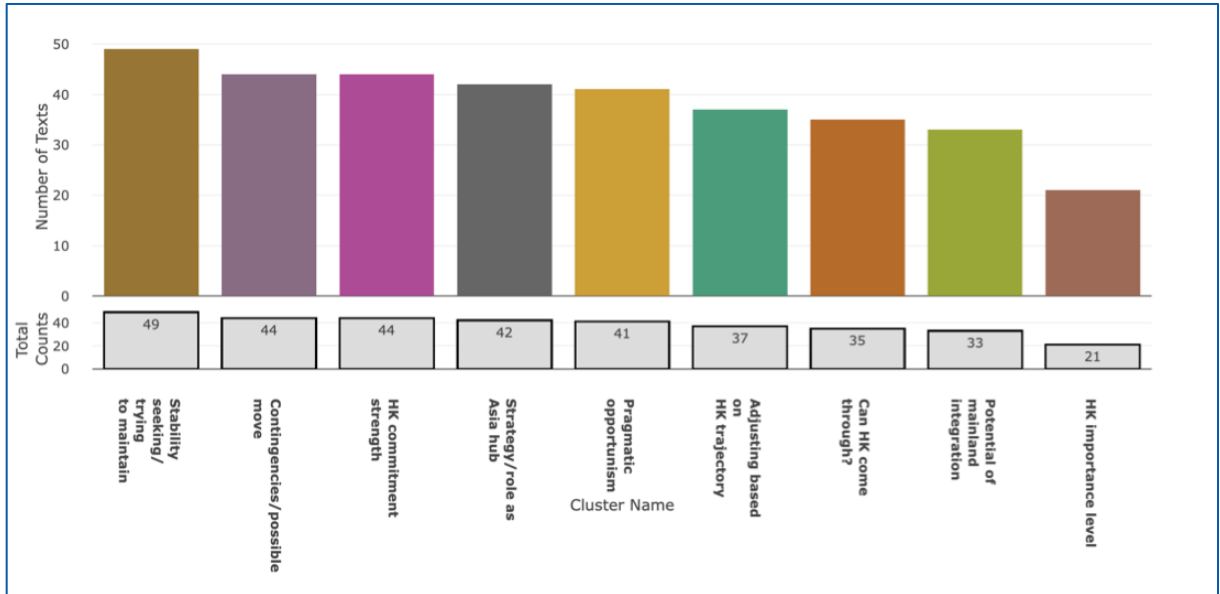
Figure 4: Bar graph quantifying themes in Figure 1.

Above are the detailed themes aligned with Figure 1's axes, quantified in Figure 2, and highlights nine narrative clusters from largest to smallest.

Stability Seeking:

The stability seeking cluster reflects a defensive approach, emphasising cost control, cautious planning, and adapting to a "new normal" admin uncertainty

This cluster reflects a defensive posture – for the most part focused on managing the costs and other controllables in order to weather the storm. Some respondents in this cluster take a cautiously adaptive approach as they navigate an uncertain environment – while some are relatively passive, merely hoping for the best. Action planning is cautious, spanning minimal changes to operations for some, and methodically planned contingencies for others. With that said, nobody in this group is jumping to conclusions. The concept of a "new normal" is frequently mentioned, with businesses adjusting costs and operations to remain profitable despite reduced activity.

Example Responses:

"Remain the same or possibly expand at a slow pace."

"Stable presence, with the possibility to scale down if necessary."

"Maintain as is."

"Adjusting business costs and operations to see how profit can be made in the "new normal" where there is "less business" coming in."

Contingency Planning:

Many respondents are weighing relocation, balancing short-term commitments with diversification efforts while some prepare exit strategies or remain committed.

A significant number of respondents are considering relocating to other regions. While some plan to remain for a few more years to fulfill educational or business commitments, many are diversifying revenues, saving money, or moving capital – in order to maintain flexibility if and when a move is required. Despite challenges, some respondents remain committed to staying, citing factors like low taxes, good connectivity, and strong business ties, while others are preparing exit strategies based on personal or professional needs.

Example Responses:

> *"After 30 years here, I'm ready to move on. HKG will always be home, but business is not good enough to justify me being here more than 5 months in a year."*

> *"Given the recent development, I would say the first 3-5 years to adopt a "wait and see" approach for the existing business and try to explore more other business that was less evident in the past, try to explore new opportunities."*

> *"Save money as much as I can as one day they throw me out."*

3.3 Trends by Narrative Cluster

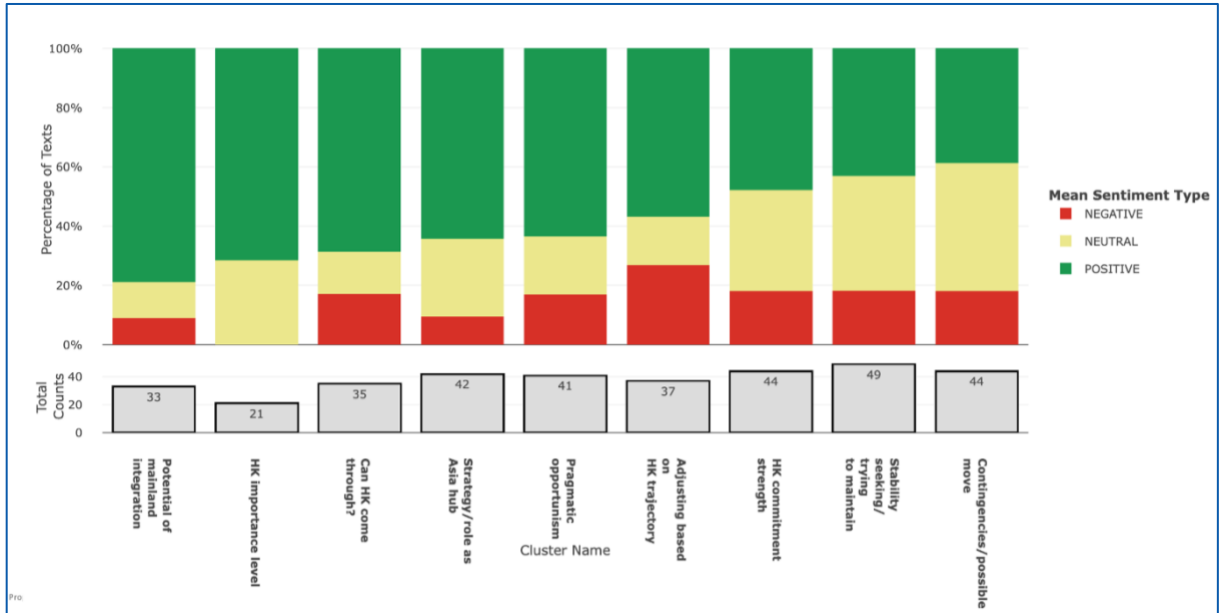## Sentiment by Narrative Cluster:

Figure 5: Bar graph of sentiment composition(y) by narrative cluster(x)

Sentiment scoring shows 'mainland integration' as most positive, while 'contingencies' and 'stability seeking' are least.

Sentiment scoring has limitations when used in isolation. It is best used to look at relative differences rather than as a judgement overall of how positive vs negative people are. However, it does help us to assess relative sentiment by cluster. 'Potential of mainland integration' had the most positive sentiment, along with 'HK importance'. The least positive are 'contingencies/possible move' and 'stability seeking/trying to maintain'.

Expressive Energy by Narrative Cluster:
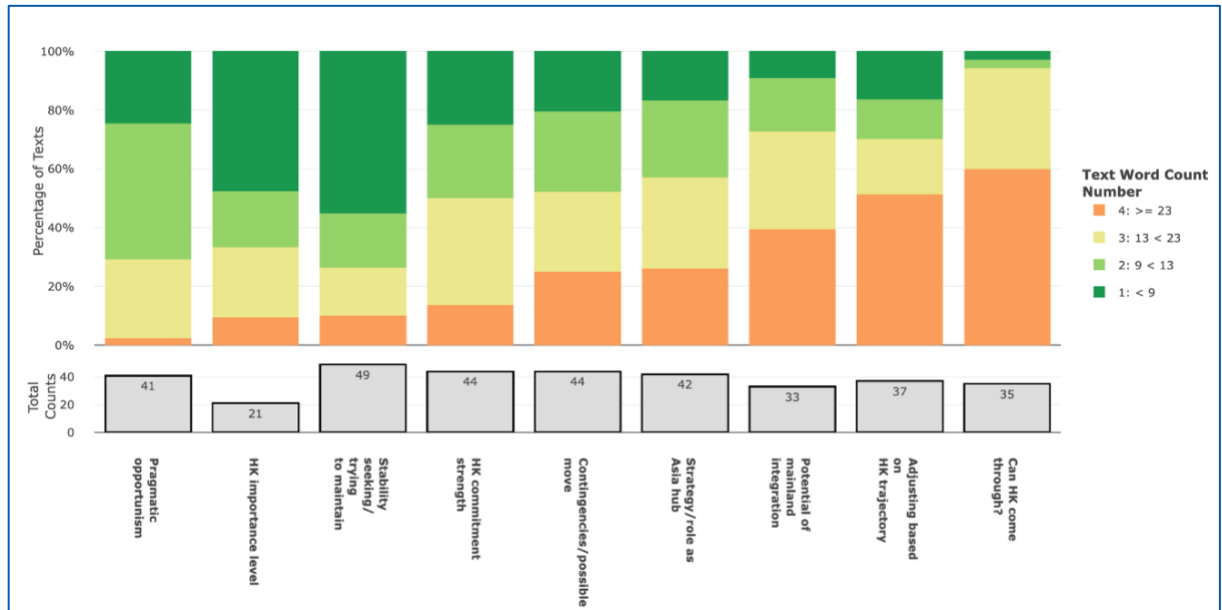
Figure 6:Bar graph of Expressive energy composition(y) by narrative cluster (x)

Higher word counts in "Can HK come through" and "Adjusting HK trajectory" indicate strong emotional investment in Hong Kong's future.

When people are emotionally involved in an issue, they tend to write more. The average word count can tell us a great deal about where the expressive energy and intensity are. In this case, "Can HK come through" and "Adjusting based on HK trajectory" have the highest expressive energy. This suggests the members taking the survey are highly vested in the path forward for Hong Kong.

3.4   Time Series View

The short times series may help inform qualitative judgement on what is changing.

Although not designed as a longitudinal study, the survey remained open for several months, providing the opportunity to observe shifts in the narrative from month to month. As quantities are limited and the responses over time were incidental rather than by design, we cannot make strong empirical conclusions based on this data. However,
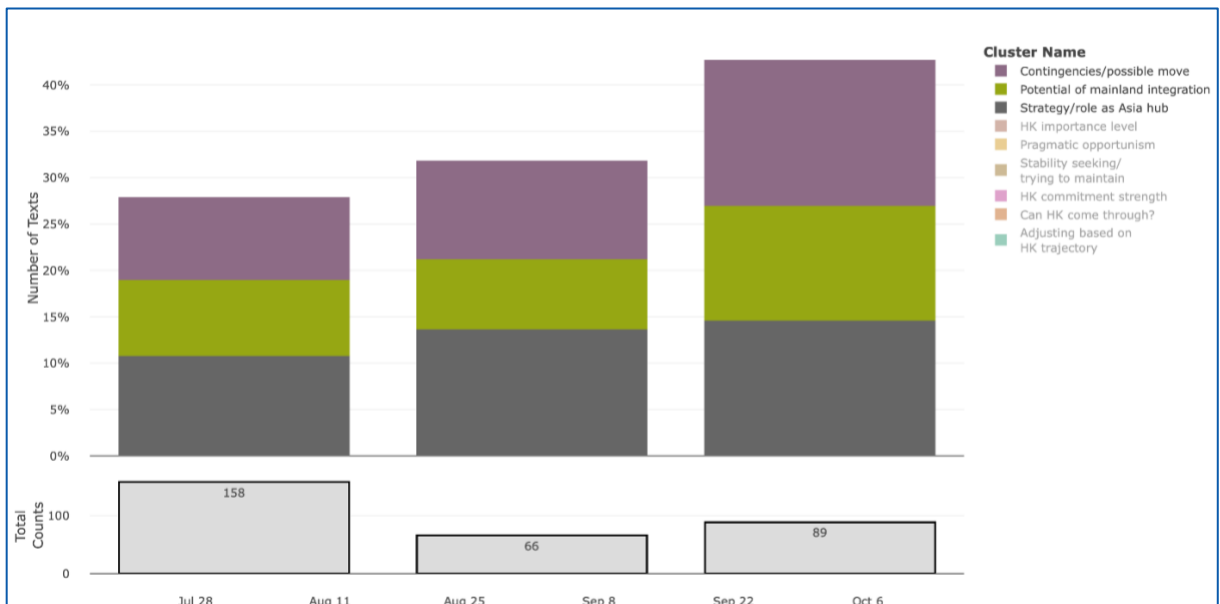
Trending Up:

Figure 7: Time series showing narrative clusters showing an upward trend.

Three narratives trending up suggest that an increasing proportion of respondents are looking outward – considering Hong Kong in regional context, considering Hong Kong's integration with the mainland, and/or planning contingencies
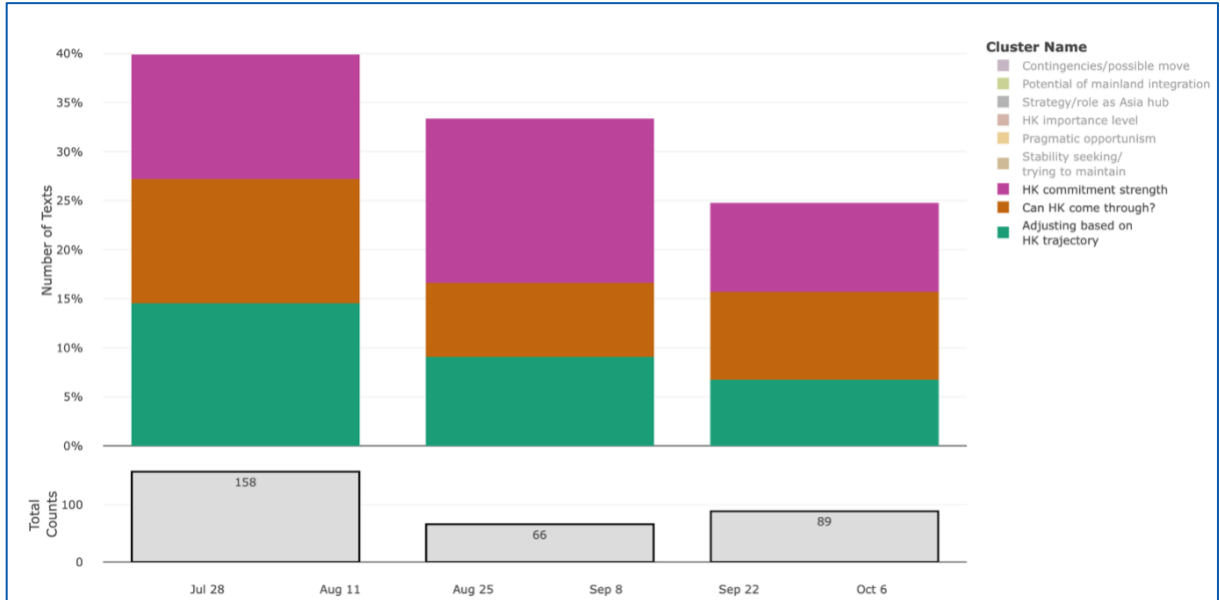
Trending Down:

Figure 8: Time series showing narrative clusters showing a downward trend.

By contrast, three Hong Kong-focused narratives shown above were trending downward over the same period of time. This suggests a pattern in which people are less inclined over time to assess their forward view based on Hong Kong alone. They are increasingly looking at the future in a wider context. This is neither good nor bad per se – it just means people may be seeing Hong Kong less as a 'stand-alone' and more in the context of interdependencies with China and Asia.

3.5 Data by Industry

Cutting the narrative clusters by industry reveals patterns in the responses.

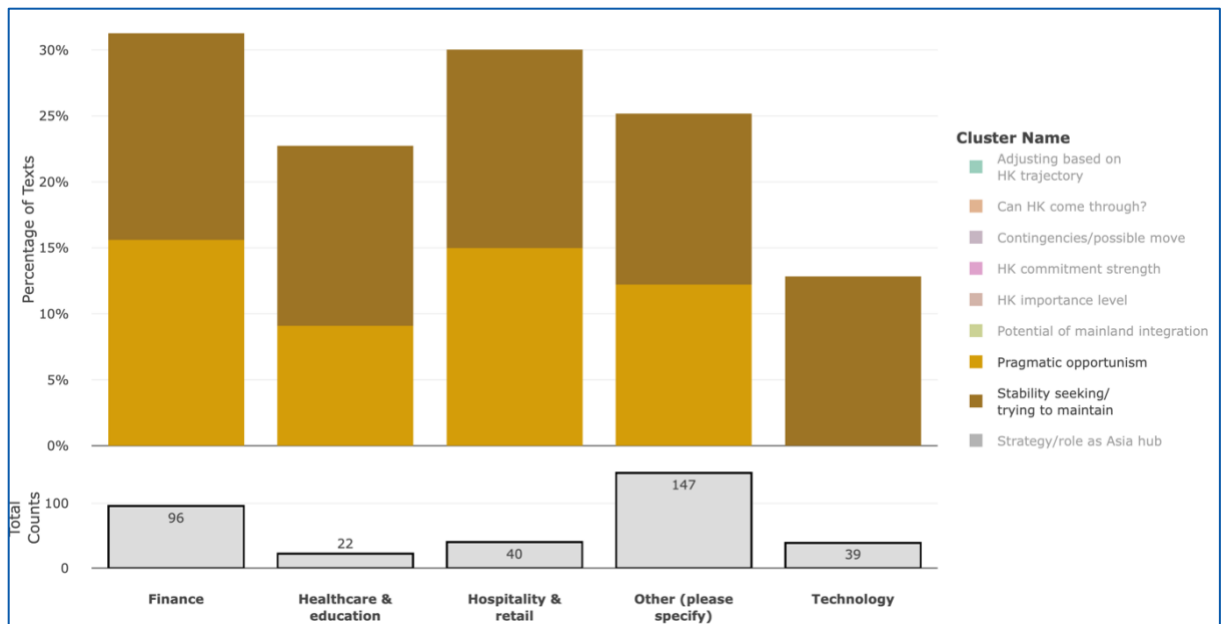**Respondents in finance are more focused on pragmatic opportunism and stability seeking**

Figure 9: Response cluster of the Finance industry.

These responses would correspond to the top and right side of the map.

Hospitality & retail respondents are disproportionately referring to contingencies/possible moves.
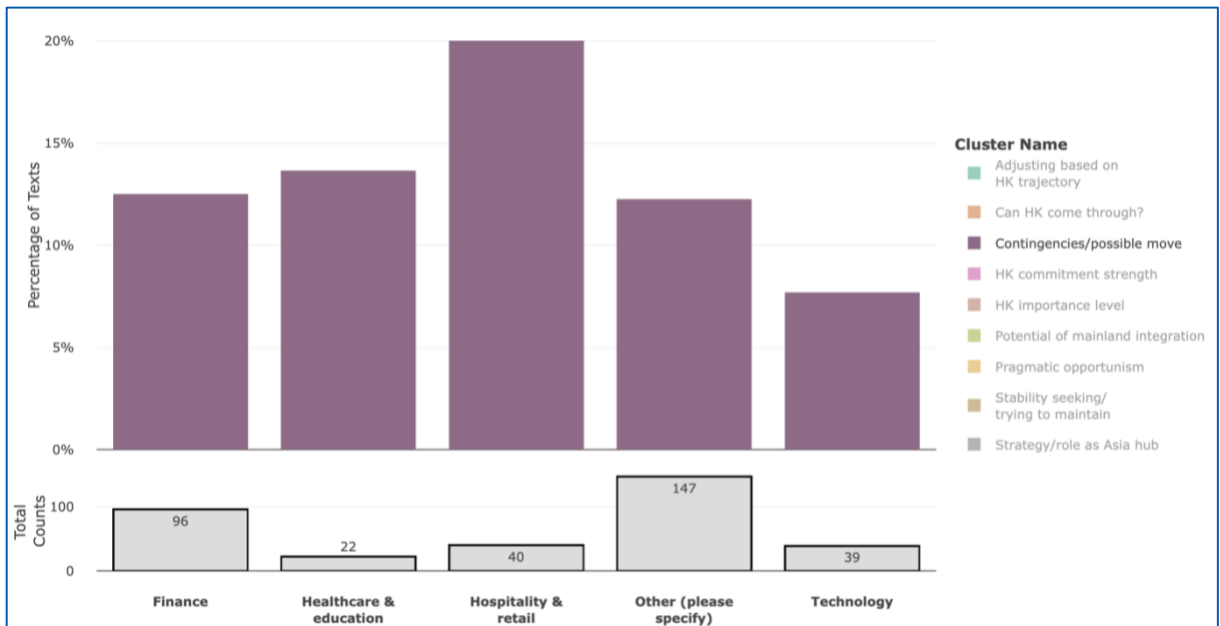

Figure 10: Response cluster of the Hospitality and Retail industry.

These responses would correspond to the top and left side of the map.

Technology companies' responses are concentrated on the strategic concentrations: mainland integration, Hong Kong's role as a hub.
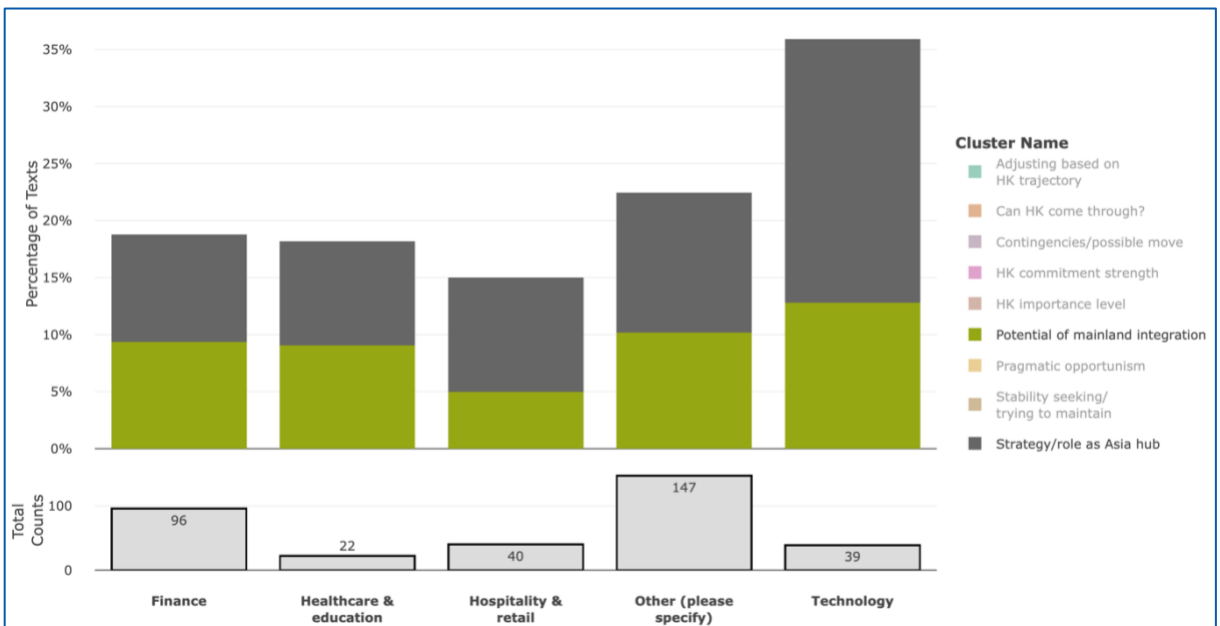

Figure 11: Response cluster of Technology Companies.

These responses would correspond to the bottom and left side of the map.
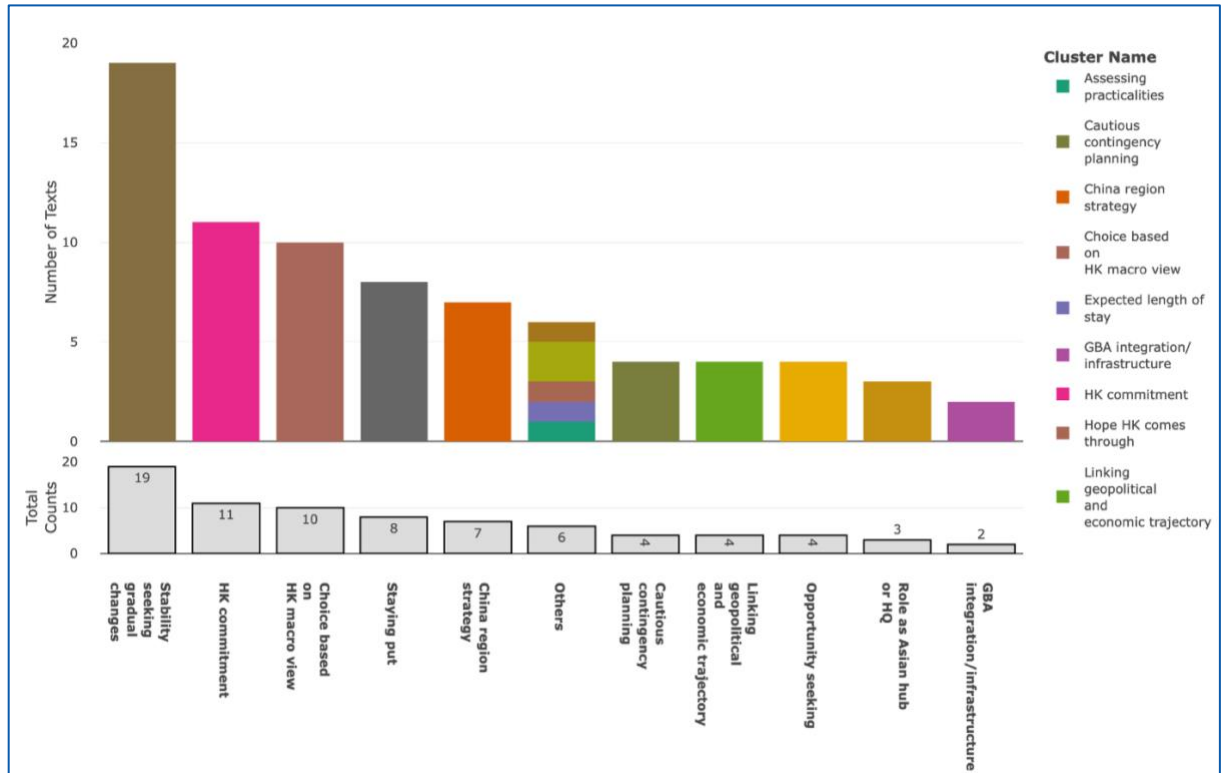
Response on Company Plans in Hong Kong

Figure 12: Number of responses(y) and by High-level clusters(x)

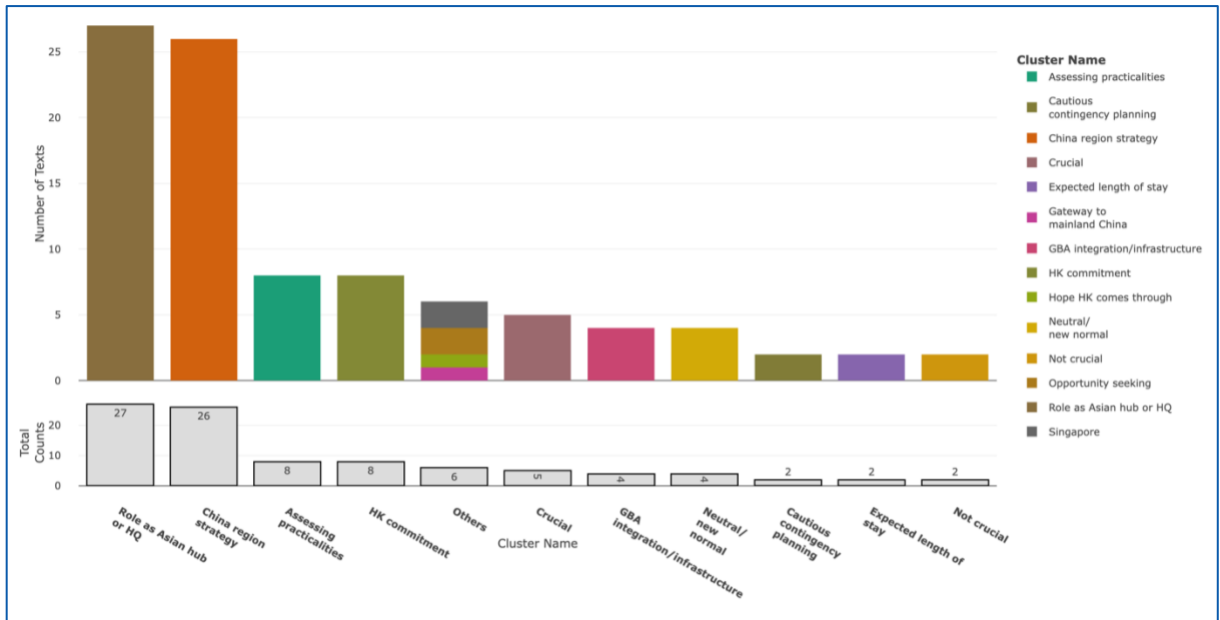# Response on How Crucial is Hong Kong

Figure 13: Number of responses(y) and by High-level clusters(x)

4 How Will this Learning be Applied?

The report provides actionable insights to guide strategic initiatives for European businesses and Hong Kong policymakers.

The Chamber will leverage these findings to focus on areas of critical importance, including addressing geopolitical uncertainties, ensuring talent retention, and safeguarding Hong Kong's global competitiveness. These priorities will shape programming designed to support businesses in navigating the region's evolving economic landscape while maintaining Hong Kong's position as a vital hub for trade and innovation.

For businesses, the data emphasizes the need for diversification, forward planning, and strategic agility.

The detailed narrative clusters offer a roadmap for identifying opportunities and managing risks — whether through regional expansion, operational optimisation, or investment in transformative technologies. These insights enable companies to adapt to uncertainty while continuing to benefit from Hong Kong's unique strengths as a gateway to Asia and a platform for global commerce.

This report underscores the resilience and adaptability of the European business community in Hong Kong.

By addressing the challenges identified and fostering greater collaboration among stakeholders, businesses and policymakers can strengthen Hong Kong's relevance in the global economy. The Chamber remains committed to aligning its efforts with these insights, advocating for policies that drive sustainable growth and innovation, and ensuring that Hong Kong remains a leading destination for investment and enterprise.

Acknowledgment:

phrasia

This survey and report are conceived, designed, and written by EuroCham, with the support of Phrasia.

Phrasia provides advanced signals intelligence for companies, helping them to proactively identify the drivers of their business

The narratives flowing among your stakeholders, customers & employees are powerful drivers of future preference & behaviour. They are unstructured data, loaded with early indicators, yet chronically underleveraged by existing analytics tools. Built on deep learning, Phrasia is the first and only company tool to quantify narrative signals quickly, and at scale – enabling early, actionable understanding of what's coming, and why.

By modelling narrative signals versus outcomes, organizations can act earlier and more effectively to drive performance, prevent risks, reduce churn, anticipate market shifts, and engage stakeholders.

About EuroCham

Initiated in 1997, the European Chamber of Commerce in Hong Kong (EuroCham) is a non-governmental business interest group. The EuroCham is a 'Chamber of Chambers' with its membership comprising 16 European Chambers based in Hong Kong. The appointed representatives of these chambers make up EuroCham's Board of Directors.

Over 1,600 European companies are operating in Hong Kong. In 2019, Europe maintained its position as Hong Kong's second-largest trading partner after mainland China and Hong Kong's second-largest export destination and third-largest import supplier. The relationship between Europe and Hong Kong continues to benefit from extensive people-to-people contacts, notably in research, academic cooperation, student mobility, culture, and creative industries.

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