

Hong Kong & Mainland China News – Jul-2021

Bond Connect exceeds expectations, Nicolas Aguzin says

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Hong Kong Exchanges and Clearing (0388) Chief Executive Nicolas Aguzin said the number of bond connect products surged 10 times compared with the beginning and the stock exchange will launch more products and services.

At the Bond Connect Anniversary Summit 2021, Aguzin said the Bond Connect has exceeded expectations and has become a channel for international investors to enter the world's second-largest bond market.

As for southbound Bond Connect, he added that the bourse will continue to cooperate with regulators to expand to make it easier for mainland investors to invest in the international bond market.

Aguzin said the Bond Connect will extend trading hours, allowing third-party hedging and the progress of digitalization,

He added that China's economy has driven global growth, and that continued low global interest rates have increased the attractiveness of the mainland bond market. China's goal of "carbon neutrality" is also conducive to the development of green bonds, he said.

The role of Hong Kong is becoming more important as Hong Kong has both China and international markets and connectivity and the largest offshore yuan pool.

Zhang Yi, president of China Foreign Exchange Trade System and chairperson of Bond Connect Company, said that as of end May this year, 947 overseas institutions participated in China's inter-bank bond market, and 661 invested through Bond Connect, representing a year-on-year increase of 21 percent, coming from 34 different markets. During the year, the turnover of Bond Connect reached 2.5 trillion yuan, which also increased by 31percent year-on-year.

HK to remain leading listings center

by www.thestandard.com.hk

Friday, Jul 02, 2021

Hong Kong is predicted to remain a top three initial public offering market in the world in 2021, with expected total fundraising of HK\$500 billion, the accounting firm PwC said.

The amount is higher than the previous projection of HK\$460 billion and PwC predicts 150 IPOs in 2021, including 145 on the mainboard.

In the first half of 2021, there were 47 new listings in Hong Kong. Total funds raised reached HK\$212.96 billion, double that of last year's total funds raised in the first six months.

The mainboard, recorded 46 IPOs and HK\$212.90 billion of total fundraising.

Although the number of companies has dropped by 27 percent, in terms of total funds raised it has increased by 129 percent, mainly due to the listing of large-scale new economy enterprises and the homecoming of US-listed Chinese companies. Each of their values was over HK\$10 billion. Companies seeking IPOs are mainly from information technology and telecommunications, and retail, consumer goods and services industries.

PwC estimates that more Environmental, Social, and Governance (ESG) related business enterprises will be listed in the city in the second half of this year or next year.

China reports strong imports and exports in June

by news.rthk.hk

Tuesday, Jul 13, 2021

China's exports grew at a much faster than expected pace in June as solid global demand led by easing lockdown measures and vaccination drives worldwide eclipsed virus outbreaks and port delays.

Imports growth also beat expectations, though the pace eased from May, with the values boosted by high raw material prices, customs data showed on Tuesday.

Thanks to Beijing's efforts in largely containing the pandemic earlier than its trading partners, the world's biggest exporter has managed a solid economic revival from the coronavirus-induced slump in the first few months of 2019.

Exports in dollar terms rose 32.2 percent in June from a year earlier, compared with 27.9 percent growth in May.

The analysts polled by Reuters had forecasted a 23.1 percent increase.

"Exports surprised on the upside in June, shrugging off the impact of the temporary Shenzhen port closure and other supply chain bottlenecks," said Louis Kuijs, head of Asia economics at Oxford Economics.

China's trade performance has seen some pressure in recent months, mainly due to a global semiconductor shortage, logistics bottlenecks, higher raw material and freight costs.

All the same, the global easings in Covid-19 lockdown measures and vaccination drives appeared to underpin a strong uptick in worldwide demand for Chinese goods.

China's customs administration spokesperson Li Kuiwen said the country's trade may slow in the second half of 2021, mainly reflecting the statistical impact of the high growth rate last year.

Li, speaking at a news conference in Beijing earlier in the day, also said that imported inflation risks were manageable though China's trade still faces uncertainties due to the global pandemic.

"But overall we think China's foreign trade in the second half still has hopes of achieving relatively fast growth," he said.

China posted a trade surplus of US\$51.53 billion for last month, compared with the poll's forecast for a US\$44.2 billion surplus and the US\$45.54 billion surplus in May.

56k local companies registered

by news.gov.hk

Tuesday, Jul 13, 2021

The total number of local companies registered was 1,384,504 at the end of June, while 56,253 local companies were newly registered during the first half of the year, the Companies Registry announced today.

The number of newly registered local companies shows an increase of 11.07% over the figure in the second half of 2020.

For non-Hong Kong companies that have established a place of business in Hong Kong, 662 companies were newly registered in the first half of this year.

The total number of registered non-Hong Kong companies reached 14,044 by the end of June.

Registrar of Companies Kitty Tsui pointed out that more applicants applying for local company incorporation choose to submit applications online since the fee reduction.

Fees payable for online incorporation of companies and registration of non-Hong Kong companies have been reduced pursuant to the Companies (Fees) (Amendment) Regulation 2020.

Ms Tsui said the Securities & Futures & Companies Legislation (Amendment) Ordinance 2021 was enacted in June to establish a legal framework for implementing a complete uncertificated securities market regime in Hong Kong, adding that the registry has been assisting with the implementation of the legislative proposals.

8.5pc growth forecast for China's economy

by www.thestandard.com.hk

Wednesday, Jul 14, 2021

China's economy could grow by 8.5 percent this year and the chance US interest rate increase in this two years is not high, an asset manager said.

The latest mid-year outlook showed that developed economies are still 2.3 percent below the level of the fourth quarter of 2019 on average, PineBridge Investments, said.

The global economy will grow by 5.8 percent year on year this year, and the growth rate will slow to 4.4 percent next year. This year, the US economy is expected to grow by 6.3 percent.

The US inflation rate in June was higher than expected, mainly driven by prices of second-hand cars and trucks.

US inflation trend may slow down in the future, from the current year-on-year rise of about 5 percent, and gradually drop to 3 percent. It is believed the 10-year treasury bond yield will follow the upward trend and the Federal Reserve will begin to reduce debt purchases later this year, but there is little chance of raising interest rates this year and next.

People's Bank of China will cut its reserve requirement ratio from Thursday. China's economy was the first to recover from the coronavirus pandemic and began to normalize monetary policy, but it was also the first to face a slowdown, and it was necessary to boost the economy in the second half through a RRR cut.

HK's position remains resilient: FS

by news.gov.hk

Saturday, Jul 17, 2021

Financial Secretary Paul Chan said today that the implementation of the National Security Law has reinforced Hong Kong's position as an international financial centre.

He also reiterated in his statement that the so-called business advisory issued by the US administration to US businesses and individuals operating in Hong Kong was totally ridiculous and unfounded.

Mr Chan noted that although Hong Kong has experienced severe challenges of social unrest and the COVID-19 pandemic in the past two years, its financial market has remained stable, orderly and vibrant, seeing active trading in stock market and has thriving initial public offering (IPO) activities. Hong Kong's banking system also continues to operate smoothly as always.

All these factors reflected that the market is full of confidence about Hong Kong's financial environment, he said.

In addition, the financial data of the past year clearly showed that investors' confidence about Hong Kong has not been shaken by the National Security Law implemented in July last year, and the development of the financial industry has been very prosperous.

The amount of IPO funds raised in Hong Kong over the past year has exceeded \$500 billion, representing an increase of more than 50% over the previous 12 months. The average daily turnover of Hong Kong stocks has also reached \$160 billion, nearly 70% higher than the situation before the implementation of the National Security Law.

The linked exchange rate system has also worked well as always. The Hong Kong dollar market recorded a net capital inflow in 2020. From July to October last year, the amount of funds flowing into the Hong Kong dollar system exceeded \$300 billion.

At present, the total deposits in Hong Kong's banking system have increased by more than 5% over last year. The total deposits are approximately \$14.9 trillion as at the end of May. The net asset value of funds management in Hong Kong at the end of last year has also increased by some 20% over the end of 2019.

Moreover, compared to the situation before the implementation of the National Security Law, the daily average turnover of northbound trading of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect has increased over 90% to nearly RMB110 billion.

As for Bond Connect, the daily average turnover of northbound trading has also increased by more than 30% over the past year, reaching the amount of RMB23 billion.

The figures reflected that international investors still prefer using Hong Kong as a platform to invest in the Mainland's financial market, the finance chief emphasised.

He said: "We will actively discuss with the regulators in the two places about the implementation details of the cross-boundary Wealth Management Connect scheme in the Guangdong-Hong Kong-Macao Greater Bay Area and the Southbound Bond Connect.

"It is hoped to launch the two schemes early, so that mutual access of the financial markets in the two places can be further widened and deepened.

"It can also explore a huge source of clients and room for business development for the Hong Kong financial industry as well as foster the development of the local wealth and asset management business markets, which can help to further enhance Hong Kong's position as an international financial centre and a global offshore renminbi business hub."

Mr Chan added that some global financial institutions are planning to increase resources or expand their operations in Hong Kong to tap the Mainland market and to seize the opportunities arising from fintech and green finance development, reflecting investors' continued confidence in Hong Kong.

SME business confidence rebounds

by www.thestanadard.com.hk
Tuesday, Jul 27, 2021

The local SME community has regained business confidence amid the gradual easing of the coronavirus disease situation, a survey found.

Hong Kong Productivity Council today announced the Standard Chartered Hong Kong SME Leading Business Index[•] for the third quarter this year. The overall index has risen for three consecutive quarters, this time by 4.4 to 46.6, hitting a three-year high since the third quarter of 2018. The results show returning business confidence of the local SMEs and their optimism about the global economy.

Eight of the 11 surveyed industries have recorded a two-year high in their industry indices. Information and communications[•], real estate[•], and social and personal services[•] are the best performers, with their respective indices over the 50 mark.

All five component sub-indices gained. The global economy[•] index recorded the most significant surge, again, from 43.6 to 52.8 leaping from a low of 7.9 last year.

As for investment sentiment in the coming quarter, most SMEs are planning to spend more on information technology[•] as well as product and marketing promotions.

Meanwhile, 63 percent of SMEs expect an increase in raw material cost[•]s, 5 percent higher than the previous quarter.

Edmond Lai Shiao-bun, the chief digital officer of HKPC, said the overall index shows an U-shape rebound.

Kelvin Lau Kin-heng, senior economist, Greater China, Global Research, Standard Chartered Bank, said, “improving global prospects have not translated into much better confidence among manufacturers, exporters and financial services providers this time; rather, we see prior underperformers such as retailers playing further catchup – probably supported by the continued unwinding of social distancing measures since the first quarter.” He said the survey also reflects still-high cost pressures, especially those for raw materials. “That has in turn pushed prices higher for finished goods and services, confirming that some pass-through of higher costs onto buyers is happening.”

Economy grows 7.5% in Q2

by news.rthk.hk
Friday, Jul 30, 2021

Hong Kong’s economy in the second quarter of 2021 grew 7.5% over a year earlier, the Census & Statistics Department announced today.

According to the advance estimates on gross domestic product (GDP) for the second quarter released today, on a seasonally adjusted quarter-to-quarter comparison, GDP

dipped 1% in real terms in the second quarter of 2021 compared with the preceding quarter.

Private consumption expenditure rose 6.5% in real terms in the second quarter over a year earlier, while government consumption expenditure grew 2.9%. Gross domestic fixed capital formation climbed 23.7%, much higher than the 4.8% growth in the first quarter.

Over the same period, total goods exports recorded an increase of 20.3% and goods imports grew by 21.4%. Exports of services increased by 2.6% and imports of services was up by 8.4%.

The Government said Hong Kong's economy is on the path to recovery amid the improving global economic conditions and receding local epidemic. Based on advance estimates, real GDP sustained a notable year-on-year growth of 7.5% in the second quarter on top of the 8% increase in the first quarter.

For the first half of 2021, real GDP grew 7.8% over a year earlier. On a seasonally adjusted basis, real GDP recorded a modest decline in the second quarter from the preceding quarter, mainly reflecting a slowdown in goods exports from the exceptionally strong growth in the first quarter.

Economic recovery, however, remained uneven in the second quarter. While goods exports were robust and surpassed the peak in 2018, tourism remained at a standstill due to the pandemic. Consumption-related activities improved further, but were still notably below their pre-recession levels.

It is therefore essential for citizens to achieve widespread COVID-19 vaccination in order to pave the way for a broader based economic recovery, the Government emphasised.

Total goods exports expanded strongly year-on-year, underpinned by strengthening global demand. Services exports resumed a modest increase.

On the domestic front, private consumption expenditure picked up growth under the backdrop of the receding local epidemic and improving labour market conditions. Overall investment expenditure saw accelerated growth amid improved business sentiment and a low comparison base.

Looking ahead, the Government expects that the global economic recovery should continue to support the city's goods exports in the near term, though there may be some moderation due to the exceptionally strong performance in the first half of 2021.

Exports of services should likewise sustain growth, the Government said. Nevertheless, the spread of more infectious COVID-19 variants in many places of the world will cast uncertainty over the global economic outlook. Other risk factors like China-US relations, geopolitical tensions and major central banks' evolving monetary policy stance also warrant attention.

Locally, the stabilised epidemic situation and the Consumption Voucher Scheme will help stimulate consumer sentiment and lend support to consumption-related sectors, the Government added.

The revised GDP figures for the second quarter will be released on August 13.