HK, Mexico pact to take effect

by news.gov.hk
Sunday, Jun 06, 2021

The Investment Promotion & Protection Agreement (IPPA) between Hong Kong and Mexico will enter into force on June 16.

The agreement with Mexico will enhance investors' confidence, expand investment flows between Hong Kong and Mexico, and further strengthen bilateral economic and trade ties.

Secretary for Commerce & Economic Development Edward Yau said the 14th Five-Year Plan supports Hong Kong to foster co-operation and exchanges with countries and regions around the world.

He noted that the Hong Kong Special Administrative Region Government has been making full use of the city's advantages under the Basic Law and "one country, two systems", and has signed bilateral agreements, including IPPAs, with foreign economies to explore more opportunities for developing bilateral and multilateral co-operation benefits.

Mr Yau added that the agreement with Mexico is the fourth such agreement that the Hong Kong SAR Government has signed this term.

The other three were signed with the Association of Southeast Asian Nations, Australia and the United Arab Emirates, all of which have entered into force.

Taking into account the agreement with Mexico, the total number of IPPAs in force between Hong Kong and foreign economies will increase to 22, covering 31 foreign economies.

Under the agreement with Mexico, the two sides undertake to provide investors of the other side with fair, equitable and non-discriminatory treatment of investments, compensation in the event of expropriation of investments, and the right to free transfers abroad of investments and returns.

The agreement also provides for settlement of investment disputes under internationally accepted rules, including arbitration.

China trade surges as demand grows

by news.rthk.hk
Monday, Jun 07, 2021

China's imports grew at their fastest pace in 10 years in May, fuelled by surging commodity prices, while export growth missed expectations, likely weighed by disruptions caused by Covid-19 cases at major ports in the country's south.

Exports in dollar terms grew 27.9 percent in May from a year earlier, slower than the 32.3 percent growth reported in April and missing analysts' forecast of 32.1 percent.

"Export surprised a bit on the downside, maybe due to the Covid cases in Guangdong province which slowed down the turnover in Shenzhen and Guangzhou ports," said Zhiwei Zhang, chief economist at Pinpoint Asset Management, adding that turnover at ports in Guangdong will likely remain slow in June.

Major shipping companies have warned clients of worsening congestion at Shenzhen's Yantian port in Guangdong province after the recent outbreak.

Zhang expects this shock to be transitory and the current outbreak in Guangdong to be brought under control in a few weeks.

In the meantime, Chinese exporters are grappling with higher raw material and freight costs, logistics bottlenecks and a strengthening yuan, which diminishes trade competitiveness.

However, a brisk recovery in developed market demand and disruptions caused by Covid-19 in other manufacturing nations are likely to bolster China's exports in coming quarters, analysts say.

Imports increased 51.1 percent year-on-year last month, the fastest growth since January 2011 and picking up from a 43.1 percent rise in April, but slower than the 51.5 percent rise tipped by the Reuters poll.

China posted a trade surplus of US$45.53 billion for the month, wider than the US$42.86 billion surplus in April but less than the US$50.5 billion expected.

Prices for commodities such as coal, steel, iron ore and copper have surged this year, driven by easing pandemic lockdowns in many countries and ample global liquidity.

HK, Georgia tax pact to take effect

by news.gov.hk
Tuesday, Jun 08, 2021

The comprehensive avoidance of double taxation agreement with Georgia signed in October last year will come into force on July 1, the Government announced today.

The agreement will have effect in respect of Hong Kong tax from April 1 next year, it said.

Georgia participates in the Belt & Road initiative. The agreement will bring a greater degree of certainty on tax liabilities for those who engage in cross-border business activities, and promote bilateral trade and investment activities.

HKMA delves deeper into digital currency

by www.thestanadard.com.hk
Wednesday, Jun 09, 2021

Hong Kong is exploring the prospect of a central bank digital currency and hopes to have initial ideas within 12 months, says Eddie Yue Wai-man, chief executive of the Hong Kong Monetary Authority.

The banking regulator has been researching digital money with a focus on wholesale cross-border payments. And it will soon begin a study on issuing retail digital currency - e-HKD - Yue said.

The authority has also been working with the Bank for International Settlements Innovation Hub Hong Kong Centre on the technical aspects of issuing retail digital currency and possible architectural designs, he said.

It has also established a cross-departmental working group to study technical, policy and legal issues.

While the HKMA has not yet decided whether to issue digital currency, Yue added, it is essential to increase technical readiness with research like that being undertaken by other central banks.

He also listed some of the important questions being posed: "How should we strike a right balance between privacy and traceability? How do we mitigate cybersecurity risks? How will it affect the effectiveness of monetary transmission?"

The answers, Yue said, are needed before a conclusion is reached.

Yue also said is too early to discuss whether Hong Kong will reclaim three lenders' right to issue banknotes as digital currencies could be issued by commercial banks.

But the e-HKD will not affect the Hong Kong currency peg to the US dollar, said deputy chief executive Howard Lee Tat-chi.

After launching digital Hong Kong dollar, people will be free to choose using other payment tools like cash, he added.

The HKMA will also continue to collaborate with the People's Bank of China in supporting the digital yuan trial in Hong Kong, which will provide a convenient means of cross-boundary payments.

The e-HKD study is among the monetary authority's Fintech 2025 Strategy, which was unveiled yesterday. Under the strategy, the authority will roll out a tech baseline assessment to take stock of banks' fintech adoption.

It will enhance the SAR's data infrastructure, including the Commercial Data Interchange, digital corporate identity and blockchain-based credit data-sharing platform to help with data sharing.

The authority also aims to expand the fintech talent pool by developing specific training programs and qualifications as well as promoting joint projects between the financial sector and academia.

A new fintech cross-agency co-ordination group will also be established by the monetary authority and the financial sector's key players to formulate support systems.

The Hong Kong Association of Banks said it welcomes the Fintech 2025 Strategy to reinforce Hong Kong's leading place in the global fintech scene.

IMF applauds HK's resilience and buffers

by www.thestanadard.com.hk
Thursday, Jun 10, 2021

Sound macroeconomic and prudential policies over the years have provided Hong Kong with important buffers to cope with the current slowdown and future shocks, the International Monetary Fund said in a report yesterday.

The banking sector remains well capitalized, profitable and nonperforming loan ratios remain low, the report said.

Meanwhile, Hong Kong's exchange rate mechanism, the Linked Exchange Rate System, has continued to support financial stability, and is underpinned by large foreign exchange reserves. In response to the Covid-19 pandemic, the authorities took a multi-pronged approach to support the economy and maintain financial stability, according to the IMF
.
The LERS has ensured that the Hong Kong dollar exchange rate remains stable within a band of HK$7.75-7.85 to one US dollar since 1983.

Stress tests conducted by the IMF's Financial Sector Assessment Program showed that the financial system is resilient to severe macro-financial shocks and the banking system is also resilient to liquidity stress, but there are pockets of vulnerabilities in foreign bank branches, investment funds, households and non-financial corporates.

To that end, the IMF suggested enhancing supervision of banking groups with both foreign branches and local subsidiaries in the city, heightening liquidity risk monitoring for banks operating with multiple group entities and ensuring that internal risk models that monitor lending to the mainland are sufficiently forward looking.

The institutional framework for macroprudential policies is functioning well, and the current policy stances on real estate and countercyclical capital buffers are appropriate, IMF said, adding that there is further scope for strengthening systemic risk monitoring, improving communication and bringing non-bank mortgage lending within the regulatory ambit.

The Hong Kong government welcomed the IMF's report which reaffirms Hong Kong's position as an international financial center.

Financial Secretary Paul Chan Mo-po, said in a statement that the government will continue to reinforce Hong Kong's core strengths, give full play to its unique advantages and identify new areas of growth, with a view to ensuring the long-term competitiveness and prosperity of the city.

The government and financial regulators will study IMF's suggestions carefully and take them forward as appropriate.

HK ranked 7th in competitiveness

by news.gov.hk
Thursday, Jun 17, 2021

Hong Kong was ranked seventh most competitive economy by the International Institute for Management Development in its World Competitiveness Yearbook 2021, compared to fifth last year.

Among the four competitiveness factors, Hong Kong continued to rank top in government efficiency, while its rankings in economic performance, business efficiency and infrastructure were slightly lower than those in the previous report.

On sub-factors, Hong Kong continued to top the ranking in business legislation. Its rankings in international trade, tax policy, finance and management practices also remained in the top-three positions globally.

The Government said the yearbook continues to recognise Hong Kong's strengths in various aspects.

It said as a small and open economy, the city has faced unprecedented challenges over the past couple of years. Yet it is confident that Hong Kong's institutional strengths, including the rule of law and independence of the judiciary, free trade and investment regimes, a simple and low tax system, a favourable business environment and an efficient government, remain unscathed.

On top of upholding Hong Kong's institutional strengths, the Government is committed to enhancing the city's status as international financial, transportation and trade centres, and developing the city into an international innovation and technology hub, an international aviation hub and a green city.

Meanwhile, it will step up investment in infrastructure, and innovation and technology, to add growth impetus to Hong Kong's development.

Looking forward, the Government said economies in Asia, particularly the Mainland economy, will continue to be the engine of global economic growth.

Under "one country, two systems", Hong Kong will continue to play its unique roles as a gateway, a springboard and an intermediary, and actively integrate into the new national overall development.

The city will also capture the opportunities arising from the National 14th Five-Year Plan and national development plans such as the Greater Bay Area development and the Belt & Road Initiative.

The Government said it has every confidence in Hong Kong's long-term economic development and competitiveness.

Export growth forecast revised up to 15pc

by www.thestanadard.com.hk
Wednesday, Jun 23, 2021

Hong Kong Trade Development Council raised the local export growth forecast to 15 percent from 5 percent for 2021, thanks to improving sentiment, strong export performance, and a low comparison base.

This would be the highest rate of growth since 2010 when exports surged by 22.8 percent in the post global financial crisis recovery period.

The HKTDC Export Index increased by 9.7 points to 48.7 in the second quarter, its fifth consecutive quarterly increase since its historic low of 16 for the first quarter of 2020. But the index is still below the neutral threshold of 50, which means the outlook remains pessimistic.

As for the pandemic, 56.9 percent of exporters indicated they had been adversely affected over the past three months, down from 78.2 percent in the previous quarter. Among the various pandemic-related impacts, a reduction in order sizes (66.4 percent), increased transportation costs (46.4 percent) and logistics / distribution disruptions (42.6 percent) were cited as the three most common problems.

Meanwhile, a sub-index of employment dropped by 1.6 points to 41.6, highlighting likely redundancies in the near term, HKTDC said.

Exports rebounded by 30.8 percent year on year in the first four months of 2021.

Listings to raise HK$400b in 2021

by www.thestanadard.com.hk
Monday, Jun 28, 2021

Hong Kong's initial public offerings are expected to raise at least HK$400 billion in 2021, among the top five bourses around the world, KPMG says.

Total funds raised reached a record US$26 billion in the first quarter, buoyed by solid investor demand and market sentiment, according to KPMG. The Hong Kong Stock Exchange currently ranks third in IPO proceeds around the world, lagging behind Nasdaq and the New York Stock Exchange. The Shanghai Stock Exchange ranked fourth with total fundraising of US$20.6 billion.

Louis Lau, partner of capital markets advisory group, said Hong Kong, will allow special purpose acquisition company listings and will set rules to avoid shell creation.

Irene Chu, partner and head of the new economy and life sciences of KPMG China, does not expect fewer Chinese companies to go public in the US, as there is still strong demand.

She expects the momentum of IPO activities among the new economy sectors including healthcare, life sciences, logistics and supply chain and fintech to remain very strong in the coming quarters in Hong Kong.