Hong Kong & Mainland China News –December-2017

PMI picks up despite property concerns

By www.thestandard.com.hk
Friday, December 1, 2017

Growth in China's manufacturing sector unexpectedly picked up in November, despite a crackdown on air pollution and a cooling property market that have been widely expected to weigh on the economy.

The official Purchasing Managers' Index released yesterday beat forecasts at 51.8 in November, compared with 51.6 in October and comfortably above the 50-point mark that separates growth from contraction.

Boosted by government infrastructure spending, a resilient property market and unexpected strength in exports, China's manufacturing and industrial firms helped the economy post better-than-expected growth of nearly 6.9 percent through the first nine months of this year.

But October economic data disappointed analysts as investment, industrial output and export growth all slowed, raising concerns that a long-expected slowdown had arrived.

Raymond Yeung, chief economist of Greater China with Australia and New Zealand Banking Group, expects 6.5 percent growth in GDP next year. Based on that forecast, PMI will stay at around 50 percent, with some months reaching 51 percent, he said.

He predicts inflation for China in 2018, with CPI expected to increase slightly with a rising trend in the service industry, rising oil and food prices.

China's central bank would continue its tightening bias in monetary policy, and de-leveraging would be an important part of policy, said Yeung.

Rick Lacaille, executive vice president and global chief investment officer of State Street Global Advisors, thinks 2018 could be a break-out year for China, with less uncertainty about policies, and investors could benefit from booming e-commerce and technology industries. But there were potential risks, including the United States' policies towards China, especially trade policy.

HK-Belarus tax treaty in force

By www.ird.gov.hk
Friday, December 1, 2017

The Comprehensive Avoidance of Double Taxation Agreement (CDTA) with Belarus has entered into force, a government spokesman said today (December 1).

The CDTA with Belarus was signed in January this year. It came into force on November 30, 2017, after the completion of ratification procedures on both sides. It will be in effect in Hong Kong for any year of assessment beginning on or after April 1, 2018.

Moody's upgrades HK banking system outlook to stable

By www.thestandard.com.hk
Wednesday, December 6, 2017

Moody's Investors Service has changed its outlook for Hong Kong's banking system to stable from negative, reflecting its expectation that the banks' operating environment will benefit from stronger global economic growth in the next 12 to 18 months.

In an announcement today, the credit rating agency noted that the city's economy has kept up its momentum this year, supported by the upswing in global economic activity and steady economic growth in the mainland and strong growth momentum is expected to continue next year.

"While high asset prices and private-sector leverage remain key latent risks in the banking system, these factors are mitigated by ongoing economic expansion and still accommodative monetary conditions over the outlook horizon," Moody's analyst Sherry Zhang said.

Bay area convenience sought

By www.news.gov.hk
Wednesday, December 13, 2017

The Government will strive to make doing business or working in the Guangdong-Hong Kong-Macao Bay Area convenient for Hong Kong people.

Acting Secretary for Constitutional & Mainland Affairs Andy Chan told legislators today the Hong Kong Special Administrative Region Government has been working with Guangdong and Macau authorities in drawing up the development plan for the bay area with the National Development & Reform Commission.

The HKSAR Government has relayed the views of Hong Kong sectors to the commission, which include improving tax arrangements, introducing measures to facilitate the entry of Hong Kong people and vehicles to the Mainland, and lowering the threshold for various professional sectors wishing to provide services in the bay area.

Mr Chan said: "On the current arrangement of Hong Kong people working in the Mainland for over 183 days having to pay Mainland personal income tax, the HKSAR Government will, under the framework of the development of the bay area, strive for the provision of more measures that would increase the level of convenience for Hong Kong people working, starting businesses and doing business in the bay area, including discussion with Mainland authorities on tax arrangements for Hong Kong people working in the Mainland."

The HKSAR Government and the MTR Corporation are also discussing with the China Railway Corporation the fare levels and ticketing arrangements for the Guangzhou-Shenzhen-Hong Kong Express Rail Link, including whether fare concession schemes will be introduced.

Mr Chan said the work on drawing up the development plan has essentially been completed and it is expected to be promulgated in the first quarter of next year.

The HKSAR Government will formulate concrete work plans with the Central Government and Guangdong and Macau authorities to implement the development plan, he added.

Carrie Lam signs agreement to boost Belt and Road

By news.rthk.hk
Thursday, December 14, 2017

Chief Executive Carrie Lam on Thursday signed an agreement with the central government's National Development and Reform Commission during her first duty visit to Beijing.

The move is aimed at boosting Hong Kong's role in President Xi Jinping's flagship Belt and Road trade initiative.

The deal, known as the "arrangement", focuses on strengthening ties between the mainland and the city in areas like financing and investment, infrastructure and shipping, and commercial exchanges.

It was officially signed between Lam and the Director of the Commission, He Lifeng, after the two had a 15-minute private meeting.

It promises to use Hong Kong as a platform to provide financing channels for the Belt and Road initiative and to develop the green bond market in Hong Kong.

It also vows to support the city's role as an offshore renminbi centre and an international dispute resolution centre.

And the pact encourages Hong Kong to actively take part in the development of the Greater Bay Area in Guangdong.

In terms of infrastructure, the agreement supports the development of Hong Kong's high value-added shipping industry, and promises to strengthen the cooperation between the city and mainland in projects like information, roads and railways, ports and airports.

The pact also sets up a working mechanism system where Hong Kong and mainland officials will hold joint meetings to implement the arrangement.

China set to open financial sector

By www.thestandard.com.hk
Thursday, December 14, 2017

China will relax requirements for foreign banks to take retail yuan deposits and allow them to do business in government bonds, the banking regulator said yesterday, in its latest move to open up the financial sector.

For decades, China has carefully controlled the activities of foreign banks in a bid to protect domestic players, with foreign banks' share in a fast-growing market falling to just 1.4 percent.

The China Banking Regulatory Commission said it would also abolish a "waiting period" for foreign banks to start doing yuan business and adjust requirements on operating capital management.

"We will actively and steadily push forward opening of the banking sector and reasonably arrange the order of opening," it said in a statement on its website.

China will amend banking regulations and improve supervisory systems to help fend off systemic financial risks, it added.

In November, China said it would raise foreign ownership limits in domestic financial firms, a long-anticipated step that gives overseas investors greater access to the Asian giant's financial services market.

Chinese Vice Finance Minister Zhu Guangyao said last month, that China will cancel foreign ownership restrictions in mainland banks and financial companies, which limited a single overseas investor's stake to no more than 20 percent.

Fan Wenzhong, head of the international department at the China Banking Regulatory Commission, said the next step for CBRC is to drive the opening up of the mainland bank industry, to increase core competitiveness and internationalization level.

CBRC said three factors are key to achieve the goal, namely providing more convenience to investors, expanding the businesses of banks, and achieving more active business engagements.

China targets steady growth amid campaign to cut debt

By www.thestandard.com.hk
Thursday, December 21, 2017

China will deepen structural reforms and curb risks to the country's financial system while maintaining steady economic growth next year, leaders at an economic planning meeting said.

The country has seen better-than-expected economic growth this year even as it stepped up a campaign to cut debt, though there are growing concerns that the tighter policy environment could weigh on growth next year.

The annual economic conference is attended by China's top leaders and is keenly watched by investors for clues to policy priorities and economic targets in the year ahead.

The government will push forward with structural supply-side reform and maintain prudent, neutral monetary policy next year as it looks to improve the quality of growth, according to a statement after the meeting.

"Pushing forward high-quality growth is a requirement for maintaining healthy development of the economy," it said.

In the first nine months of the year, the economy grew 6.9 percent from a year earlier. Growth was underpinned by stronger exports and sustained state spending, positioning China to exceed the government's growth target of around 6.5 percent this year.

China will maintain economic growth in a reasonable range next year and also keep credit growth reasonable, Xinhua News Agency said.

Sources said leaders are likely to stick with that growth target for next year, even as they ratchet up efforts to prevent a destabilizing buildup of debt.

Beijing has made progress this year controlling the level of debt in the economy as a portion of GDP, with corporate debt ratios declining slightly this year, according to data from the Bank of International Settlements.

"[Deleveraging] might not be intensified with new policies, but for policies already rolled out, they will materialize and be implemented next year," said Yang Zhao, Nomura's chief China economist, who added that deleveraging is a component of China's supply-side reform strategy. "The deleveraging, I think, will remain in place."

In the property sector, China will maintain the stability and continuity of property tightening measures, Xinhua said.

HK sees 3.7% economic growth so far in 2017

By news.rthk.hk
Sunday, December 24, 2017

Hong Kong's Secretary for Commerce and Economic Development, Edward Yau, said on Sunday that the SAR's economy has seen a "very clear rebound" and a "handsome positive growth" of about 3.7-percent so far in 2017.

He said trade, retail and tourism figures are also improving.

But, he said the overall global economy is not very good.

After appearing on a radio programme, Yau said in the coming year, Hong Kong should seize on development opportunities such as the Belt and Road strategies and the Greater Bay Area scheme, while remaining on guard for uncertainties arising from other parts of the world.

"We are seeing the US re-negotiating NAFTA. We are seeing the process of Brexit still lingering on," said Yau.

"We are still seeing a lot of disgruntlement among these developed countries complaining that they are not benefiting from the global trade scene," he continued.

The Commerce Secretary warned, "we must be very vigilant and alert."