

Hong Kong & Mainland China News – Feb-2024

'China's factory activity expands on exports boost'

by rthk.hk

Thursday, Feb 01, 2024

China's factory activity expanded in January thanks to stable growth in output, quicker logistics and the first rise in new export orders since June, helping lift business confidence to a nine-month high, a private-sector survey showed on Thursday.

The positive outturn, however, contrasted with an official survey on the previous day showing manufacturing activity contracted again last month due to persistently weak demand.

The Caixin/S&P Global manufacturing PMI stayed at 50.8 in January, unchanged from December and surpassing analysts' forecasts of 50.6. The 50-point mark separates growth from contraction.

"Quicker logistics, increased procurement, and rising inventories reflected improved business confidence," said Wang Zhe, senior economist at Caixin Insight Group.

However, he noted that employment remained in contraction, price levels were subdued and "deflationary pressures persisted".

Policymakers in China face the task of revitalising the economy in the face of a property downturn, along with other issues.

The crisis-hit property sector was dealt a fresh blow this week after the High Court ordered the liquidation of the debt-laden developer China Evergrande Group.

But the Caixin survey offered some hope that external demand may be starting to improve with new export orders increasing for the first time since June last year, though marginally. (Reuters)

Surge in foreign firms eyeing HK expansion: InvestHK

by rthk.hk

Friday, Feb 02, 2024

The government's investment promotion agency said on Friday that the number of international and mainland companies looking to set up and expand in Hong Kong surged last year.

InvestHK said it brought 382 companies from 45 economies to the SAR in 2023, up 27 percent from the previous year, following the end of Covid travel restrictions.

While about a third of the firms, or 136, were from the mainland, 48 were from the UK, 34 from the US, 27 from Singapore and 13 from Australia.

It said most of the companies were in the financial services, fintech, innovation and technology sectors.

The total investment brought into the city reached HK\$61.6 billion, with more than 4,000 jobs created, it added.

Meanwhile, Alpha Lau, director-general of investment promotion, said that the government's plan to enact national security legislation under Article 23 of the Basic Law has not deterred overseas companies from expanding in the city.

"Not a single company has been affected about their urge to come to Hong Kong to do business or to further expand their business in Hong Kong because of Article 23 or other similar legislation," she said.

"Article 23 has already been in consideration for a number of years. They know that this is in place, and they've said that, in fact they have shared that in many countries, including their own, there's always some sort of national security legislation. Provided there's enough consultation and it's reasonable, they believe it will not really affect how they always see Hong Kong, which is the best place to do business, certainly in Asia and a lot of countries in the world."

The unit aims to attract a total of 1,130 businesses to set up or expand in the SAR between 2023 and 2025.

HK retail sales to rise 5 percent in 2024: PwC

by rthk.hk

Thursday, Feb 08, 2024

Accounting firm PricewaterhouseCoopers on Thursday said it expects retail sales in Hong Kong to reach HK\$428 billion this year, up 5 percent year-on-year.

At a press conference, the firm's consumer markets leader, Michael Cheung, said that while they predict the city's retail sales to grow only 2.4 percent in the first half of the year, growth momentum will pick up in the second half and rise to 8.4 percent.

This will be due to expected improvements in the global economy, potential interest rate cuts, as well as an easing trend of Hongkongers heading north for shopping.

"The behaviour of Hongkongers heading north was purely because of the price differential between Hong Kong and the mainland, especially the weakening of the renminbi against the Hong Kong dollar and the US dollar," Cheung said, explaining that the gap may narrow when the mainland's economy recovers further and when the US starts to reduce interest rates.

"Once the price differential gap is narrowed, then Hong Kong people may need to think about whether they need to go north that often," Cheung said.

The firm said it expects department store products, medicines and cosmetics as well as luxury items to remain the key drivers of retail sales growth, rising between 10 and 20 percent in 2024 year-on-year.

Cheung also said that Kai Tak will become the city's next key shopping and activities area so the authorities should promote it as a main tourist district, while holding more financial and cultural mega events to spur growth.

Separately, Cindy Ngan, a partner in the climate and sustainability practice of PwC Hong Kong, said new retail opportunities could arise from the government's planned waste-charging scheme.

"While such policies could add increased costs for some retailers in the short term, forward-looking businesses will take this opportunity to seek revolutionary changes to explore new business models as well as products' long-term sustainability," Ngan said.

"The circular economy in the city will be a new trend," she added.

The firm said, however, that the city's retail landscape is undergoing a structural change, and a full recovery to the peak level seen in 2018 may take another three to five years.

More emerging BRI economies to benefit HK

by rthk.hk

Saturday, Feb 17, 2024

The Commissioner for Belt and Road Nicholas Ho on Saturday said he expects more businesses from emerging economies to use Hong Kong as a hub for Beijing's flagship trade initiative.

Speaking on an RTHK programme, he described Belt and Road as a policy which had mutual benefits and wasn't one-sided.

He said the SAR's merchandise trade figures with participating countries was growing at over seven percent per year, and that the number of corporates coming to the city was rising by over 15 percent each year.

"Over the past ten years, our partners have mainly been from the Southeast Asia region or Asean countries. But we now see more emerging market partners from Belt and Road countries, for example, in the Middle East and North Africa. Their interest in Hong Kong is increasing," he said.

"They come to hold events, conferences, do business and to find contacts. Our partners have always been changing over the past ten years. In future, we believe that there will be more emerging market partners from other regions, who are interested in Hong Kong as a hub for the Belt and Road Initiative."

But Ho said that with about 150 countries participating in the initiative, Hong Kong had to be focused when exploring opportunities, in order to see achievements in the medium term.

"Our main focus will be on Asean countries and Middle Eastern countries. For instance, in Asean, we may focus on Malaysia, Thailand, Indonesia and Vietnam; and for the Middle East, we may focus on the United Arab Emirates, Saudi Arabia, and also some emerging market states," he said.

Ho added that Hong Kong had advantages in green finance and green technology, and that he believed these would be very attractive going forward.

China ready to work with EU to uphold free trade, multilateralism, foreign minister says

by www.thestandard.com.hk

Tuesday, Feb 20, 2024

China is ready to work with the European Union to uphold free trade, practice multilateralism, and promote an equal and orderly multi-polar world and inclusive economic globalisation, its foreign minister said during a visit to Spain.

China's Foreign Minister Wang Yi said China regards the EU as "an important force in the multi-polar pattern" and supports European integration, and the development and growth of the EU as well as achieving strategic autonomy, according to a foreign ministry statement on Tuesday.

"As long as China and the EU strengthen solidarity and cooperation, bloc confrontation will not arise," he said.

Wang made the remarks during a meeting with the Spanish prime minister in Madrid on Monday. He also met his Spanish counterpart and Spain's King Felipe VI.

Wang said China is ready to maintain high-level exchanges with Spain, strengthen synergies in development strategies and deepen mutually beneficial cooperation.

The EU has a policy of reducing economic reliance on China, which the bloc regards with more suspicion due to its close ties to Russia.

The European Commission set out plans in January to bolster the EU's economic security through closer scrutiny of foreign investments and more coordinated controls on exports and outflows of technologies to rivals such as China.

The EU executive's package is a response to the multiple risks exposed by the COVID pandemic, Russia's invasion of Ukraine, cyber and infrastructure attacks and increased geopolitical tensions.

Reuters

HK taxation regime recognised

by news.gov.hk
Tuesday, Feb 20, 2024

The Hong Kong Special Administrative Region Government today welcomed the removal of Hong Kong from the European Union's (EU) watchlist on tax co-operation in recognition of the city's efforts in ensuring that its foreign-sourced income exemption (FSIE) regime is in full compliance with the EU's relevant requirements.

Secretary for Financial Services & the Treasury Christopher Hui said: "We are pleased to note that the EU has recognised our efforts in this regard and removed Hong Kong from the watchlist. Hong Kong will continue to comply with international tax standards while maintaining tax competitiveness."

In response to the EU's inclusion of Hong Kong in its watchlist in 2021, the Hong Kong SAR Government introduced in January 2023 a new FSIE regime, under which multinational enterprise entities receiving foreign-sourced dividend, interest, income derived from the use of intellectual properties and disposal gain in relation to shares or equity interests in Hong Kong must satisfy the economic substance requirement to enjoy tax exemption.

In December 2022, the EU also explicitly set out disposal gains as a general class of income covered by an FSIE regime, and subjected the taxpayers concerned to the economic substance requirement.

Jurisdictions with ongoing FSIE reforms, including Hong Kong which was pending completion of the necessary legislative amendments, were kept in the watchlist.

In this connection, the Hong Kong SAR Government enacted the Inland Revenue (Amendment) (Taxation on Foreign-sourced Disposal Gains) Ordinance 2023 last December to refine the FSIE regime by expanding the scope of assets in relation to foreign-sourced disposal gains to cover assets other than shares or equity interests.

The refined FSIE regime came into effect on January 1, 2024.

Mr Hui added that the Hong Kong SAR Government will continue to implement new policy initiatives to create impetus for sustainable market development.

He also expressed confidence that Hong Kong will maintain its favourable business environment and strengthen its status as an international business and trade centre.

'Xia says businesses should have confidence in HK'

by rthk.hk

Friday, Feb 23, 2024

The director of the Hong Kong and Macau Affairs Office, Xia Baolong, has been quoted as telling business leaders in Hong Kong that they should be more confident about the SAR as its future is bright.

Xia is said to have made the comment during a four-hour meeting with local businessmen, entrepreneurs and developers at the government headquarters on the second day of his week-long visit in Hong Kong.

One of those at the meeting, Chinese General Chamber of Commerce chairman Jonathan Choi, said the senior mainland official mainly listened to their views on the economy.

He said he told Xia that although the struggling stock and property markets have affected consumption, Hong Kong has to remain confident as it has the advantage of the One Country, Two Systems principle.

"Most importantly, Hong Kong is an international city. How can we get foreign companies to be confident about their investment, and attract them to come to the SAR? It is very important for the SAR to play its role of connecting the mainland with the rest of the world," Choi told RTHK.

He added that he told Xia that Hong Kong needs to integrate into the country's development blueprint, while expanding into the ASEAN and Middle Eastern markets.

Choi said there wasn't much discussion about Basic Law Article 23 legislation, as representatives unanimously agreed that there's a need to enact the laws.

Others who attended meeting include Sun Hung Kai Properties chairman Raymond Kwok, PCCW chairman Richard Li, Hong Kong Federation of Restaurants & Related Trades chairman Simon Wong and Allan Zeman of the Lan Kwai Fong Group.

HK's economic prospects bright: FS

by news.gov.hk

Wednesday, Feb 28, 2024

Financial Secretary Paul Chan said in his Budget speech today that even though Hong Kong's export performance will be affected by the external environment, the city's economy will see sustained and solid development in the medium term.

He made the statement while analysing Hong Kong's economic situation. Pointing out that the city's economy returned to normalcy in 2023, he said the economy grew 3.2% in the year and incomes of the general public recorded growth in real terms.

Private consumption expenditure increased 7.3% in real terms last year. Overall investment expenditure also rebounded, by 10.8%, alongside the economic recovery.

Visitor arrivals bounced back sharply, to about 34 million last year, with fourth-quarter arrivals recovering to 58% of the same period in 2018.

Exports of travel services soared for the year, while exports of transport services increased in tandem, bringing about notable growth of 21.2% in total exports of services for the year as a whole.

Nonetheless, Mr Chan stressed that the challenging external environment continued to affect Hong Kong's export performance. Plus, heightened geopolitical tensions severely undermined economic confidence around the world and central banks of the advanced economies raised interest rates sharply to tame inflation.

The International Monetary Fund (IMF) estimated that global economic growth slowed to 3.1% last year. Against this backdrop, Hong Kong's total goods exports fell notably by 10.3% last year.

The city's labour market continued to improve as the seasonally adjusted unemployment rate declined from 3.5% in the fourth quarter of 2022 to the latest 2.9%. What's more, the median monthly employment earnings of full-time employees increased 8.6%, year-on-year, in the fourth quarter of last year.

Inflation remained moderate in overall terms. Netting out the effects of the Government's one-off measures, the underlying inflation rate was 1.7% last year.

The local stock market consolidated through most of 2023, and trading activities shrank.

As for residential property, the Financial Secretary said that market sentiment has become very cautious since the middle of last year amid rising interest rates and an external environment fraught with uncertainties.

Flat prices fell 7% during the year and the number of transactions declined by 5%, to a low level of about 43,000. The non-residential property market was largely quiet.

As for the economic outlook for 2024 and the medium term, Mr Chan, once again, emphasised that the external environment remains complicated.

Geopolitical tensions will continue to impact international trade and capital flows, and may cause disruption to global supply chains, he said.

Additionally, sharply tightened financial conditions over the past two years will continue to constrain the growth rate of advanced economies. That said, the market widely believes that the US Federal Reserve will start cutting rates this year.

Last month, the IMF forecast that global economic growth would remain at 3.1% this year, below the average annual growth rate of 3.8% between 2000 and 2019.

Even though the Mainland's export performance this year will continue to be affected by the external environment, Mr Chan explained that its economy is resilient, with solid fundamentals.

He said: "Our country's measures for boosting the economy are progressively taking effect, and there is still sufficient policy room to further support the economy. Domestic demand should improve, and the Mainland economy is expected to register steady growth this year."

Among advanced economies, the US this year is expected to realise lower economic growth than last year, as the lagged effects of rate hikes over the past two years continue to surface.

Nevertheless, Mr Chan stated that if the Federal Reserve, as expected, starts cutting interest rates, there would be some support for the economy.

As for Europe, he said economic growth is expected to remain weak this year amid geopolitical tensions and the lack of significant improvement in external demand.

The external environment will continue to put pressure on Hong Kong's exports of goods. But global monetary conditions may ease progressively over the course of the year, which would bode well for export performance.

On the other hand, with the continued revival of handling capacity, particularly air passenger capacity, and the Government vigorously promoting a mega events economy, visitor arrivals are expected to increase further, driving growth in exports of travel and other related services.

Moreover, the Financial Secretary underscored that rising incomes among the general public will continue to support private consumption. Successive government measures will help lift consumption sentiment as well and fixed asset investment should also increase alongside continuing economic growth.

"Having regard to the above factors, we forecast that the Hong Kong economy will expand further this year, with growth of 2.5 to 3.5% in real terms for the year as a whole.

"Domestic cost pressures are expected to increase alongside the economic recovery. External price pressures, however, should ease further, though persisting geopolitical tensions may pose upside risks.

"We forecast an underlying inflation rate and headline inflation rate of 1.7% and 2.4%, respectively, this year."

In the medium term, Mr Chan revealed that Hong Kong's economy will see sustained and solid development and more importantly, he said the country's focus on promoting high-quality development will provide the city with ample room to grow.

"The National 14th Five-Year Plan has set a clear positioning for Hong Kong's development of the 'eight centres'.

"Future prospects will be bright, as long as Hong Kong steadily forges ahead by leveraging its unique advantages under 'one country, two systems', proactively integrates into the overall national development, aligns with national development strategies, and continues to perform the role of an important node in the domestic and international dual circulation of our country."

Mr Chan added that the Government's efforts in expanding economic capacity, enhancing competitiveness and cultivating new growth areas will also enable Hong Kong to seize opportunities when the global economic situation improves, enhancing its medium- to long-term growth momentum.

"Based on the above considerations, we forecast that the Hong Kong economy will grow by an average of 3.2% a year in real terms from 2025 to 2028. The underlying inflation rate is forecast to average 2.5% a year."