

September 2024

The future of Hong Kong trade

Embracing tech-driven
solutions for global growth

Introduction

The Airwallex SME Import and Export Survey reveals that Hong Kong is solidifying its status as a premier international trade hub by adapting to emerging digital trends.

Hong Kong has long been recognised as a crucial international trading centre, and this reputation remains strong as the city continues to attract business activities worldwide. Conducted by Airwallex in Q3 2024, this survey demonstrates a continued emphasis on growth in the trading sector despite rising costs.

This report, based on insights from 105 cross-border trading companies operating out of Hong Kong, demonstrates **a growing eagerness among businesses to embrace FinTech solutions** as a strategic move to remain competitive. As companies increasingly turn to digital tools for various aspects of their operations, digital payment solutions have emerged as a new area of focus. Notably, 75% of respondents already use FinTech regularly for payments, foreign exchange (FX) and money transfers.

With Hong Kong's total merchandise trade reaching US\$1,131 billion (HK\$8,822 billion) in 2023¹, the economic impact is substantial, underscoring the critical need for efficient financial practices within this sector. As Hong Kong continues to lead on the world stage, this report showcases the transformative potential of digital payment innovations in the wholesale trading sector, offering valuable insights into how these advancements are shaping the future of international trade.

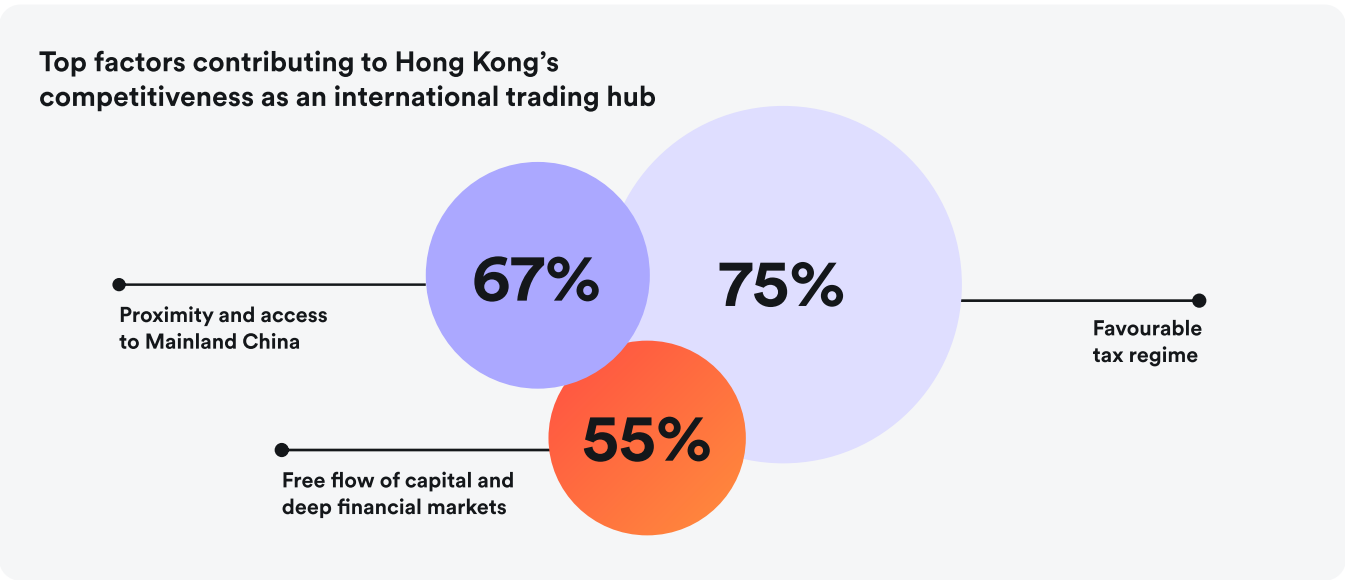
1. [Import and Export Trade Industry in Hong Kong](#), HKTDC, 2024

Industry outlook

SMEs continue to view Hong Kong as a vital international business hub for global trade

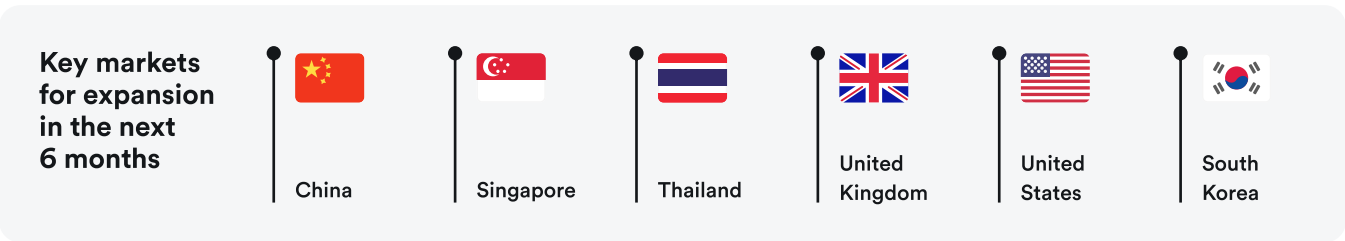
The Airwallex SME Import and Export Survey 2024, which included respondents from companies engaged in importing, exporting, and re-exporting goods, highlights the diversity and scale of Hong Kong’s trading ecosystem. These companies trade in a vast array of products, spanning food and beverages, apparel, cosmetics, home goods, electronics, healthcare products, and more.

Respondents have identified several contributing factors to Hong Kong’s prominence as an international trade hub. Leading factors include its tax-friendly environment, proximity to Mainland China, and the robustness of financial markets.



Hong Kong import and export SMEs eye strategic expansion into new markets

The survey also reveals a strong ambition among Hong Kong traders to expand their presence into new markets, with Asia being a primary focus. 82% of respondents plans to source from or sell to at least one new market within the next six months. The top two regions for expansion include Northeast Asia and Southeast Asia, with Europe being the third. The growing regional connectivity stemming from various free-trade agreements enhances Hong Kong’s role as a gateway to Asian markets.



Challenges & opportunities

Rising costs of doing business and the complexities with managing global money movement

As Hong Kong's trading sector continues to evolve, traders face an increasingly complex landscape marked by rising costs and heightened financial pressures. The survey highlights several key challenges trading firms must navigate to remain competitive.

Over half of the respondents cited rising operational costs, especially those linked to supply and logistics, as one of their most urgent concerns. This issue has been further aggravated by global supply chain disruptions and inflationary pressures, escalating costs across the board. Additionally, 51% of those surveyed say that managing cash flow has become more difficult. This is particularly complex with cross-border transactions where there are varying regulatory requirements. Two in five pointed to FX volatility and increasing transaction costs as significant concerns.

Top challenges faced by trading companies

55%

Rising operational costs

Most cited by healthcare, household and groceries, fashion and beauty traders

51%

Managing cash flow globally and locally

Most cited by devices and electronics, home and garden traders

40%

FX volatility and rising transaction costs

Most cited by food and beverages traders

In response to these mounting challenges, businesses are actively pursuing strategies to mitigate costs across multiple operational areas. One of the focuses is on financial market fees, which encompass banking services, payment transactions, and foreign exchange (FX). Exporters and re-exporters, in particular, have identified these financial expenses as a priority for cost-cutting. By streamlining these expenses, traders aim to enhance their profitability and remain competitive in a market increasingly defined by tight margins and intensified financial pressures.

Traders are actively seeking ways to reduce costs in the following areas



46%

Logistics and inventory



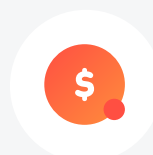
45%

Professional fees



45%

Office rent and utilities



44%

Financial market fees

New and emerging FinTech solutions have improved and expedited cross-border trade

The survey found that among traders primarily using traditional payment solutions, 26% have expressed some level of dissatisfaction with their services in areas of pay in, payout, and FX. While not a majority, this frustration highlights specific pain points in the current system, including slow processing times, high transaction costs, complex documentation, and limited payment options.

Digital payment platforms are emerging as a solution to these inefficiencies. These innovative services typically provide businesses with the ability to process payments across a wide range of methods and currencies, simplifying cross-border operations. One way these platforms reduce cost is by providing local payment rails as an alternative to costly international systems. Also, with competitive FX rates and transparent fee structures, companies can potentially reduce currency conversion costs by up to 80%.

Going paperless, eco-packaging, and reducing carbon emissions in the supply chain are becoming priorities

Sustainability is increasingly central to the strategies of Hong Kong trading companies, with over 60% of survey respondents highlighting the importance of green practices to their operations. Key initiatives these companies have in place or will implement include adopting paperless documentation (69%), transitioning to eco-friendly packaging materials (58%), and optimising logistics to reduce carbon emissions (41%).

Given that approximately 870 metric tons of cardboard, newsprint, and office paper end up in Hong Kong's landfills daily², the transition to paperless operations is especially impactful. By reducing reliance on traditional, waste-generating payment methods like paper checks and invoices, companies not only save on costs associated with paper and postage but also make a meaningful contribution to lowering their overall carbon footprint.

2. [Monitoring of Solid Waste in Hong Kong - Waste Statistics for 2022](#), Environmental Protection Department, 2023



believe sustainability & green practices are important to their business

Future trends

Digitising finances and market expansion via eCommerce platforms are critical for future success

When asked about strategies for staying ahead, businesses highlighted the exploration of new or niche markets, strengthening of business relationships, and the adoption of efficient and cost-effective cross-border payment solutions as key priorities.

Strategies to boost competitive edge



Expand to new or niche markets



Strengthen business relationships



Adopt an effective payment solution

What trading companies are looking to invest in the next 3 years

50%

Automation and digitisation of finances

50%

Global eCommerce marketplaces

37%

Marketing and CRM tech

31%

AI and robotics

24%

Supply chain visibility

“In today’s fast-paced import and export environment, the demand for innovative solutions is growing as businesses seek to overcome inefficiencies. At FedEx, we are committed to helping businesses navigate these challenges by offering flexible logistics solutions for express and freight shipments. We also collaborate with like-minded industry partners, such as Airwallex, a financial platform that streamlines complex cross-border payment operations, supporting our customers’ cross-market activities.”



Anthony Leung

Managing Director, FedEx,
Hong Kong and Macau

As for future investments, digitisation stands out as a crucial investment area for trade companies. Automation and digitisation of financial processes, including payments, accounting and FinTech solutions, as well as global eCommerce marketplaces are considered vital, with half of the respondents planning to invest in these areas.

“As global trade evolves, Hong Kong remains a critical gateway for businesses looking to expand into new markets, whether they are sourcing from international suppliers or selling to customers across borders. Fintech adoption is delivering significant benefits to SMEs, particularly in trading. As a leading FinTech in Hong Kong, Airwallex has been empowering trading companies with financial solutions, enabling them to conduct business across over 150 regions and in more than 60 currencies.”



Arnold Chan

Asia General Manager
Airwallex

Other significant investment areas such as marketing and CRM technology, as well as AI and robotics, align with a broader trend towards digital transformation. These tools help businesses enhance operational efficiency and provide the scalability and agility needed to expand and thrive in a competitive landscape.

The advantages of digital payment and FinTech solutions are becoming clear for businesses' bottom line

The survey indicates a notable enthusiasm among the trade sector towards new technology adoption. With 40% of respondents characterising their organisations as innovators actively seeking new technologies, it is evident that digital transformation is gaining momentum.

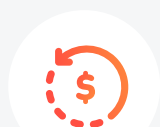
When it comes to FinTech solutions, an overwhelming majority (90%) of respondents are open to incorporating digital payment platforms for FX and international transfer services in the next six months, with many expecting to integrate them alongside traditional services. When exploring new payment solutions, factors such as costs and time investment are top of mind for traders.

Top reasons for using digital payment platforms for cross-border transactions



60%

Easier account opening



55%

Lower costs



49%

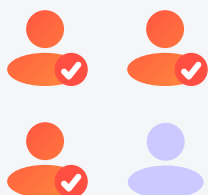
Faster payment processing time

This trend towards incorporating FinTech platforms is gaining traction, with three out of four respondents already utilising FinTech regularly for payments, and one in three using these new solutions more frequently than traditional services. Among those already using FinTech for payments, 92% expressed satisfaction with the pay in, payout, and FX services provided by FinTech banking partners, compared to only 75% for traditional banking services.

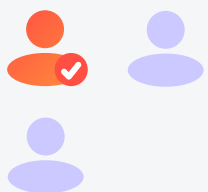
90%

are open to using FinTech solutions for transactions in the next 6 months

3 in 4 respondents regularly use FinTech for payments



1 in 3 uses FinTech more frequently than traditional services



Happy with FinTech

92%

of those using a FinTech solution

Happy with traditional banks

75%

of those using a FinTech solution

The way forward: embracing tech-driven solutions for operational excellence and global growth

The survey findings underscore a significant trend among Hong Kong traders. The adoption of digital payment solutions among other innovative technologies is seen to be a means of gaining competitive advantage in a dynamic global market. As businesses grapple with escalating operational costs and complex financial environments, strategic investments in digital transformation and market expansion are pivotal for achieving sustained growth and operational efficiency.

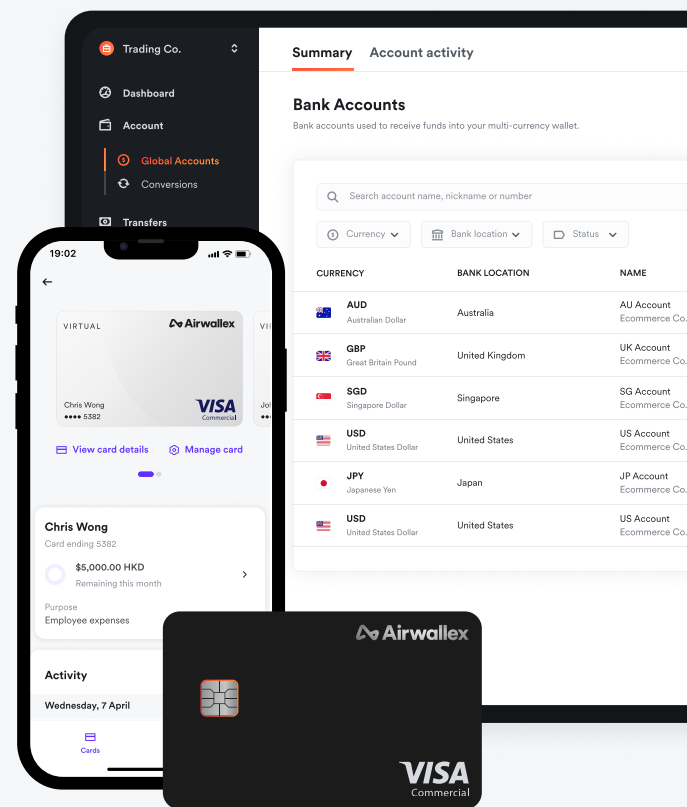
By embracing these advanced technologies, companies can reduce operational costs, save time on financial management, and better position themselves to navigate the complexities of the international trade landscape.

About Airwallex

Airwallex is a leading global financial platform for modern businesses, offering trusted solutions to manage everything from payments, treasury, and spend management to embedded finance. With our proprietary infrastructure, Airwallex takes the friction out of global payments and financial operations, empowering businesses of all sizes to unlock new opportunities and grow beyond borders.

One business account. Multiple solutions.

- ✓ Multi-currency accounts
- ✓ Market-leading FX & Transfers
- ✓ Local and global transfer options
- ✓ Payments to 150+ countries



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