China's economy grows 8.1pc to 114tn yuan

by www.thestandard.com.hk
Tuesday, Mar 01, 2022

China's economy grew by 8.1 percent to 114.37 trillion yuan (HK$141.6 trillion) in 2021 over a year ago with an average two-year growth of 5.1 percent, according to the preliminary estimation of the National Bureau of Statistics, while the market expects the growth target this year will be set at 5 percent during the Two Session meetings.

The per capita gross domestic product in 2021 was 80,976 yuan, up by 8 percent over the previous year and the gross national income increased by 7.9 percent to 113.4 trillion yuan, the bureau said.

The surveyed urban unemployment rate at the year end was 5.1 percent, and the registered urban unemployment rate was 3.96 percent.

Consumer prices in 2021 went up by 0.9 percent over the previous year while the producer prices for industrial products went up by 8.1 percent, it said.

Meanwhile, the nation's factory activity likely contracted in February on slower production after the Lunar New Year holiday and Winter Olympics, with Beijing expected to unveil more stimulus measures later this week to support the economy. The official manufacturing Purchasing Manager's Index is expected to ease to 49.9 in February, its lowest reading in four months, from 50.1 in January, according to the median forecast of 35 economists polled by Reuters yesterday. A reading below the 50-point mark indicates contraction.

"Apart from seasonality impact from Lunar New Year timing shifts, production curbs during the Winter Olympics and still-subdued property sector activity likely weighed on upstream demand," analysts at Morgan Stanley said in a note on Friday. They expect the official manufacturing PMI to have slipped to 49.6.

China faces challenges as 5.5pc growth target is set

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Monday, Mar 07, 2022

Economists said China's 5.5 percent economic growth target this year will be challenging to meet, and will push the government to boost infrastructure investment, stimulate property demand while the government vowed to promote the healthy development of the real estate industry.

While the growth goal for this year is the lowest in more than three decades, it's above consensus forecasts closer to 5 percent and far higher than the International Monetary Fund's projection of a 4.8 percent expansion.

Zhang Zhiwei, chief economist at Pinpoint Asset Management, stated that the housing sector is slowing down, and the Covid pandemic has constrained the service sector severely. "It is not clear how much infrastructure investment can grow in 2022 to offset such adverse effects from housing and Covid."

Meanwhile, a report by the Ministry of Finance submitted to the National People's Congress expects the country's fiscal spending will climb 8.4 percent in 2022, including a more than 7 percent boost to China's defense budget. The government plans to draw on savings from previous years to pay for the rise in expenditure, with the budget deficit targeted to fall to 2.8 percent of gross domestic product this year.

During the NPC, Premier Li Keqiang told delegates that the government will implement different policies in line with local circumstances to promote the healthy development of the property sector while reiterating homes are for living in, not for speculation.

Li also called on the property market to better meet reasonable housing demand for homebuyers, marking the first time non-subsidized housing being mentioned in the key report since 2014.

The nation will explore new models for housing development, including encouraging rentals along with purchases, and adopt city-specific measures to "facilitate positive circulation and sound development in the real estate sector," according to Li.

In his annual work report, Li said "a fund for ensuring financial stability will be established, and market- and law-based ways will be used to defuse risks and potential dangers," without giving more details.

Separately, the United States will soon start a review of the first group of tariffs on more than US$300 billion (HK$2.34 trillion) in Chinese imports needed to prevent their expiration.

IMF reinforces HK assessment

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Following the conclusion of the 2022 Article IV Consultation, the International Monetary Fund (IMF) today reinforced its assessment of Hong Kong's economic and financial positions in its staff report with a detailed analysis.

Reaffirming Hong Kong's position as a major global financial centre with a resilient financial system, sound macroprudential policies and robust regulatory and supervisory frameworks, the IMF recognised that Hong Kong's financial sector has continued to expand amid the COVID-19 pandemic.

The IMF also noted that a large fiscal stimulus has helped mitigate the impact of economic shocks and speed up economic recovery. It supported the Government's approach to containing housing market risks and increasing housing affordability, which involves macroprudential measures, demand-side management measures and an increase in housing supply.

Furthermore, it commended that Hong Kong has made significant progress in addressing climate change in the past decade and acknowledged the Government's ongoing efforts to enhance the green and sustainable finance ecosystem.

Financial Secretary Paul Chan welcomed the IMF's recognition of the city's strong economic recovery supported by swift and bold policy responses.

He said: "Having considered that the economic situation in Hong Kong has taken a drastic turn with the outbreak of the fifth wave of the pandemic, I have announced in the 2022-23 Budget counter-cyclical measures, involving a total commitment of over $170 billion, with a view to providing appropriate assistance for individuals and businesses affected by the fifth wave of the local outbreak.

"The counter-cyclical measures, together with those introduced in the past two years and multiple rounds of the Anti-epidemic Fund, involving a total commitment of over $650 billion, are effective in mitigating the socio-economic impact of the pandemic.

"We will continue to closely monitor the local epidemic situation, take necessary and effective fiscal measures and further strengthen our already robust institutional frameworks with a view to fostering economic recovery after the pandemic and safeguarding financial stability."

Meanwhile, Monetary Authority Chief Executive Eddie Yue also welcomed the IMF's reaffirmation of the robustness and resilience of Hong Kong's banking and financial system, reiterating that the Linked Exchange Rate System will continue to be an anchor of economic and financial stability.

The IMF Mission held virtual discussions with government officials, regulators and private sector representatives in Hong Kong from December 1 to 15 last year regarding the 2022 Article IV Consultation. The concluding statement of the mission's assessment was published on January 20, followed by the IMF Executive Board's endorsement for the staff report on February 10.

Beijing to ensure stable economy this year: cabinet

by news.rthk.hk
Monday, Mar 14, 2022

The central government will ensure stable economic operations this year, and keep economic growth, employment and prices within reasonable ranges, state media quoted the cabinet as saying on Monday.

The economy faces new downward pressures and difficulties and increasing challenges, the cabinet was quoted as saying after a regular meeting.

According to reports, the cabinet said China will "strengthen cyclical adjustments and put stabilising growth in a more prominent position, [and] deepen reforms and opening up to strive to achieve the full-year targets and tasks".

The mainland is targeting slower economic growth of around 5.5 percent this year as a property downturn and lacklustre consumption cloud the outlook for the world's second-largest economy.

Beijing will enhance the availability of financing for small firms and lower financing costs, the cabinet said. In addition, it will closely monitor any changes in the international situation and commodity prices in terms of their possible impacts on China's economy, and take steps to cope with these.

The government will quicken the pace of tax refunds to help firms, the cabinet added. China has pledged to deliver tax cuts and tax rebates totalling around 2.5 trillion yuan this year.

HK attracts more investment

by news.gov.hk
Friday, Mar 18, 2022

Financial Secretary Paul Chan

The Offshore China Fund Awards honours last year's elite performers in the Mainland's fund-management sector - business professionals who have excelled in meeting, and surpassing, changing market needs. In all, 36 well-deserved awards will be given out.

Beyond the stars, the industry in general has performed in excellence, despite the continuing challenges of the COVID-19 pandemic. At the end of 2020, your sector's funding totalled nearly HK$35 trillion, up a cheering 21%, year on year.

Our goal is clear: to develop Hong Kong into an international asset- and wealth-management centre. That vision is being realised through the industry's top-class professionalism and the continuing support of the governments in Hong Kong and cities in the Guangdong-Hong Kong-Macao Greater Bay Area, together with Mainland regulators.

The most recent initiative, the Greater Bay Area Wealth Management Connect, got going last September. As of last December, more than 21,000 individual investors had participated, acquiring financial products totaling RMB240 million. In the long run, the cross-boundary scheme will take our fund-management and offshore renminbi businesses to another level entirely.

We also welcome family offices to establish a presence here, capitalising on Hong Kong's singular advantages. In my Budget announced last month, I proposed tax concessions for investment vehicles managed by single family offices. We hope to submit the proposal to the Legislative Council later this year.

Financial Secretary Paul Chan delivered this video speech at the Offshore China Fund Awards 2021 on March 18.

HK maintains financial ranking

by news.gov.hk
Thursday, Mar 24, 2022

Hong Kong maintained third place globally in the Global Financial Centres Index (GFCI) 31 Report published today by Z/Yen from the UK and the China Development Institute from Shenzhen.

In a statement, the Government said the report reaffirms Hong Kong's status and strengths as a leading global financial centre.

It noted that Hong Kong remains among the top in various areas of competitiveness, including business environment, human capital, and infrastructure.

The Government pointed out that Hong Kong's financial markets have been functioning in an orderly manner with no abnormal signs of capital flow observed despite the persistent uncertainties stemming from the COVID-19 pandemic and heightened geopolitical tensions which continue to affect global financial markets.

It explained that the city’s robust and effective regulatory regime, a well-established institutional framework for systemic risk monitoring and the well-functioning Linked Exchange Rate System underpinned by large foreign exchange reserves have helped Hong Kong in this regard.

It added that Hong Kong's unique advantages, including institutional advantages under “one country, two systems”, a fine tradition of rule of law, and a market-oriented and internationalised business environment, coupled with robust infrastructure support, internationally aligned regulatory regimes, a full range of financial products, and free flow of information and capital, have continued to consolidate Hong Kong's status as a leading global financial centre.

The Government also noted that the National 14th Five-Year Plan expresses staunch support for Hong Kong to strengthen its functions as a global offshore renminbi business hub, an international asset management centre and a risk management centre, as well as to deepen and widen mutual access between the financial markets of Hong Kong and the Mainland.

Last year, the Government implemented various mutual access programmes with the Mainland financial markets, including the Cross-boundary Wealth Management Connect, the Southbound Trading under Bond Connect and the MSCI China A50 Connect Index futures contract.

The Government stressed that it will continue to make good use of national policies and the city’s own advantages and take the Guangdong-Hong Kong-Macao Greater Bay Area as an entry point, proactively exploring the Mainland market and participating in the domestic circulation of the national economy.

At the same time, Hong Kong will play its bridging and platform role at the intersection of domestic and international circulations, connecting domestic and foreign markets and investors, and assisting Mainland enterprises to explore the international market.

China keeps yuan flexibility, wary of external shocks

by news.rthk.hk
Friday, Mar 25, 2022

Beijing said on Friday it will maintain yuan flexibility and foreign exchange market stability, vowing to actively prevent and defuse risks from external shocks.

The trend of foreigners investing in China, and allocating yuan assets, will not change, the country's foreign exchange regulator said. Meanwhile, Beijing expects a reasonable current account surplus this year, despite an expected slowdown in exports.

The comments come amid signs of foreign outflows from Chinese markets since Russia launched its military campaign in Ukraine last month. Growing policy divergence between a hawkish US Federal Reserve and a dovish People's Bank of China could also add to the outflows.

The State Administration of Foreign Exchange (SAFE) said on Friday it will strengthen macro-prudential management of cross-border capital flows, and ward off risks of external shocks.

China will continue to maintain yuan flexibility, step up monitoring of cross-border capital flows, enrich its policy toolbox, and guide expectations, it said.

"China's financial market is increasingly open, and Chinese bonds and stocks have sound investment value," SAFE said. "There's still big room for foreign investors to increase allocation (to China assets), which is good for long-term, steady capital inflows."

Hong Kong remains a talent pool: Carrie Lam

by news.rthk.hk
Wednesday, Mar 30, 2022

Chief Executive Carrie Lam said on Wednesday that the number of people settling in Hong Kong or leaving the city cannot accurately reflect the level of confidence they have in the SAR as an international hub.

Some international businesses and expatriates are relocating to other financial hubs such as Singapore, citing Hong Kong's stringent anti-epidemic measures.

Speaking at her daily press briefing, Lam said while it "might be an indisputable fact" that business talents are leaving, she nonetheless has to take care of the people's well-being.

"I place great emphasis on the international status of Hong Kong, I even said, probably no one cares more about Hong Kong's international status than me," she said.

"However, the well-being of the public is always the top priority, and in this regard, we have to take anti-epidemic measures. These measures would more or less affect individuals and companies."

A recent survey of 260 executives by the European Chambers of Commerce suggested that nearly half of all European businesses in the city are considering moving elsewhere in the coming year.

Among the firms planning to leave, a quarter said they would fully relocate in the next 12 months, while 24 percent plan to move at least partially.

But Lam said what's needed right now is to try to keep the city's traditional advantages and maintain its global status, adding that she hopes foreign investors can see that Hong Kong is still a place where they can make a profit.

She said factors other than people's confidence in Hong Kong – such as the city's travel restrictions – could affect the number of people entering or leaving the city, adding the lifting of the SAR's flight ban on nine countries would likely lead to a surge in arrivals.

Lam also pointed to an increase of talents and university students coming to the SAR.

"I strongly believe Hong Kong is a talent pool, even though talents are mobile, they can come and go, and also return. The most important thing is we are still attracting talent," she said.

"I'm very confident and optimistic about the future development, including the financial sector."

The Secretary for Financial Services and the Treasury, Christopher Hui, gave similar assurances at the same briefing, saying the SAR has put forward measures to broaden the development scope of the business sector and nurture its talent pool.

"After all, if we look at a place where people or companies try to locate their business, definitely opportunities and talent are key," he said.

"All these efforts will continue, and also continue to be strengthened in such a way that Hong Kong will continue to open business to the rest of the world."