Hong Kong & Mainland China News – Feb-2021

Beijing offers digital currency of 200 yuan each to 50,000 in trial

By www.thestanadard.com.hk
Monday, Feb 08, 2021

China's capital will hand out about US$1.5 million in a limited trial of the central bank's digital currency, the municipal government announced over the weekend.

That marks the third major test of the digital currency under development by the People's Bank of China. The cities of Shenzhen and Suzhou held similar experiments in the last few months.

In this trial, Beijing said it will select 50,000 from a pool of applicants to receive 200 yuan, or about US$30 each, in the digital currency. Recipients can spend the money at designated offline locations or on parts of e-commerce site JD.com during the upcoming Lunar New Year holiday.

The vouchers are valid from February 10 to February 17. The digital currency test is only open to those with a Chinese ID number, or residence permits from Hong Kong, Macau or Taiwan.

The People's Bank of China has been developing a digital currency that is expected to work in a similar way to transactions through existing payment apps. Mobile pay, primarily through the Alibaba-affiliated Alipay app and Tencent's Wechat Pay, has replaced cash in the last several years as the predominant form of consumer payment in China.

Unlike well-known digital currencies like bitcoin, the one under development by China's central bank is controlled by a single power, rather than a decentralized system managed by users around the world.

HK sees net cash inflow in 2020

by www.thestanadard.com.hk
Tuesday, Feb 09, 2021

Funds keep flowing in Hong Kong and not much has left the city via offshore accounts, said Eddie Yue Wai-man, chief executive of the Hong Kong Monetary Authority, adding that there will be more breakthroughs in the local capital market.

"Throughout 2020, the Hong Kong dollar exchange rate remained in the strong half of the convertibility zone. Indeed, strong inflow momentum led to the triggering of the strong side Convertibility Undertaking for 85 times since last April, taking in US$50 billion (HK$390 billion) in aggregate, the largest amount in a year since 2010," the HKMA head wrote in a website note.

Meanwhile, the total amount of banking deposits rose in both 2019 and 2020, with 2.9 percent year-on-year growth in 2019 and a further 5.4 percent in 2020.

"Had money been flowing out, we would have seen a weakening Hong Kong dollar exchange rate and shrinking banking deposits," Yue said.

Hedge funds, asset managers or even banks come and go for various business reasons and some of them departed to shift their business focus, while some as a result of consolidation at group level, Yue said.

While there could be outflows occasionally for different reasons, more money has been coming in, resulting in net inflows into the Hong Kong dollar, he said.

Meanwhile, the HKMA extended the Banking Talent Programme to upcoming fresh graduates this year by offering six-month work opportunities and professional training starting September 2021.

The existing program for recruited graduates will also be extended for a period of up to six months till August 31, depending on the operational needs of the participating institutions.

China new bank loans hit record 3.5tn yuan

by www.thestanadard.com.hk
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China's new bank loans hit a record of 3.58 trillion yuan (HK$4.31 trillion) last month, boosted by seasonal demand, as the onshore yuan soared to a 32-month high.

The amount was up from 1.26 trillion yuan in December, the highest on record and topping the 3.34 trillion yuan seen in January 2020, data from the People's Bank of China showed.

Terence Chong Tai-Leung, an associate professor of economics at the Chinese University of Hong Kong, said that the figure reflected a normal cyclical change as "January's new lending figures are usually the highest of the year."

He said that ahead of the Lunar New Year, companies would need cash flow to issue bonuses for staff and prepare their year-end statements, and central bank policy would be loose.

Chong believed the amount would decrease this month and in March.

Total social financing, a broad measure of credit and liquidity in the economy, was 5.17 trillion yuan, versus a forecast of 4.45 trillion yuan while new yuan deposits was 3.57 trillion yuan last month.

The news came as the onshore yuan rose 96 pips to 6.4487 per one US dollar yesterday.

Meanwhile, shipments of smartphones within China jumped 94.3 percent annually to 39.6 million handsets in January, according to the China Academy of Information and Communications, a state-backed think tank.

That was up from 20.4 million in January 2020 and higher than the 32.1 million in January 2019, suggesting China's smartphone sector has returned to its pre-pandemic levels.

Also, auto sales surged in January with a 30 percent year-on-year jump, the tenth month of gains, as China continued to lead the global automobile industry's recovery.

Sales reached 2.5 million vehicles in January, data from the China Association of Automobile Manufacturers showed.

China's factory gate prices tick higher for first time in a year

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China's factory gate prices increased in annual terms in January for the first time in 12 months and at the fastest rate since May 2019, official data showed on Wednesday, suggesting gathering growth momentum for the economy.

The producer price index (PPI) edged up by 0.3 percent from a year earlier, the National Bureau of Statistics said in a statement, but slightly lagged a 0.4 percent gain tipped by a Reuters poll of analysts. PPI declined 0.4 percent in December.

Factory activity grew at the slowest pace in five months in January, official data showed, reflecting the coronavirus outbreak's impact on production as well as services including logistics and transportation as the country sought to contain the spread ahead of the Lunar New Year holidays.

China does not release several key datasets such as trade, industrial output and retail sales for January and instead reports combined January-February numbers in March, leaving markets with fewer data points to assess the health of the economy.

The consumer price index (CPI) unexpectedly fell by 0.3 percent in January from a year earlier, the statistics bureau said in a separate statement, compared with no change tipped by the Reuters poll and a 0.2 percent rise in December.

11,300 Hong Kong businesses in Qianhai zone

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Qianhai Shenzhen-Hong Kong Cooperation Zone had a 13 percent year-on-year increase in company registrations in 2020. Among them were 11,300 Hong Kong enterprises.

Witman Hung Wai-man, principal liaison officer for Hong Kong at the Shenzhen Qianhai Authority said the tax income grew by 13.4 percent last year. He added that actual use of foreign investment grew by 1.1 percent to US$4.3 billion (HK$33.6 billion), accounting for 50 percent and 3 percent of Shenzhen and national actual use of foreign capital, respectively.

Company registrations have slightly slowed down due to the cross-border quarantine restrictions and may not increase unless there customs procedures are made simpler.

He said two to three months of rental subsidy was provided to the affected start-ups.

The zone has also started its Hong Kong and Macau youth recruitment program. Nineteen Qianhai enterprises, including SF and JD.com, would be providing 141 jobs for IT and new media promotion specialists.

HSBC resumes dividend payout, post-tax income falls by 30pc to US$6.1b

by www.thestanadard.com.hk
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HSBC announced that it will resume paying dividends - enitirely in cash, rather than scrip dividend - as it reported annual results for 2020 today. The bank said it will also consider share buybacks "over time."

The bank said an interim dividend for 2020 of US$0.15 per ordinary share will be paid. This would be a distribution of about HK$3.055 billion.

According to HSBC, it has 194,000 shareholders in 130 countries and territories.

HSBC said 2020 post-tax profit fell by 30 percent to US$6.1 billion from the year before.

Pre-tax profit was down by 34 percent to US$8.8 billion from higher expected credit losses and other credit impairment charges and lower revenue, partly offset by a fall in operating expenses.

Results in 2020 include a US$1.3bn impairment of software intangibles, while reported results in 2019 included a US$7.3 billion impairment of goodwill.

Adjusted profit before tax was down by 45 percent to US$12.1 billion.

The basic earnings per share were US$0.19.

Net interest income for 2020 fell by 9.5 percent on-year, or US$2.9 billion to US$27.6 billion, due to lower average market interest rates across the major currencies compared with 2019. This was partly offset by interest income associated with the increase in average interest-earning assets of US$170.1 billion or 8.8 percent, HSBC said.

Net interest margin was 1.32 percent, down by 26 basis points from 2019.

Interest income was US$41.8 billion, down by US$12.9 billion or 24 percent.

Asia was once again by far the most profitable region for the HSBC, Group Chairman Mark Tucker, said in the earnings statement.

“Deposits also increased significantly across the group, reinforcing the strength of our funding and liquidity positions."

He said the bank was “pleased to restart dividend payments at the earliest opportunity."

The fourth interim dividend for 2019 was canceled in response to a request from the UK’s Prudential Regulation Authority, he said.

"We also announced that, until the end of 2020, we would make no quarterly or interim dividend payments or accruals in respect of ordinary shares. This was a difficult decision and we deeply regret the impact it has had on our shareholders."

Noel Quinn, group chief executive, said the results were solid in the context of the pandemic – particularly in Asia – and lays firm foundations for future growth.

He said dividends are "hugely important, but so is capacity for growth."

To deliver both, he said, HSBC is adopting a new policy designed to provide sustainable dividends, offering good income while giving management the flexibility to reinvest capital to grow the firm over the medium term.

"We will consider share buy-backs, over time and not in the near term, where no immediate opportunity for capital redeployment exists. We will also no longer offer a scrip dividend option, and will pay dividends entirely in cash."

HSBC said revenue for the year was down by 10 percent to US$50.4 billion. This was mainly due to lower interest rates, partly offset by higher revenue in global markets, the bank reported.

Adjusted revenue fell by 8 percent to US$50.4 billion.

Expected credit losses and other credit impairment charges increaed by US$6.1 billion to US$8.8 billion, mainly due to the impact of the coronavirus disease outbreak and the forward economic outlook, the bank said.

Allowance for expected credit losses on loans and advances to customers increased from US$8.7 billion at December 31, 2019 to US$14.5 billion at December 31, 2020, HSBC reported.

Deposits increased by US$204 billion on a reported basis and US$173 billion on a constant currency basis in 2020.

Common equity tier 1 ratio was 15.9 percent, up by 1.2 percentage points from 14.7 percent at December 31, 2019, which included the impact of the cancellation of the fourth interim dividend of 2019 and changes to the capital treatment of software assets.

The bank's return on average tangible equity in 2020 was 3.1 percent, down by 530 basis points from 2019.

Total assets of US$2.98 trillion were US$269 billion, or 10 percent higher than at December 31, 2019 on a reported basis, and 7 percent higher on a constant currency basis.

HSBC's net profit for 2020 dropped to US$3.89 billion.

At the close Tuesday, HSBC shares gained by 0.43 percent at HK$46.70. Shares worth HK$4.93 billion were transacted.

People’s Bank of China joins cross-border digital currency pilot

by www.thestanadard.com.hk

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Central banks from China, Thailand, United Arab Emirates and Hong Kong are exploring a digital currency cross-border payment project together, CNBC reports.

The Hong Kong Monetary Authority (HKMA) and the Bank of Thailand (BOT) worked together to study the application of central bank digital currencies (CBDC) last year.

They are now expanding their work to include the People’s Bank of China’s (PBOC) digital currency research institute and the Central Bank of the United Arab Emirates.

The group of central banks led by HKMA and BOT are exploring so-called distributed ledger technology (DLT). This refers to databases that are replicated and shared among the entities involved and record transactions. They are not necessarily owned by a single central bank but are a shared ledger of activity. DLT is seen as a way to potentially help make cross-border payments more efficient.

The project will explore ways using DLT to “facilitate real-time cross-border foreign exchange payment-versus-payment transactions,” said Hong Kong’s central bank.

Payment-versus-payment is a settlement mechanism to ensure “that the final transfer of a payment in one currency occurs if and only if the final transfer of a payment in another currency or currencies takes place,” according to the Bank for International Settlements, a group of central banks.

'Economy expected to grow up to 5.5 percent in 2021'

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The Financial Secretary, Paul Chan, said he expects the Hong Kong economy to return to positive growth and expand by 3.5 to 5.5 percent this year.

Delivering his annual budget speech on Wednesday, Chan said the roll-out of Covid-19 vaccination schemes around the world means there'll likely be significant improvements in the global economy in 2021.

“I forecast that the headline inflation rate and the underlying inflation rate will be 1.6 percent and one per cent respectively this year,” he added.

The financial chief is also optimistic that the SAR will continue to do well over the next few years, as the city benefits from development on the mainland.

In the medium term, he said expects the local economy to grow by an average of 3.3 percent per annum from 2022 to 2025, while the underlying inflation rate will average 2 percent.

Earlier, Chan said the Hong Kong economy contracted an unprecedented 6.1 percent in 2020 after the Covid-19 pandemic caused “unprecedented repercussions” on the global economy.

"It is also the first time for Hong Kong to register two consecutive years of negative growth,” he said.