China rolls out a slew of measures to lift economy

by www.rthk.hk
May 07, 2025

Beijing announced on Wednesday a basket of new measures, including interest rate cuts and extra funding, to prop up the economy as it steps up efforts to offset the impact from sky-high US tariffs.

The measures came shortly after US and mainland officials said US Treasury Secretary Scott Bessent and chief trade negotiator Jamieson Greer will meet with Vice Premier He Lifeng in Switzerland this weekend for talks, paving the way for a potential de-escalation between the two sides.

Speaking at a press briefing in Beijing, People's Bank of China governor Pan Gongsheng said the central bank will lower the borrowing cost of its seven-day reverse repurchase rate, its benchmark interest rate, by 10 basis points, to 1.4 percent, effective Thursday.

The central bank, he added, will also reduce the amount of cash that banks must hold in reserve, also known as the reserve requirement ratio (RRR), by 50 basis points from May 15, which will inject a trillion yuan in liquidity into the market.

Other measures include lowering the mortgage rate by 25 basis points, scrapping the RRR for auto financing firms, a new 500 billion yuan relending tool to support service consumption and elderly care, as well as increased funds for factory upgrades and other innovative projects.

"[For example,] relending funds for factory upgrades and other innovations currently involve a quota of 500 billion yuan," said Pan.

"So we will increase this by 300 billion yuan to a total of 800 billion yuan, to support our 'two new' policies of upgrading large-scale equipment and trading-in of consumer goods."

Separately, Li Yunze, director of the National Administration of Financial Regulation (NAFR), said authorities will soon introduce a package of financing policies to help stabilise the property market and support small and micro companies as well as private entities.

Li said there will be "tailor-made services" for business entities that are significantly affected by tariffs and that these will ensure all foreign trade enterprises are able to access financial support and necessary loans with increased capital support.

"Capital replenishment work for large commercial banks is being accelerated...," Li said in explaining about the increased funding work.

"Different regions are also replenishing capital for small and medium-sized financial institutions through multiple channels."

At the same event, China Securities and Regulatory Commission chairman Wu Qing said that despite pressure from US tariffs, markets have stabilised following intervention efforts by the authorities.

Wu also noted that Beijing would continue to support state-owned investment company, Central Huijin, to further stabilise the A-share market, which he said is "currently undervalued" and has room for gains.

He added the country planned to help facilitate the return of foreign-listed Chinese firms to mainland and Hong Kong stock markets.

Separately, Wu singled out US investor Warren Buffett, who is set to retire this year, for mention for his fundamental principles of long-term value investing and rational investing, noting that such principles and efforts to reward investors will not end with the retirement of the investment legend.

'HK, MidEast are mutually beneficial trading partners'

by www.rthk.hk
May 09, 2025

The Middle East is ideal for Hong Kong enterprises seeking to diversify their investment portfolios amid global trade uncertainties, according to the city's largest business chamber.

The Hong Kong General Chamber of Commerce said there is growing interest from Middle Eastern firms and wealth funds to invest in this part of the world.

The group believes the SAR can provide solutions in sectors such as innovation, construction and education.

Its chairwoman Agnes Chan will be among dozens of business leaders joining Chief Executive John Lee on a visit to Qatar and Kuwait on Saturday.

She said her group regularly hosts officials and business executives from the Middle East.

That included a meeting in April with Abdul Aziz Abdulla Al Ghurair, the chairman of Mashreq, a leading bank in the United Arab Emirates.

"He's particularly interested in the entrepreneurial ecosystem in the innovation and technology sector," Chan said.

"They've heard a lot about the high-quality productive forces in China and how we are focusing in terms of China's targeted 5 percent GDP growth."

While Gulf nations traditionally rely on oil export revenues, Chan said they've realised that oil prices could be under pressure in the event of a global economic slowdown.

"They realise relying on the traditional oil and gas is not the best way to go in terms of all the transformation that's going on.

"They have capital, so they are looking to invest in growing sectors.

"Life science is also an area they are interested in, and technology certainly, and then education exchange. So they're looking for more knowledge sharing between universities."

Hong Kong and Middle East countries have already been fostering closer ties. Chan noted that merchandise trade between the SAR and the six member states of the Gulf Cooperation Council – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE – reached HK$154 billion in 2024, a 50 percent jump from 2020.

Commercial sector lawmaker Jeffrey Lam said growth in these markets does not mean Hong Kong can ditch its long-established trading partners like Europe and the United States.

Lam, who's also an executive councillor and a toy manufacturer, foresaw a tough few months ahead for SAR exporters as they lose orders or have to suspend shipments because of the tariffs imposed by the Trump administration.

"If you don't ship, you don't receive money and that creates cash-flow problems (for manufacturers)," he explained.

"We need the government's support on this matter, as well as from the Monetary Authority and the banks. There are also logistical issues because you have to find warehouses to store the goods."

Lam called on Hong Kong companies to think ahead and see how they can grasp the vast opportunities from the Gulf nations, especially in infrastructure construction.

"And after buildings are built, infrastructures are completed. There are so many, many opportunities. You know, how many lifts will be needed? How [much] office equipment? How many household items would be needed? You know, all those are opportunities for us," he said.

Lam, who is also part of the SAR delegation, said he's looking forward to the trip because there are "always good opportunities" whenever he travelled to the Middle East.

Economy grows 3.1% in Q1

by news.gov.hk
May 16, 2025

Hong Kong's economy expanded solidly in the first quarter of 2025, with real gross domestic product (GDP) growing by 3.1% year-on-year, picking up from the 2.5% growth in the preceding quarter.

On a seasonally adjusted quarter-to-quarter basis, real GDP grew by 1.9%.

This was mainly supported by increases in exports of goods and services, as well as the resumption of moderate growth in overall investment expenditure, Acting Government Economist Cecilia Lam said at a press conference this afternoon.

Private consumption expenditure, however, continued to register a modest decline.

Taking into account the actual outturn in the first quarter and the latest developments of the global and local situation, the real GDP growth forecast for 2025 as a whole is maintained at 2% to 3%, the same as that announced in the Budget.

Ms Lam explained that as international trade tensions have recently eased, the headwinds and uncertainties in the external environment have lessened, possibly relieving part of the downward pressure on the global economic outlook.

Moreover, the sustained steady growth of the Mainland economy amid proactive fiscal policies and the moderately accommodative monetary policies should bode well for the performance of merchandise exports in Asia including Hong Kong. Sustained international trade flows, coupled with improving inbound tourism, are also expected to benefit the city's exports of services.

She added that owing to the persisting uncertainties in the US' trade policies, as well as America's complicated monetary policy trajectory going forward, global financial conditions and investment sentiment may be affected.

For Hong Kong, the change in consumption patterns of residents and visitors would pose constraints on driving consumption in the domestic market, though a sustained increase in employment earnings and the Government's policies to promote mega events and tourism would help boost consumption sentiment.

The global economy maintained steady growth in the first quarter. With broadly sustained external demand, as well as some front-loading of shipments in anticipation of tariff hikes by the US in early April, Hong Kong's total exports of goods saw an accelerated growth, up 8.4% year-on-year in real terms.

Meanwhile, thanks to the increases in visitor arrivals, cross boundary traffic and cross-boundary financial and fund raising activities, total exports of services expanded visibly in the first quarter, by 6.6% year-on-year in real terms.

Locally, overall investment expenditure resumed moderate growth, rising by 2.8% year-on-year in real terms, underpinned by an increase in expenditure on acquisitions of machinery, equipment and intellectual property products, as well as a sharp rise in costs of ownership transfer due to a markedly higher number of property transactions. Yet, private consumption expenditure registered a small decline of 1.1%, reflecting the lingering impact of changes in residents' consumption patterns.

Separately, with the US' trade and monetary policies leading to increased uncertainty in the external environment, market sentiment became increasingly cautious as the end of March approached. The number of residential property transactions, in terms of the total number of sale and purchase agreements for residential property received by the Land Registry, dropped 19% compared to the previous quarter.

On the inflation outlook, Ms Lam said overall inflation should remain modest in the near term as pressures from domestic costs and external prices should stay broadly in check. The forecasts for the underlying and headline consumer price inflation rates for 2025 are maintained at 1.5% and 1.8% respectively.

Morgan Stanley raises GDP forecast of China

by www.thestandard.com.hk
May 16, 2025

Morgan Stanley has raised its economic growth forecast of China to 4.5 percent for 2025 and 4.2 percent for 2026, due to the de-escalation of Sino-US trade tensions.

However, it noted that China still faces the pressure of deflation, as structural challenges in housing and consumption continue to weigh on the economy.

The bank anticipates that Beijing will launch new fiscal stimulus ranging from 500 billion (HK$543.5 billion) to 1 trillion yuan to support the infrastructure development.

People's Bank of China would cut the interest rate by 15 to 20 basis points, while the required reserve ratio would be lowered by 0.5 percentage point within this year, it said.

In the first quarter of 2025, China's gross domestic product hit 5.4 percent.

Goldman Sachs also raised its economic growth forecast of China by 60 basis points to 4.6 percent for 2025, and that of 2026 increased by 30 basis points to 3.8 percent.

Helen Zhong

Fitch affirms HK's credit rating

by news.gov.hk
May 23, 2025

The Hong Kong Special Administrative Region Government today said that Fitch recognised Hong Kong's strong credit fundamentals, including large fiscal buffers, robust external finances and a low level of fiscal debt.

The statement was made in response to the Fitch report today on maintaining Hong Kong's AA- credit rating and stable outlook.

The Hong Kong SAR Government pointed out that the city's banking sector is resilient, with solid funding and liquidity.

Hong Kong's financial system remains robust, with a consistently healthy level of overall asset quality in the banking sector according to international standards. Bank deposits have continued to grow.

As of the end of March this year, the total amount of bank deposits in Hong Kong was near $18 trillion, marking an 11% year-on-year increase.

The capital markets in the city are active. For the stock market, the Hang Seng Index rose 18% last year and has increased by over 15% since the beginning of this year.

The total market capitalisation of Hong Kong stocks has exceeded $41 trillion. The average daily turnover in the first four months of 2025 surpassed $250 billion, representing a 144% increase compared to the same period last year.

The initial public offering (IPO) market is also thriving, with cumulative funds raised exceeding $60 billion. This week, Hong Kong Exchanges & Clearing welcomed the world's largest IPO activity so far this year.

The fiscal situation of the Hong Kong SAR Government has remained robust. In the 2025-26 Budget, reinforced fiscal consolidation was set out.

The Operating Account is expected to be largely balanced in this financial year and will return to surplus in the next financial year, ie 2026-27.

The Capital Account mainly involves capital works expenditure, which represents investments for the future, such as the development of the Northern Metropolis. Therefore, the Government will make flexible use of market resources, including increasing the scale of bond issuance, to fast-track the related projects.

Even if so, the level of deficit in the Capital Account will gradually decrease starting from the 2026-27 financial year.

Overall, after counting the proceeds from bond issuance, the Consolidated Accounts will return to surplus in the 2028-29 financial year.

The tariff war has increased global economic uncertainty and the world economy is facing broad challenges. However, international trade tensions have recently eased to a certain extent, and the Mainland's economy has continued to grow steadily, supported by more proactive fiscal policies and moderate expansionary monetary policies. These will benefit the trade performance in Hong Kong and the region.

Meanwhile, the Mainland's high-level two-way opening up, as well as its pursuit of green transition, innovation and technology, and digital economy, will continue to create business and investment opportunities for Hong Kong.

Leveraging its unique advantages of connecting with both the Mainland and the rest of the world under the “one country, two systems” arrangement, Hong Kong attracted more Mainland and international companies to establish international headquarters, research and development centres and regional offices in the city to expand their global business. In 2024, the number of companies in Hong Kong with parent companies located outside the city increased to nearly 10,000, reaching a new historical high.

As a “super connector” and “super value-adder”, Hong Kong will continue to actively link the Mainland with the world. While reinforcing connections with traditional markets, Hong Kong will also forge more economic and investment networks with new markets, particularly those in the Global South.

Furthermore, Hong Kong will deepen integration with the Guangdong-Hong Kong-Macao Greater Bay Area, enabling the city to open up new growth points and inject greater impetus into its economy.

Re-domiciliation applications open

by news.gov.hk
May 23, 2025

The Government announced that company re-domiciliation is open for application as the Companies (Amendment) (No. 2) Ordinance 2025 came into effect today.

A company incorporated outside Hong Kong may apply to the Companies Registry (CR) for re-domiciliation to the city.

The Government explained that the re-domiciliation mechanism reduces the need to go through complicated and costly judicial procedures, and enables a re-domiciled company to maintain its legal identity as a body corporate, thereby ensuring business continuity.

Meanwhile, an applicant for company re-domiciliation must fulfil requirements concerning company background, integrity, member and creditor protection, solvency and so on, it added.

In Hong Kong's new re-domiciliation regime, certain types of companies are eligible to apply. They include private companies limited by shares, public companies limited by shares, private unlimited companies with a share capital, and public unlimited companies with a share capital, or a type comparable to the four types of companies.

Under normal circumstances, the CR will complete the approval process within two weeks of the applicant submitting the required documents and information. A 120-day period will be allowed for the re-domiciled company to complete the deregistration procedures at its place of incorporation.

For regulatory purposes of the insurance and banking sectors, a non-Hong Kong-incorporated authorised insurer, or an authorised institution (AI), a holding company of an AI or an approved money broker should approach the Insurance Authority or the Monetary Authority for prior assessment before applying for re-domiciliation.

AXA among first to apply for HK company re-domiciliation regime

by www.thestandard.com.hk
May 23, 2025

The Hong Kong government has started accepting company re-domiciliation applications, with French insurance giant AXA's Hong Kong and Macau arm among the first batch of applicants.

The administration said that the Companies Registry will complete the vetting and approval process within two weeks from when the applicant has submitted all the required documents and information.

With new amendments effective today, companies incorporated outside Hong Kong may apply to the Companies Registry for relocation to Hong Kong. The mechanism will save complicated and costly judicial procedures and enable the changed company to retain its corporate identity in law and continue its business.

Due to regulatory considerations for the insurance and banking sectors, non-Hong Kong incorporated authorized insurers, or known as AIs, holding companies of AIs or approved money brokers are required to contact the Independent Insurance Authority or the Hong Kong Monetary Authority for pre-assessment before applying for change of domicile at the Companies Registry.

AXA Hong Kong and Macau announced on Friday its plan to re-domicile AXA China Region Insurance Company (Bermuda) Limited from Bermuda to Hong Kong under the new company re-domiciliation regime.

Secretary for Financial Services and the Treasury Christopher Hui Ching-yu said global political and economic tensions and the sticky uncertainties of international market regulations make Hong Kong more advantageous since it has a good tradition of the rule of law and a sound financial system. These advantages can help corporates to re-domicile to Hong Kong mitigate external challenges, said Hui.

STAFF REPORTER

S&P, Moody's affirm HK's credit rating

by news.gov.hk
May 27, 2025

The Hong Kong Special Administrative Region Government today said that both S&P and Moody's gave positive evaluations of Hong Kong's credit profile, including substantial fiscal buffers and foreign exchange reserves, a strong external balance sheet, and high per-capita income levels.

The statement was made in response to the S&P and Moody's reports today on maintaining Hong Kong's AA+ and Aa3 credit rating respectively.

S&P also affirmed Hong Kong's stable outlook, while Moody's upgraded the outlook from negative to stable.

The Hong Kong SAR Government pointed out that the recent affirmations of Hong Kong's credit ratings by Fitch, S&P and Moody's, all with stable outlooks, demonstrate the city's resilience in maintaining stability amid increasing global economic and financial uncertainties.

Recent data has further underscored the robustness of Hong Kong's financial system. Bank deposits have continued to grow, capital markets remain active, and the initial public offering (IPO) market is thriving.

For example, IPO fundraising in Hong Kong has exceeded $76 billion so far this year, more than seven times the amount raised during the same period last year, and nearly 90% of the total raised in all of last year.

The Hong Kong SAR Government noted that both S&P and Moody's have highlighted its substantial fiscal reserves. It has implemented a series of measures to maintain a robust fiscal situation despite pressures on public finances following the pandemic.

Furthermore, the 2025-26 Budget outlined a reinforced fiscal consolidation programme, focusing primarily on expenditure control, supplemented by revenue generation, to gradually restore balance to government accounts.

The Operating Account is expected to be largely balanced in this financial year, and will return to a surplus in the next financial year of 2026-27.

The Capital Account primarily involves capital works expenditure, which represents investments for the future, such as the Northern Metropolis development. Therefore, the Hong Kong SAR Government will make flexible use of market resources, such as public-private partnerships and increasing the scale of bond issuances, to fast-track the related projects.

Even if so, the level of deficit in the Capital Account will gradually decrease starting from the 2026-27 financial year.

Overall, after counting the proceeds from bond issuances, the Consolidated Accounts will return to a surplus in the 2028-29 financial year. Over the next five years, fiscal reserves are projected to remain at a level well above $500 billion.

Hong Kong's economy saw robust growth in the first quarter of this year. While the tariff war continues to affect the global economy, the recent easing in international trade tensions has slightly alleviated external unfavourable factors and uncertainties.

Meanwhile, the Mainland continues to advance high-level opening up, with steady economic growth supported by ample policy room and tools to address and resolve various risks and challenges.

With breakthroughs and expedited developments in technology innovation, green transformation and the digital economy, the Mainland offers the greatest backing for Hong Kong's economic development.

Looking ahead, the Hong Kong SAR Government is confident in addressing external challenges while seizing new opportunities in this evolving landscape.

It remains committed to leveraging Hong Kong's institutional advantages under the "one country, two systems" framework, reinforcing and enhancing its status as an international financial, shipping and trade centre.

At the same time, it will make great strides to promote Hong Kong's development as an international innovation and technology centre. These factors will drive high-quality, sustainable economic and social development.

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