

## **Hong Kong Payments Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)**

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### **Report description:**

The Hong Kong payment market is expected to register a CAGR of 5.66% during the forecast period. Payment gateway integration has become one of the most critical aspects of any business in every industry across the region, as it allows collecting money through the customer's preferred bank without compromising sensitive data.

#### Key Highlights

Cashless transactions are becoming more common, and the industry's responsibility to promote inclusion has risen to the top of its priority list. Payments provide a strong foundation for commerce and foster the growth of digital economies. Due to the growth of smartphones, expanding businesses, and customer preference for digital transformation, the landscape of transactions and payments is evolving fast.

As Hong Kong tries to modernize its economy and get more people involved in digital banking, the trend toward real-time payments is usually supported by strong government backing. The real-time faster payments service (FPS) in Hong Kong has seen an almost tripling in both the volume and value of transactions, which is expected to drive the payments market in the region. In addition, a number of measures launched by The Hong Kong Monetary Authority (HKMA) are intended to get Hong Kong prepared for the New Era of Smart Banking. One of the initiatives is the Faster Payment System (FPS) for operators of Stored Value Facilities (SVFs) and banks. This makes it possible to send payments using email addresses or mobile phone numbers at any time from anywhere in Hong Kong dollars and Renminbi.

There is no specific legislation on payment systems in Hong Kong. However, several laws directly affect various payment instruments and institutions. The Personal Data (Privacy) Ordinance (Cap. 486) (PDPO) is in charge of being implemented in Hong Kong, and it is the responsibility of the Privacy Commissioner for Personal Data (PCPD) to ensure compliance. Data transfer is an essential thing in the Digital Payment scenario. While the PCPD works to protect personal data in Hong Kong, it also understands the necessity to exercise its authority within a specific framework to avoid stifling the free flow of information, which is thought to

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be essential to a data-driven economy. PDPO has not yet begun operations, even though the legislation was passed in 1995. However, continuous efforts and changes can be seen in this direction to improve cross-border transactions.

A substantial shift in consumer attitudes toward the adoption of cashless payment systems was brought on by the COVID-19 outbreak. According to a Visa poll done in December 2021, the use of payment cards grew dramatically in 2021: 93% of survey participants said they did so due to the convenience and security they provide. The same study found that 38% of participants anticipated using cashless payment options more frequently during the following year. On smaller purchases up to HKD 100 (USD 12.90), 66% of people chose to use their cards in 2021.

## Hong Kong Payments Market Trends

### Card Payments to Hold Significant Share in Online Payment Sector

In online sales, card payments are one of the most prominent payment methods used in the country. Card payments can be made with credit, debit, or charge cards. Further, the growing digitalization of the country is boosting card payments.

According to a report published by JP Morgan in 2021, Hong Kong residents are prepared to spend money when they purchase online, as seen by the solid average yearly online spend of HKD 1,992.09 (USD 255.59). Consumer electronics, health and beauty, and travel are the top three e-commerce niches in Hong Kong. At 89.4%, internet penetration is high and tops all other non-European nations in our research series. This will help Hong Kong's online shopping expand, but domestic shops that have so far been reluctant to switch to e-commerce platforms must also put in some effort.

According to a report published by JP Morgan in 2021, in Hong Kong, cards are the most popular method of payment. They account for approximately HKD 1.8 billion (USD 230.94 million) in yearly sales. More specifically, credit cards, with well-known and widely-used brands like Visa, Mastercard, and American Express, dominate the payment business. The fact that Hong Kong residents have one of the highest net worth-to-liability ratios in the world suggests that they may be willing to take on debt. In Hong Kong, the prevalence of credit cards far outweighs that of debit cards.

During the COVID-19 pandemic, Hong Kong's e-commerce industry grew owing to various circumstances, most notably the government's encouragement to shop online and stay at home for protection. Many Hong Kong residents learned how to shop online for groceries and other daily necessities after the Movement Control Order (MCO) was implemented. People in Hong Kong use online marketplaces to conduct their business and look for services while staying home to maintain safety and follow SOPs. Also, the COVID-19 epidemic made it easier for Hong Kong to switch to electronic and digital payments.

Debit cards are a popular form of payment in Hong Kong, mostly powered by Electronic Payments International (EPS). Debit card transactions totaled HKD 77.6 million (USD 9.95 million) in Q4 2021, although as per the Hong Kong Monetary Authority (HKMA) and Statista report, this statistic represents a fall from Q1 2019, when debit card transactions totaled HKD 90.2 million (USD 11.57 million). Debit cards continue to be a significant payment option in Hong Kong due to their ease for customers, despite a general decline in usage over time. By using PayWave technology, debit cards in Hong Kong make it possible for people to pay for things quickly and easily.

### Retail Sector Expected to Witness Significant Growth

The payment market is evolving in response to customer behavior. The cashless economy, mobile banking, fast payments, digital commerce, and the expanding influence of regulatory agencies are a few of the trends influencing the payment market.

Because of rising smartphone use and consumers' willingness to make international purchases, Hong Kong's e-commerce sector has grown rapidly in recent years. Businesses that are new to the region can benefit from the developing physical infrastructure

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and regulatory framework that have been put in place to promote e-commerce in this dynamic industry. Moreover, the increasing government initiatives, primarily to promote the digital economy and curb the usage of cash, have resulted in increased transactions through e-wallets and point-of-sale systems. For example, as a representative of the Hong Kong Special Administrative Region Government, the Hong Kong Monetary Authority announced in November 2022 the annual interest rate for the first interest payment due on a series of retail green bonds under the Government Green Bond Programme. In December 2022, the Bank of China (Hong Kong), the city's note-issuing bank, will take the initiative in encouraging the usage of digital yuan (e-CNY), giving e-laisse incentives to consumers who register to use it. BOCHK is distributing red packet rewards worth 100 e-CNY (USD 14.33), which can be used to purchase goods at 14 physical stores of grocery chain U Select around the city, to encourage people to test the digital currency. Also, the rise in digital payments in the region is pushing retail firms to adapt to the changes. Retail companies might be able to sell more and grow their business by giving customers more ways to pay.

## Hong Kong Payments Market Competitor Analysis

The Hong Kong payments market is competitive. The companies operating in the market are executing mergers, acquisitions, and strategic partnerships to gain market share. Significant players include HSBC, Bank of China, Bank of East Asia, and Standard Chartered Bank.

In May 2022, HSBC announced a USD 5 billion sustainable finance program to help businesses in the Greater Bay Area (GBA) reduce their carbon footprints. The bank's GBA Sustainability Fund lasts for 18 months and is open to all kinds of businesses in the 11-city megalopolis in southern China that take steps to reduce carbon emissions.

In May 2022, After introducing an innovative Green Mortgage Plan last year, the Bank of China (Hong Kong) announced the establishment of Hong Kong's first Green Loan Facility. The bank will provide favorable loans to clients interested in purchasing electric cars (EVs) as a first step to boost the adoption of green transportation and promote zero emissions in the province in support of Hong Kong's goal to achieve "carbon neutrality" by 2050.

### Additional Benefits:

The market estimate (ME) sheet in Excel format  
3 months of analyst support

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