

## Hong Kong & Mainland China News – January-2015

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### **China's services sector grew at fastest pace**

By rthk.hk

Tuesday, January 6, 2015

A private survey has shown that the services sector on the mainland grew at its fastest pace in three months in December - an encouraging sign that the country's economy was holding up despite weak factory output and slow property sales.

The HSBC Services Purchasing Managers' Index rose to 53.4 last month from 53 in November.

That was well above the 50-point level that separates growth from contraction in activity.

### **Local firms registered surpasses 1.2m**

By news.gov.hk

Sunday, January 11, 2015

The total number of live local companies registered at the end of 2014 stood at 1,272,693, up 109,762 from 2013, according to the Companies Registry.

The number of local companies newly registered with the registry in 2014 was 167,280.

The number of companies incorporated in March 2014 hit a record high of 30,463, significantly higher than the monthly average for the whole year. The rise in March may be related to the waiver of business registration fees expiring on April 1, 2014.

In 2014, a record high of 38,938 companies were incorporated online at the e-Registry, up 8.23% over 2013.

Registrar of Companies Ada Chung said the new Companies Ordinance, which came into effect on March 3 last year, provides a modernised legal framework for the incorporation and operation of companies in Hong Kong and reinforces the city's role as an international financial and commercial centre.

Ms Chung added that the World Bank's 'Doing Business 2015' report commended Hong Kong for strengthening minority investor protections by introducing requirements for directors to provide more detailed disclosure of conflict of interest under the new companies law.

For non-Hong Kong companies that have newly established a place of business in Hong Kong, 811 companies were registered under the Companies Ordinance in 2014, up 3.97% from 780 in 2013. The total number of registered non-Hong Kong companies reached 9,624 by the end of 2014.

## **The good side and dangers of PBOC pushing for growth**

By thestandard.com.hk

Monday, January 12, 2015

The People's Bank of China on Friday published the 2015 working meeting summary on its website.

It said prudent monetary policy will continue to be implemented, more attention paid to moderate elasticity, preset tuning and fine-tuning, and that reform and opening up will be vigorously promoted.

Although its comments seem to be nothing new, it reflects that the yuan interest rate is expected to fall further this year and that through the policy stable growth is a key direction for the central bank.

In fact, the PBOC's stepping up of support for growth has advantages and disadvantages.

Loan growth may rebound sharply, and with it a higher risk of bad debt.

But with the US dollar remaining strong at the same time that dollar interest rates are likely to rebound this year, the PBOC must actively relax its policies or else many mainland enterprises will face great pressure because of dollar strength and higher rates.

In Asia ex-Japan in 2014, dollar-syndicated loans rose by 13 percent, hitting a record high of US\$522.9 billion (HK\$4.08 trillion), of which loans to Chinese firms accounted for 27 percent.

And according to the Bank for International Settlements, data from the end of 2012 to June 2014 showed Chinese enterprises' cross-border bank loans more than doubled to US\$1.1 trillion.

One of the main reasons for that is the interest rate for greenback-denominated loans is lower than yuan ones. But with US rates rising, the pressure on these Chinese firms will also rise.

And recent Kaisa woes will also increase the costs of bond issuances for many firms.

So if the PBOC does not move on monetary policy in time, then with the dollar continuing to strengthen or the Federal Reserve raising rates in the next six months more mainland enterprises will default or go bankrupt.

## **HK-Guangdong cooperation boosted**

By news.gov.hk

Wednesday, January 14, 2015

The Government would pursue the greatest opportunity for Hong Kong people and enterprises in the development of the Guangdong pilot free trade zone, Chief Executive CY Leung has said in his Policy Address.

Mr Leung noted that the Central Government announced last December the establishment of three pilot free trade zones, with the Guangdong zone covering the new areas of Nansha, Qianhai and Hengqin.

Those new areas would leverage Hong Kong's edge to promote in-depth cooperation between Guangdong and Hong Kong, he said.

The Government will maintain close collaboration with the Guangdong authorities throughout the planning and development of the three new areas to actively pursue new modes of cooperation, the most favourable treatment and the biggest development opportunity for Hong Kong people and enterprises, Mr Leung added.

Noting the shift of the global economic balance towards the East, Mr Leung said Hong Kong needs to increase the number of economic and trade offices in the Asian region. A liaison unit in Shandong Province will be set up in the first half of this year and one more unit will be established in the Mainland's central region later.

The Government will continue to assist Hong Kong enterprises to develop the Mainland market by brand building, upgrading and restructuring operations, and exploring domestic sales, through the \$1 billion dedicated fund.

To promote the insurance industry's development, the Government will allocate \$500 million for the establishment of an independent Insurance Authority, he added.

## **Mainland e-commerce market explodes**

By rthk.hk

Friday, January 23, 2015

China's e-commerce boomed in 2014 with transactions reaching around 13 trillion yuan (US\$2.09 trillion), the government said on Wednesday, as Beijing looks online for new drivers of growth.

The commerce ministry did not define transactions, beyond saying that the term included both business-to-business and retail transactions.

Spokesman Shen Danyang said in a statement that they grew 25.0 percent year-on-year in 2014.

China's National Bureau of Statistics said Tuesday that online retail sales alone were at 2.8 trillion yuan in 2014, up 49.7 percent. China has the world's biggest online population -- 632 million last year -- and online shopping has exploded in recent years as consumers turned to the Internet for cheaper products and overseas goods that are believed to be safer than domestic options, such as baby formula.

During its 24-hour shopping promotion Singles Day on November 11, the country's e-commerce giant Alibaba said consumers spent a record US\$9.3 billion, up 60 percent on 2013.

## **Yuan becomes one of the top global currencies**

By rthk.hk

Wednesday, January 28, 2015

Yuan has become one of the top five as a world payment currency in November, overtaking the Canadian dollar and the Australian dollar, global transaction services organisation SWIFT said on Wednesday.

After nearly a year firmly positioned at seventh spot, the yuan reached a record high share of 2.17 percent in global payments by value and is in sight of the Japanese yen, which has a share of 2.69 percent.

The US dollar, euro and British pound remain the top three world payment currencies.

Global yuan payments increased by 20.3 percent in value in December compared to a year earlier, while the growth for payments across all currencies was 14.9 percent for the same period, Swift said.

Over the last year, yuan payments grew in value by 102 percent compared to an overall yearly growth for all currencies of 4.4 percent.

## **Hong Kong retains top spot as freest economy**

By rthk.hk

Thursday, January 29, 2015

The government has welcomed the Heritage Foundation's ranking of Hong Kong as the world's freest economy for the 21st consecutive year.

Hong Kong's overall score of 89.6 was slightly lower than last year, due mainly to a deterioration in the perceived level of corruption.

The report ranks economic freedom in 178 economies around the world. Singapore ranked second, followed by New Zealand, Australia and then Switzerland.

The foundation is a conservative think tank based in Washington DC.

## **Mainland growth target set to be 7pc**

By thestandard.com.hk

Thursday, January 29, 2015

China plans to cut its growth target to around 7 percent in 2015, its lowest goal in 11 years, sources said.

This comes as policymakers try to manage slowing growth, job creation and pursuit of reforms intended to make the economy more driven by market forces.

The growth target, which is set to be announced by Premier Li Keqiang at the annual parliament session in March, was endorsed by top party leaders and policymakers at a closed-door Central Economic Conference last month, said a number of people with knowledge of the outcome of the meeting.

The target, which is in line with market expectations, has not been previously reported.

"This year's economic growth target will be around 7 percent, but the 7 percent should be the bottom line," said one of the sources, an influential economist who advises the government. "The government will have to balance economic growth, employment and structural reforms this year," said the economist.

Although the target was endorsed in December, it is still possible for it to be adjusted before the parliament convenes. The government is also looking at lowering its forecast for consumer price inflation to around 3 percent, the sources said.

Data last week showed China's growth plumbed a 24-year low of 7.4 percent in 2014.

REUTERS