Xi Vows to Strengthen Economic Recovery After 'Tough' Year

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Tuesday, Jan 02, 2024

Chinese President Xi Jinping pledged to strengthen economic momentum and job creation, acknowledging some companies and citizens had endured a difficult 2023 in a rare admission of domestic headwinds facing the country.

While China's most-powerful leader since Mao Zedong used his annual new year address to trumpet his nation's achievements, he also conceded some "enterprises had a tough time" and "people had difficulty finding jobs and meeting basic needs."

"We will consolidate and strengthen the momentum of economic recovery, and work to achieve steady and long-term economic development," Xi said in the televised message Sunday, beamed to his nation's 1.4 billion people. China's much-anticipated post-pandemic economic boom failed to materialize in 2023.

The government's goal is "delivering a better life for the people," he added, pledging better education and career opportunities for the young, and healthcare for the elderly. China's youth unemployment hit a record high over the summer, before the government stopped publishing figures.

Improving people's well-being has been a key component of the social contract the Communist Party has relied on for decades for its ruling. A new year awash with economic challenges will test that pact: China is entering a pivotal period as policymakers try to stabilize a crisis in the property market and prevent the world's second-largest economy from sleepwalking into deflation.

Beijing is expected to target a growth goal of around 5% again in 2024, avoiding the self-fulfilling negative cycle a lower number could create. That will likely be harder due to a higher comparison base.

Bolstering confidence in China will be crucial this year. Concerns over Beijing's opaque policymaking spooked investors in 2023, while higher interest rates overseas spurred capital outflows. A recent crackdown on the gaming industry sparked a $80 billion meltdown, stoking fresh concerns over policy swings, as foreign investors recorded their smallest-ever annual purchases of Chinese stocks.

Signs of weakness in the economy are persisting. Hours before Xi's speech, data showed factory activity shrank in December to the lowest level in six months, adding pressure for policymakers to act urgently to inject impetus to the economy. Analysts said Xi's address didn't move the needle, with the market still expecting a rate cut by the central bank to boost the economy in the first quarter of 2024.

Xi on Sunday touted Chinese "manufacturing prowess" and rattled off a list of homegrown projects including the domestically-built C919 passenger jet, a made-in-China cruise ship, the nation's space programs, maned submersibles, and electric cars.

Xi also his used his speech to reiterate the ruling Communist Party’s position that China will “surely be reunified” — an allusion to Taiwan, the self-ruled island Beijing considers its own and has vowed to claim, by force if necessary.

His comments come just weeks before Taiwan’s voters go the polls to pick their next president, as a looming US election also brings fresh geopolitical risks. Turmoil is still rumbling through the upper echelons of China’s military leadership, with more senior figures purged from top bodies last week.

That raises questions over how ready China’s military would be for any invasion of Taiwan, with the rocket force that manages the nation’s missiles under the spotlight. Beijing also abruptly removed its foreign minister last year, without explanation, adding to the instability.

Taiwan’s hotly-contested election on Jan. 13 will decide how the island of more than 23 million people will respond to Beijing’s moves. The incumbent Democratic Progressive Party seeks to strengthen Taipei’s ties with Washington, while the opposition Kuomintang — an increasingly close second in the most recent polls — is Beijing’s preferred negotiating partner on the island.

“All Chinese on both sides of the Taiwan Strait should be bound by a common sense of purpose and share in the glory of the rejuvenation of the Chinese nation,” Xi said.
Bloomberg

'HK IPO market to return to top three this year'

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Accounting firm PricewaterhouseCoopers (PwC) on Tuesday said it expects the value of initial public offerings in Hong Kong to double this year, reaching more than HK$100 billion, which could put the SAR back into the world's top three fundraising hubs.

It also predicted that 80 companies will be listed in the city in 2024, up from 73 last year.

The increased valuation, PwC said, will be supported by a "reduction in bearish factors", "substantial demand" for corporate development financing, as well as expected interest rate cuts from the second quarter, which could see capital from Europe, the US and the Middle East flowing back to Asia, increasing market liquidity.

The implementation of Chapter 18C, which made it easier for specialist technology companies to list in Hong Kong, as well as the Stock Connect schemes, could also help, it said.

Benson Wong, entrepreneur group leader at PwC Hong Kong, said he expects three to five specialist technology firms to take advantage of Chapter 18C to list here in 2024.

Wong added that specialist technology companies in fields such as semiconductors and artificial intelligence have great potential, and that the expected listing of Chinese concept stocks as well as tech companies will contribute to the stability of the local capital market and boost sentiment.

He added that PwC is optimistic about the city's stock market this year.

Separately, Eddie Wong, capital markets services partner at PwC Hong Kong, forecast that the mainland will see about 200 to 240 initial public offerings this year, worth a total of about 160 billion yuan to 190 billion yuan.

Last year, a total of 193.7 billion yuan was raised on the Shanghai Stock Exchange, while 148.1 billion yuan was raised on the Shenzhen Stock Exchange.

Shanghai ranked first in the world and Shenzhen second in terms of fundraising, while Hong Kong came in eighth, according to Refinitiv data.

PBOC will stick to loose policy

by www.thestandard.com.hk
Wednesday, Jan 10, 2024

China's central bank signaled that it's prepared to keep policy loose by lowering the amount of money banks must keep in reserve, reinforcing expectations among investors of more easing to come.

The People's Bank of China will use a variety of tools to provide "strong support" for a reasonable growth in credit, said Zou Lan, head of the central bank's monetary policy department, in an interview with Xinhua News Agency late Monday. He highlighted "reserve requirements" as one option, suggesting policymakers have considered trims to that ratio as a way to boost lending capacity and bolster credit.

"The official comments may reinforce expectations of PBOC easing, as the central bank mentioned the RRR tool and signaled a willingness to guide interest rates lower," said Xing Zhaopeng, senior China strategist at Australia & New Zealand Banking Group. He added, though, that a lot of easing hopes have "already been priced in."

The central bank will also strengthen its counter-cyclical and cross-cycle policy adjustments to create favorable financial conditions for the country's economic growth, Zou told the agency. He added that the PBOC will guide financial institutions to strengthen their liquidity risk management for stable money market operations.

Investors and analysts have been betting on loose monetary policy this year as the economy continues to show signs of weakness and confidence has yet to rebound. Upcoming data is expected to give more clues on the progress of the recovery, including the state of borrowing activity last month and how severe the nation's deflationary pressures still are.

Meanwhile, Chinese Academy of Science expects 5.3 percent economic growth this year.

Separately, China's civil aviation regulator said the industry's goal is to turn profitable this year after recording a loss of nearly 30 billion yuan (HK$32.87 billion) in 2023.

132k firms newly registered in 2023

by news.gov.hk

Monday, Jan 15, 2024

The total number of local companies registered in Hong Kong stood at 1,430,758 at the end of 2023, with 132,246 having been newly registered during the year, the Companies Registry announced today.

In 2023, 960 non-Hong Kong companies registered a newly established place of business in Hong Kong under the Companies Ordinance.

The total number of registered non-Hong Kong companies reached 14,826 by the end of 2023, up 2.02% year-on-year.

As for the licensing of trust or company service providers under the Anti-Money Laundering & Counter-Terrorist Financing Ordinance, a total of 429 licences were granted, taking the number of licensees to 6,945 by the end of 2023.

The number of charges paid for registration of properties of companies was 12,368, while the number of notifications of payments and releases was 17,648. There were also 2,997,459 documents delivered to the registry for registration.

Meanwhile, 4,925,332 electronic searches of document image records were conducted.

There were also 188 limited partnership funds newly registered in 2023, bringing the total number to 737 by the end of the year.

The Companies Registry highlighted that it launched the Integrated Companies Registry Information System and a new e-Services Portal on December 27, 2023.

On the same day, it also implemented the Unique Business Identifier, whereby the business registration number assigned by the Inland Revenue Department was adopted as the identification number for all entities under the administration of the Registrar of Companies.

In addition, the registry launched Phase 3 of its new inspection regime to further enhance protection of sensitive personal information.

'GDP per capita growth in China still strong'

by www.rthk.hk

Wednesday, Jan 24, 2024

The head of the United Nations Sustainable Development Solutions Network said China still enjoys strong economic per capita growth despite a headline slowdown that was dragged in part by property downturns.

Speaking at a group interview at the 17th edition of the Asian Financial Forum held in Hong Kong, Jeffrey Sachs, who is also a professor at Columbia University, said China's economic growth of 5.2 percent last year was “pretty good” as its per capita growth was still rapid.

“If we use growth as a shorthand for living standards, what counts is growth per person, not total growth of the economy,” said Sachs.

“That's a pretty big advantage for China. In other words, the faster growth or what I called ‘economic convergence’ continues. Population change will slow the headline number, but China can continue see growth per person even as the population is stable or declining.”

By contrast, he cited a 2 percent per capita growth in the United States.

China's population has dropped for two straight years, and Sachs said such declines are expected as the economy continues to mature.

The US economist added that he believes China’s financial stresses – seen in the property sector and local governments – are a “cyclical process” and will not fundamentally change the country's growth trajectory.

HK, Croatia sign tax pact

by news.gov.hk
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Secretary for Financial Services & the Treasury Christopher Hui today signed a comprehensive avoidance of double taxation agreement (CDTA) with Croatia on behalf of the Hong Kong Special Administrative Region Government.

The agreement, signed in Hong Kong, sets out the allocation of taxing rights between the two jurisdictions and will help investors better assess their potential tax liabilities from cross-boundary economic activities.

Noting that Croatia is one of the economies participating in the Belt & Road Initiative, Mr Hui said he is confident that the agreement will further promote economic and trade connections between Hong Kong and Croatia, and offer additional incentives for the business sectors of both sides to do business or make investments.

He added: “Hong Kong will continue to negotiate with trading and investment partners with a view to expanding its CDTA network. This could enhance the attractiveness of Hong Kong as a business and investment hub, and consolidate the city's status as an international economic and trade centre.”

Under the Hong Kong-Croatia agreement, Hong Kong companies can enjoy double taxation relief in that any tax paid in Croatia, whether directly or by deduction, will be allowed as a credit against the tax payable in Hong Kong in respect of the same income, subject to the provisions of Hong Kong’s tax laws.

Moreover, the agreement also provides certain tax relief arrangements such as Croatia's withholding tax rates for Hong Kong residents on dividends, interest and royalties will be capped at 5%; and profits from international shipping transport earned by Hong Kong residents arising in Croatia will not be taxed in Croatia.

Click here for more on the agreement.

Asian Financial Forum opens

by news.gov.hk
Wednesday, Jan 24, 2024

The 17th Asian Financial Forum opened today under the theme of “Multilateral Cooperation for a Shared Tomorrow” to explore sustainable economic development strategies and multilateral co-operation opportunities.

The forum assembles more than 3,000 financial officials, representatives of central banks and regulators, senior executives from international financial and multilateral organisations, financial and business leaders and leading economists from over 40 countries or regions to shed light on topics such as opportunities in Mainland China, investment prospects, green finance, fintech, family office ecosystem, renminbi internationalisation and development of the Greater Bay Area, reflecting Hong Kong's strengths as an international financial centre.

Chief Executive John Lee addressed the opening session, while Minister of the National Financial Regulatory Administration Li Yunze delivered special remarks. Financial Secretary Paul Chan welcomed participants at the keynote luncheon and the cocktail reception in the evening.

Highlighting that this was the first time the forum was being held entirely in person since 2020, Mr Lee said thousands of high-profile financiers and investors, international policymakers and business leaders, technology innovators and entrepreneurs, academics and professionals are taking part to get informed intelligence and insight on the global and regional economies as well as investment prospects.

“Under the 'one country, two systems' principle, Hong Kong can create opportunities for companies, and economies, in Asia and around the world. We can, and we will, contribute to realising a bright and shared future for the global community.

“'One country, two systems' and the far-reaching opportunities it brings to us has enabled the city's financial sector to thrive despite the considerable challenges we face.”

Mr Lee invited the forum participants to see for themselves Hong Kong's new development opportunities and enjoy the experiential activities around the city specially provided by the event.

At the keynote luncheon, the Financial Secretary shared his views on achieving sustainable development.

Noting that free trade and the flow of capital raise the incomes and living standards of billions of people by unleashing immense productivity worldwide, Mr Chan said Hong Kong is firmly committed to multilateralism, free trade and reducing trade barriers.

He added that Hong Kong is a staunch supporter of the rules-based multilateral trading system, with the World Trade Organization as governing institution.

Mr Chan also pointed out that Hong Kong is well-positioned to support climate action and green transition in the Asian region and around the world, and will unleash the potential of fintech in promoting sustainable development.

Secretary for Financial Services & the Treasury Christopher Hui chaired two plenary sessions, while today's other programme highlights included a policy dialogue chaired by Monetary Authority Chief Executive Eddie Yue.

This is in addition to Hong Kong and Croatia signing the Comprehensive Avoidance of Double Taxation Agreement as well as a memorandum of understanding signed by Hong Kong and the Kingdom of Saudi Arabia to enhance connectivity between the financial markets in the two places.

China's economy 'has more favorable factors'

by www.thestandard.com.hk
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China has more favorable factors in its economy than unfavorable ones, Li Yunze, head of the country's top financial regulator said yesterday.

Speaking at the Asian Financial Forum in Hong Kong, the director of the recently-established National Administration of Financial Regulation said the mainland's economy has a strong foundation, sufficient vitality for growth and ample room for macro policies.

Li said China's financial sector will further open up to attract foreign firms and will not change its stance to protect the legal rights of foreign companies.

He also proposed four points to strengthen Hong Kong's role as an international financial center including expanding the business scope of Hong Kong and Macau banks in the mainland.

China is also assessing lowering the threshold for Hong Kong and Macau financial institutions to take stakes in mainland insurance firms, Li added.

He said that Chinese financial institutions are encouraged to issue green bonds to promote the offshore yuan bond market in the SAR.

Financial Secretary Paul Chan Mo-po, meanwhile, said that Hong Kong is leading in Asia in terms of green finance and investment, which will amount to US$660 billion (HK$5.15 trillion) in 30 years.

Chief executive John Lee Ka-chiu said that international cooperation is more important than ever with deglobalization and decoupling. Fragmented markets will only lead to rising costs and tightened liquidity, Lee added.

Lee also said that bourse operator Hong Kong Exchanges and Clearing (0388) will complete consultations about trading during severe weather, helping investors manage their assets even during typhoons or rainstorms.

The 17th edition of AFF, which is being held under the theme of "Multilateral Cooperation for a Shared Tomorrow," concludes today.