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For Immediate Release

Hong Kong SMEs regain confidence in business and economic outlook, yet concerned about possible economic downturn, customer acquisition, and business costs, QBE survey reveals

14 February 2023, Hong Kong – Small and medium enterprises (SMEs) in Hong Kong have regained confidence in their business and the economy, despite having ongoing concerns about a possible economic downturn in Hong Kong and other markets, customer acquisition challenges, and rising business costs, according to research released by QBE Hong Kong today.

The annual SME survey shows that almost two out of five (39%) Hong Kong SMEs reported a decline in overall sales and their economic outlook had become more negative in the past 12 months, while one-third (33%) reported the opposite. However, when asked about their outlook for the next 12 months, close to half (47%) of SMEs anticipate business sales rising and a positive economic outlook.

Despite having a positive outlook, many SMEs expressed concerns about a possible economic downturn in Hong Kong and other markets that could impact their business (38%), which saw a significant increase of 8 percentage points compared with 2021. The top three economic conditions they think will worsen are: deteriorating investor and consumer confidence, rising global inflation, and decreasing demand from customers within Hong Kong. Besides an economic downturn, SMEs are also worried about customer retention and acquisition (37%) and rising business costs (34%).

It is worth noting that concerns in directors' liability due to allegations of being involved in wrongful acts have increased gradually from 18% in 2020 to 26% in 2022. A possible explanation is increased regulatory supervision.

With the above business concerns, SMEs expected to increase spending on staff training, staff numbers, staff size and marketing, while remaining focused on cost control in the next 12 months.

SMEs are reconsidering increasing overseas representation

Last year, the number of Hong Kong SMEs with overseas representation dropped to 29% from 37% in 2021. However, despite the economic uncertainty, almost half (47%) of SMEs intend to increase their overseas representation over the next one to two years, echoing their worries about customer acquisition within Hong Kong. Despite these ambitions, awareness among SMEs of the need for multi-country insurance declined from 43% in 2021 to 37% in 2022. Knowledge of multi-country insurance is highest among larger SMEs, and those already internationalised intend to expand further. Among SMEs without an international presence, 14% said they plan to expand into other markets, and 72% would consider buying multi-country insurance.

"While some SMEs are concerned about potential economic headwinds, they appear to be cautiously optimistic about the year ahead and hope to expand within Hong Kong and overseas. Managing insurance policies across different markets can be a challenge, from ever-changing local laws, market practices and coverage requirements, to tax regulations, logistics, and cultural differences. However, their concerns about cost control may lead them to overlook the value of insurance as a tool to manage risks," said Lei Yu, Chief Executive Officer for North Asia and Regional Head of Distribution, QBE Asia.

Despite concerns about business risks, a minority of SMEs have relevant insurance

The business risks most concerning Hong Kong SMEs remain the loss of income due to business interruptions (75%), losing key staff (70%) and equipment breakdown (69%). While SMEs' concerns



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about these events have increased steadily over the last three years, only 15%, 16% and 18% held the relevant insurance, respectively, to ride out such possibilities.

"Strategic planning for business continuity is critical to SMEs as it ensures business resilience and helps them respond quickly in case of interruptions. Insurance can play a critical role in helping SMEs ride out business interruptions including equipment breakdowns, damage to property and public liability claims as they navigate an uncertain economic environment", said Lei. "At QBE, we believe having the right insurance protection in place gives SMEs peace of mind and the confidence to focus on their business. We are always ready to provide advice and guidance to help SMEs find the most appropriate and cost-effective insurance solutions for their business."

Commissioned by QBE Hong Kong, the SME Survey draws on the responses from 422 SMEs from a wide range of industries in October 2022.

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About the SME Survey

About QBE Hong Kong

QBE Hong Kong has been serving Hong Kong for more than a century. Today, QBE Hong Kong operations include QBE Hongkong & Shanghai Insurance Limited, QBE General Insurance (Hong Kong) Limited, and QBE Mortgage Insurance (Asia) Limited. As a leading general insurer, QBE Hong Kong provides a comprehensive range of non-life insurance solutions for both business and personal customers. QBE Hong Kong operates through an extensive network of professional insurance agents and brokers and has an exclusive distribution partnership with Hang Seng Bank and Manulife.

To learn more about QBE Hong Kong, please visit www.qbe.com/hk.

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