

Hong Kong & Mainland China News – Jul-2020

HK's PMI rises as restrictions eased

by www.thestandard.com.hk

Tuesday, Jul 07, 2020

Business conditions in Hong Kong moved closer to stability last month.

That was seen in IHS Markit's Hong Kong purchasing managers index rising 5.7 points month-on-month to 49.6 thanks to the relaxation of Covid-19 containment measures.

The figure was the highest since a downturn began in April 2018, indicating that private-sector conditions are approaching stabilization, the London-based information provider said. But it is still below 50, representing an overall decrease.

Business activity and new orders declined at the slowest rates since the first half of 2018 - before the escalation of the US-China trade tensions.

Private-sector employment levels also stabilized, with firms increasing their purchasing activity for the first time in over two years, said Bernard Aw, principal economist at IHS Markit. But local business sentiment remained negative, reflecting concerns about the long-term economic impact of the pandemic.

In addition, the survey indicated that Hong Kong's new export business fell at a marked pace, led by a substantial decline in orders from the mainland.

"The potential of a robust recovery in the Hong Kong economy relies on the strength of the upturn in the global economy in the coming months," Aw noted.

48K local companies registered

by www.news.gov.hk

Sunday, Jul 12, 2020

The total number of local companies registered was 1,381,355 at the end of June, while 48,760 local companies were newly registered during the first half of the year, the Companies Registry announced today.

For non-Hong Kong companies that have established a place of business in Hong Kong, 876 companies were newly registered in the first half of this year, compared to 1,093 in the second half of 2019.

The total number of registered non-Hong Kong companies reached 13,117 by the end of June.

To implement one of the relief measures to support enterprises as announced by the Financial Secretary in the 2020-21 Budget, the Companies (Fees) (Amendment) Regulation 2020 will take effect on October 1 to waive the registration fees of annual returns delivered on time for two years.

The fees payable for the incorporation of companies and registration of non-Hong Kong companies through electronic means will also be reduced by 10% from October 1 to encourage wider use of the registry's electronic services.

Noting that the Limited Partnership Fund Bill was passed by the Legislative Council on July 9, Registrar of Companies Ada Chung said the new regime would help attract private equity and venture capital funds to set up and operate in Hong Kong so as to facilitate the channelling of capital into corporates, especially start-ups in the innovation and technology field in the Guangdong-Hong Kong-Macao Greater Bay Area.

Mainland exports show an unexpected rise in June

by www.news.rthk.hk

Tuesday, Jul 14, 2020

The mainland's exports unexpectedly rose in June as overseas economies reopened after lockdowns, while imports grew for the first time this year, reinforcing views the recovery from the pandemic is gaining traction in the world's second-largest economy.

Exports in June edged up 0.5% from a year earlier, customs data showed on Tuesday, beating analysts' expectations for a 1.5% drop and compared with 3.3% decline in May.

Imports also rose 2.7%, confounding market expectations for a 10% drop. They had fallen 16.7% the previous month.

"The reopening of major Western economies and elevated overseas demand for PPEs (personal protective equipment) and masks supported Chinese exports in June," said Boyang Xue, a China analyst at Ducker Frontier.

"In addition, production disruptions in China's trade competitors also helped to shift some orders to Chinese exporters."

Mainland's economy is gradually emerging from a sharp 6.8% contraction in the first quarter, but the recovery remains fragile as global demand falters from social curbs and still rising coronavirus cases.

The consumption on the mainland is also subdued amid job losses and concerns about a resurgence in infections.

The country's export performance however has not been as severely affected by the global slowdown as some analysts had feared, though weak overseas orders may weigh on its manufacturers in the coming quarters.

China's economy rebounds, rising 3.2 percent

by www.news.rthk.hk

Thursday, Jul 16, 2020

China's economy returned to growth in the second-quarter after a deep slump at the start of the year, as lockdown measures ended and policymakers stepped up stimulus steps to combat the shock from the coronavirus crisis.

The world's second-largest economy was still not out of the woods, however, as consumption and investment remained in the doldrums, suggesting authorities will likely have to offer more support to strengthen the recovery.

Gross domestic product (GDP) rose 3.2 percent in the second-quarter from a year earlier, the National Bureau of Statistics said on Thursday, faster than the 2.5 percent forecast by analysts in a Reuters poll, but it is still the weakest expansion on record.

The bounce followed a steep 6.8 percent slump in the first quarter, the first such contraction since at least 1992 when quarterly GDP records began.

The GDP numbers are being closely watched around the world, especially as many countries continue to grapple with the Covid-19 pandemic even as China has largely managed to contain the outbreak and has begun to restart its economic engines.

"While in general it's fair to say that the numbers beat expectations, what the numbers also reveal is that we're seeing that the China consumer remains behind in terms of the recovery story," said Rodrigo Catril, a foreign exchange strategist at NAB in Sydney.

"It's very much a story of government stimulus-led recovery, which is very much focused on the industrial side. The consumer remains very cautious. That cautiousness is something the market is looking at in terms of countries where the consumer plays a bigger role, so that's obviously relevant for the U.S. as well."

The economy contracted 1.6 percent in the first six months from a year earlier, the data showed, underscoring the sweeping impact of the health crisis.

On a quarter-on-quarter basis, GDP jumped 11.5 percent in April-June, the NBS said, compared with expectations for a 9.6 percent rise and a 10 percent decline in the previous quarter.

China's economy, the first in the world to be jolted by the coronavirus pandemic, has been recovering slowly in the past two months, though the bounce from the virus-induced downturn has been uneven.

Rising coronavirus infections in some countries, including the United States, have overshadowed improved demand for Chinese exports while heavy domestic job losses and lingering health concerns have kept consumers cautious.

China's industrial output rose 4.8 percent in June from a year earlier, the data showed, quickening from a 4.4 percent rise in May. That marked the third straight month of growth for the vast sector, offering some relief to the economy as it tries to regain its footing.

But consumption and investment remain weak. Retail sales were down 1.8 percent on-year – the fifth straight month of decline and much worse than a predicted 0.3 percent growth, after a 2.8 percent drop in May.

Fixed asset investment fell 3.1 percent in the first half of the year from the same period in 2019, compared with a forecast 3.3 percent fall and a 6.3 percent decline in the first five months of the year.

But reflecting increased fiscal spending on big-ticket projects, the downturn in infrastructure investment eased, falling 2.7 percent in the first half from a year earlier, compared with a drop of 6.3 percent in the first five months.

Ant Group set to go public in Shanghai and Hong Kong listing

by www.thestanadard.com.hk

Monday, Jul 20, 2020

Chinese fintech firm Ant Group has begun the process of a concurrent initial public offering in Shanghai and Hong Kong, CNBC reports.

Ant, an affiliate of e-commerce giant Alibaba Group, said today that it would list its shares on both the Shanghai stock exchange's STAR — a Nasdaq-style tech board — and the Hong Kong stock exchange. The dual listing will help Ant “accelerate its goal of digitizing the service industry in China,” the company said.

“Becoming a public company will enhance transparency to our stakeholders, including customers, business partners, employees, shareholders and regulators,” Ant chief executive, Eric Jing, said in a statement. “Through our commitment to serving the underserved, we make it possible for the whole of society to share our growth.”

Ant did not disclose how much it was seeking to raise in the dual IPOs or when it would go public. The firm is best known as the firm behind the Alipay app, which alongside Tencent's WeChat Pay has become a wildly popular alternative to cash in China.

It is the world's largest so-called “unicorn” company, with a reported valuation of US\$150 billion.

Rebound in second quarter offers timely relief for PBOC

by www.thestandard.com.hk

Thursday, Jul 23, 2020

A stronger-than-expected rebound in activity in the second quarter has reduced the urgency for the People's Bank of China to act after policymakers announced unprecedented emergency measures early in the year to deal with the shock from the coronavirus crisis, Reuters reported citing sources.

The PBOC also wants to avoid the side-effects caused by excessive stimulus, such as a surge in debt and risks of bubbles in the property market, said the people.

This came as 14 out of 25 mainland provinces which have released first-half GDP results recorded positive economic growth, mainland media reports.

But Zhu Min, a former deputy managing director of the International Monetary Fund and head of the National Institute of Financial Research at Tsinghua University in Beijing, said China should step up stimulating consumption.

Also, the Chinese Academy of Social Sciences estimated the United States would not place sanctions on Hong Kong and China using the Society for Worldwide Interbank Financial Telecommunication system, as the trade and financial connections among China, the US and Europe countries are still tight. However, the institution said it is possible and there is a growing chance that the US will place sanctions on single financial institutions.

In other news, Gary Ng, Asia Pacific economist at Natixis, predicted that mainland banks may reduce their dividends when they are facing lower profitability or asked to expand lendings to small and micro businesses in a recovery term, but the reduction would be small.

The French investment bank predicts the non-performing loan ratio for mainland banks would worsen slightly to 2.14 percent as of the year-end from 2.1 percent last year.

Meanwhile, BlackRock Head of Asia Pacific Geraldine Buckingham told a Bloomberg conference that the savings rate in China was around 40 percent, and that China's population would peak in 2040 and it would become the fastest aging country in the world because of the distortion in demographics due to its one-child policy.

HKMA assures banking system has ample liquidity

by www.thestanadard.com.hk

Thursday, Jul 30, 2020

The Hong Kong Monetary Authority said the liquidity of the banking system is sufficient and more than HK\$100 billion has flowed into the city since April.

The US Federal Reserve maintained its interest rate unchanged early today.

The HKMA said it is possible that the Fed will maintain interest rates close to zero for a period to support the recovery of the US economy and maintain the smooth operation of the market. The statement after the latest Fed meeting also reflects this policy direction, HKMA added.

The HKMA said Hong Kong's banking system has ample liquidity and the foreign exchange and currency markets have maintained orderly operations.

The strong-side Convertibility Undertaking under the linked exchange rate system was triggered again last night, the 30th time since April. So far, more than HK\$109 billion has flowed into the Hong Kong dollar system. The HKMA will continue to monitor market conditions and maintain currency and financial stability in accordance with the linked exchange system.

China's factory activity recovery gathers pace in July

by www.thestanadard.com.hk

Friday, Jul 31, 2020

China's factory activity expanded in July for the fifth month in a row and at a faster pace, beating analyst expectations despite disruptions from floods and a resurgence in coronavirus cases around the world, Reuters reports.

The official manufacturing Purchasing Manager's Index (PMI) climbed to 51.1 in July from June's 50.9, official data showed on Friday, marking the highest reading since March. Analysts had expected it to slow to 50.7.

The 50-point mark separates growth from contraction on a monthly basis.

New export orders fell although at a slower pace than the previous month, indicating continued pressure on external demand. Companies continued to shed more employees than they hired, although the pace here also moderated. Production rose to a four-month high.

A Reuters poll this month has forecast GDP to expand 2.2 percent in 2020, up from 1.8 percent projected in the last poll in April, with recently improving data underpinning the more upbeat outlook.

Gauges ranging from trade to producer prices all point to a pick-up in manufacturing, but analysts say factories could have a tough time maintaining momentum as pent-up demand wanes and heavy flooding across large swathes of China disrupts economic activity.