Hong Kong ends longest recession in decades

by news.rthk.hk
Monday, May 03, 2021

Hong Kong's economy jumped back into growth in the first quarter of the year, official figures showed on Monday, ending the city's most pronounced period of recession in its modern history.

The international financial hub has been battered over the last 18 months by a triple whammy of the US-China trade war, months of social unrest and then the coronavirus pandemic.

It recorded six consecutive quarters of negative growth, a more prolonged downturn than during both the 1997 Asian financial crisis and the 2007-08 global crash.

That came to an end on Monday when the government announced the economy grew 7.8 percent on year in the first three months of 2021.

Hong Kong was one of the few places in the world unlucky enough to enter the coronavirus pandemic already mired in a deep recession.

In 2019, months of huge and often violent pro-democracy protests coincided with swirling trade tensions between Beijing and the United States, pummelling the economy that acts as an international gateway to China.

The city was among the first places outside mainland China to record a coronavirus infection, and the economy plunged by a record-breaking 9.1 percent in the first quarter of 2020.

Since then, Hong Kong has managed to keep the virus' spread down to a little more than 11,000 infections thanks to strict quarantine and economically punishing social distancing measures.

This year's economic rebound was largely sparked by a sharp resurgence in exports fuelled by recoveries in both China and the United States.

Financial Secretary Paul Chan has forecast full-year growth of 3.5 to 5.5 percent in 2021.

But the city has warned that the economy remains below its pre-pandemic levels and the recovery will be uneven.

HK ranks 3rd in arbitration survey

by news.gov.hk
Friday, May 07, 2021

The Department of Justice welcomed the 2021 International Arbitration Survey released by Queen Mary University of London today in which Hong Kong was ranked the third most preferred seat for arbitration worldwide.

Secretary for Justice Teresa Cheng said Hong Kong's strength in dispute resolution is premised on its infrastructure, business opportunities and pool of talents.

"Our Judiciary is independent and impartial while our common law system provides a degree of certainty and predictability for investors and the international business community."

The department noted that the unique advantage under "one country, two systems" allows Hong Kong to enter into the game-changing interim measures arrangement with the Mainland which took effect in 2019.

Hong Kong is the only jurisdiction outside the Mainland where parties to arbitral proceedings would be able to apply to the Mainland courts for such interim measures.

The availability and enforceability of interim measures plays an important role in choosing the seat for arbitration.

Hong Kong has a pool of experienced professionals with international perspectives not just in legal and dispute resolution services but also in areas such as financial services, accounting, engineering, shipping and information technology, the department added.

"The result of the 2021 International Arbitration Survey is a recognition of our long-standing and unwavering commitment to the promotion of arbitral services," Ms Cheng said.

"However, we should not be complacent about our existing competitive edge.

"We endeavour to explore new initiatives with a view to consolidating Hong Kong's status as an international legal hub for legal, deal-making and dispute resolution services."

Rising overseas demand stirs upturn in China's April services

by www.thestanadard.com.hk
Friday, May 07, 2021

China's services sector expanded at the sharpest pace in four months in April, driven by fast growing new businesses, a private survey showed on Friday, although surging costs are likely to weigh on growth over the coming months, Reuters reports.

The Caixin/Markit services Purchasing Managers' Index (PMI) climbed to 56.3, the highest since December when the same reading was registered and up from 54.3 in March. The 50-mark separates growth from contraction on a monthly basis.

In contrast to the official survey out last week, which showed expansion in the sector slowed in April, the Caixin survey attributed the faster upturn in business activity to the successful containment of coronavirus disease outbreaks in the country earlier in the year, and a further improvement in demand as overseas business grew for the first time in three months.

Total new orders, as a result, expanded at the fastest clip since November, which led services firms to increase their staffing levels for the second straight month.

However, inflationary pressures worsened. Input costs grew at a sharper rate in April, driven by higher labour costs and raw material prices, the survey found. Even as firms were able to raise selling prices for the ninth straight month, the increases have yet to catch up with the inflation in input costs.

"Inflation will be a focus in the future. Inflationary pressure was evident as input costs and output prices in manufacturing and services have continued to increase for several months," said Wang Zhe, senior economist at Caixin Insight Group, in a statement accompanying the data release. "In the coming months, rising raw material prices and imported inflation are expected to limit policy choices and become a major obstacle to the sustained economic recovery."

The Caixin China General Composite PMI came in at 54.7 in April, stronger than 53.1 the previous month and hit the highest level this year.

China lays down rules for Wealth Connect feedback

by www.thestanadard.com.hk
Friday, May 07, 2021

China issued rules for public comment on Wealth Connect, marking a big step forward for the program that will allow investments across the border between Hong Kong and the southern region, Bloomberg reports.

The People's Bank of China released a detailed set of instructions for public comment late Thursday, posting a May 21 deadline for feedback.

As revealed earlier by Hong Kong authorities, the program for individual investors will have a 150 billion yuan (US$23 billion) cap in each direction, according to the draft rules.

Mainland investors with at least 2 years investment experience and with more than 1 million yuan in net household financial assets in most recent three months will qualify.

The announcement "marks another encouraging step towards the opening of mainland China's capital markets and reinforcing Hong Kong's status as an international financial center," Daniel Chan, the head of Greater Bay Area at HSBC Holdings, in a statement.

HSBC and rivals have been beefing up their presence in anticipation of the plan, one of the building blocks in strengthening the Greater Bay Area, a region including Hong Kong and Macau and nine other cities that has more than 70 million people.

The long-awaited program was announced without details in June last year, just before China also unveiled a sweeping security law in the city to crack down on anti-government dissent.

The authorities aim to roll out the program early in the second half this year, Hong Kong Monetary Authority Chief Executive Eddie Yue said earlier this week.

Real GDP grows 7.9% in Q1

by news.gov.hk
Friday, May 14, 2021

The Hong Kong economy recovered visibly in the first quarter of 2021, with real gross domestic product (GDP) resuming appreciable year-on-year growth of 7.9%, ending six consecutive quarters of contraction.

Thanks to the global economic recovery led by the Mainland and the US alongside a sharp rebound in global demand, total exports of goods surged by 30.2% year-on-year in real terms.

However, the economic recovery was uneven and overall economic activity remained below the pre-recession level, as the COVID-19 pandemic continued to weigh on certain economic segments, particularly those involving consumer-facing activities.

The labour market was under notable pressure in the first quarter, though it stabilised in the latter part of the quarter as the epidemic receded.

The seasonally adjusted unemployment rate went from a 17-year high of 7.2% in the three-month period ending February to 6.8% in the first quarter of 2021.

Consumption and investment demand revived somewhat but stayed relatively subdued.

Private consumption expenditure grew only modestly by 1.6% year-on-year in real terms even against an exceptionally low base of comparison.

Delivering the First Quarter Economic Report 2021 this afternoon, Government Economist Andrew Au said he expected domestic demand to further improve.

“Domestically, if the local epidemic remains well contained, business and consumer confidence, which has improved recently, should see some further improvement down the road.

“The Government’s relief measures, including the consumption voucher scheme, will help reinforce this development.”

Mr Au also appealed to the public to get vaccinated to help the economy recover.

“Many consumer-facing activities are labour intensive and are still affected by the threat of the epidemic. So it is essential for all of us to work together to keep the epidemic under control and actively participate in the vaccination programme.

“This will not only protect ourselves but also help create the necessary conditions for a full-fledged economic recovery.”

Considering that the economic recovery is uneven and the uncertainty associated with the pandemic is still high, the real GDP growth forecast of 3.5% to 5.5% for 2021 as announced in the Budget is maintained.

The actual outturn can hopefully be near the upper end of the range forecast if the pandemic situation improves in the period ahead, Mr Au added.

China records strong factory output for April

by news.rthk.hk
Monday, May 17, 2021

China's industrial output recorded strong growth in April after last year's pandemic-induced slump, official data showed on Monday, but retail sales picked up less than expected amid uncertainty in the global economy.

The world's second-largest economy, where the coronavirus first surfaced in late 2019, was also the first to bounce back from strict virus lockdowns.

It was a recovery led by factory activity, with Chinese firms producing everything from protective gear to electronics and other consumer goods desired by global consumers stuck at home and ordering online.

Industrial output rose 9.8 percent on-year last month, in line with expectations.

"Production demand continued to grow... and the economy continued to stabilise and resume development," said the National Bureau of Statistics (NBS) on Monday.

But it cautioned that the global epidemic situation remained "complicated, and the recovery of the world economy is very uneven".

Retail sales grew 17.7 percent, but missed expectations.

In April, the urban unemployment rate fell slightly to 5.1 percent, the NBS added.

With vaccines being rolled out around the world, especially in the key US market, and economically painful lockdowns being eased, demand for China's goods picked up this year after falling off a cliff in 2020.

Although China's strong economic figures are in part attributable to last year's low base of comparison due to the virus outbreak, they show that recovery continues, with a broader rebound.

PBOC rules out higher yuan, vows stability

by www.thestanadard.com.hk
Monday, May 24, 2021

China's central bank said it will maintain the exchange rate of the yuan at "basically stable" levels after recent comments by its officials who suggested the currency be allowed to appreciate and authorities should eventually let up on controlling it.

The future trend of the exchange rate will be decided by supply and demand, as well as changes in international financial markets, Liu Guoqiang, vice governor at the People's Bank of China, said in a Q&A segment posted on the bank's website.

The yuan will be kept at reasonable and balanced levels, he said.

The existing floating exchange rate regime is a suitable arrangement for China for now and "a period of time in the future," Liu said, without elaborating.

His comments came after a PBOC official said the country should let the yuan appreciate to offset rising costs of commodity imports.

China is hurt by a rally in global commodity prices, according to central bank researcher Lyu Jinzhong, in an article published Friday in PBOC magazine China Finance.

The rally in global commodity prices this year was mainly caused by the expansion in demand as global economies, including China, recovered, Lyu said. Ultra-loose monetary policy followed by major central banks, other than the PBOC, also contributed, he said.

Lyu, who expects the year-on-year growth in producer prices to likely stabilize or even moderate in the second half of this year, favored maintaining a steady monetary policy.

He also called for studying how to improve compilation of consumer price index to better reflect inflation levels.

Separately, Zhou Chengjun, director of the central bank's finance research institute, said China has to give up its control over the currency's exchange rate eventually if it wants to achieve greater global use of the yuan. Zhou added that the PBOC has made it clear it stopped regular intervention and will let the market play a bigger role in deciding the exchange rate. Zhou's comments, made at a forum on April 16, was published by the organizer last week.

HK sees no major capital outflow

by news.gov.hk
Tuesday, May 25, 2021

Hong Kong is performing well in finance and banking and has not witnessed any significant outflow of capital as a result of the implementation of the National Security Law.

Chief Executive Carrie Lam made the statement before attending this morning's Executive Council meeting.

"We have 9,000 Mainland and overseas companies based in Hong Kong, including many of them which are using Hong Kong as a regional headquarters or regional office.

"We have not seen any significant outflow of capital. The securities market is doing very well. The banking sector is very stable. And generally, life goes on.

"I had meetings with business chambers, both based in Hong Kong and also overseas, through webinars in the past two months. Generally, the initial concerns and anxieties about the national security legislation have subsided."

Mrs Lam also pointed out that the business community's current focus is on capitalising on the opportunities brought about by the development of the Guangdong-Hong Kong-Macao Greater Bay Area.

"The first and foremost topic raised by the business community was the Guangdong-Hong Kong-Macao Greater Bay Area. How could we go into the Greater Bay Area? How could we make use of the support measures for Hong Kong under the 14th Five-Year Plan in order to grow our business?

"What more favourable policies would there be from the central government in order to facilitate the free flow of goods, capital, people and data between Hong Kong and the Greater Bay Area's Mainland cities?

"So these are the general sentiments that we have received from the business community at large."