China services activity hits 15-month high

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Thursday, Aug 03, 2022

China's services activity grew at the fastest rate in 15 months in July as easing Covid curbs boosted consumer confidence, but foreign demand fell and companies cut staff for the seventh month in a row, a private-sector survey showed yesterday.

The Caixin services purchasing managers' index rose to 55.5 in July, the fastest growth since April 2021, rising further from the robust reading of 54.5 in June.

The 50-point mark separates growth from contraction.

The reading contrasted somewhat with China's official services PMI on Sunday which showed growth moderated, but both gauges still pointed to solid expansion in the hard-hit sector while the country's manufacturers struggled.

"Markets are convinced that easing lockdowns mean the worst is over, but July data show that firms are still largely refusing to invest, borrow and especially now, hire," said Leland Miller, chief executive at data firm China Beige Book.

Mainland leads as IPOs elsewhere flicker out

by www.thestandard.com.hk
Monday, Aug 08, 2022

From London to Hong Kong, large initial share sales have all but dried up across the world's major financial centers this year. But the market in China is bustling with activity.

Initial public offerings in mainland exchanges have climbed to US$57.8 billion (HK$450.84 billion) so far this year , the largest ever for such a period, data shows. There have been five IPOs of above US$1 billion, and one more is on the way. That's versus just one such sale each in New York and Hong Kong, and none in London.

China's IPO market has defied headwinds such as rising rates and fears of a US recession, which have brought major equity fund-raising elsewhere to a virtual standstill. Offerings in the Asian economy - whose monetary policy is diverging from the US Federal Reserve - are largely geared toward local investors.

The surge in listings, according to some watchers, is also driven by concern that economic conditions could worsen later in the year as flareups in virus cases cause Beijing to stick to its strict zero-Covid strategy. Top leaders have signaled a softening on this year's official growth target of around 5.5 percent, denting optimism about a rebound.

"Companies have shown a stronger willingness for IPOs as they see the first half as a better window to get listed than the time ahead," said investment bank Chanson & Co director Shen Meng. "They have a weaker outlook for the market and worry that factors, including earnings uncertainty, could make listing in the future harder than now."

With companies rushing to list, China's share in global IPO proceeds has more than tripled to 44 percent this year from 13 percent at the end of last year, according to data.

The better performance of newly traded stocks has also been a draw for listing hopefuls
.
Shares of mainland IPOs are up by an average 43 percent this year over their listing price, versus the 13 percent drop seen in Hong Kong.

Business groups welcome quarantine cut for arrivals

by news.rthk.hk
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The Hong Kong General Chamber of Commerce and the Chinese Manufacturers' Association on Monday welcomed the government's move to cut the quarantine period for incoming travellers, but called for a further easing of quarantine rules for businesses to reconnect with the world.

From Friday, people flying into Hong Kong will have to stay at a designated quarantine hotel for three days, rather than seven at present.

After three nights in a hotel, arrivals will be allowed to go home and travel around the city, but will be banned from places where the vaccine pass is required.

"Allowing limited movement to places where vaccine pass checks are not mandatory after three days hotel quarantine is a positive step in the right direction," said the General Chamber of Commerce in a statement.

"The chamber appreciates the proactive measures that the government is phasing in and hopes that quarantine-free travel can be implemented as soon as practicable," it added.

The Chinese Manufacturers' Association, meanwhile, proposed allowing new arrivals to go into more venues that don't hold mask-less activities.

"Currently places such as exhibition venues are required to check visitors' vaccine pass, but in fact, many exhibitions and conventions don't need people to take off their face masks and the risk of transmission is not high," the association said.

It added that it hopes the government will later allow travellers to quarantine at home rather than in hotels.

But the vice-chairman of the International Chamber of Commerce, George Cautherley, said he doesn't think the shorter quarantine period will be of much help to overseas business people.

"It's okay for Hong Kong-based people, and I guess you can be a little bit excited for them," he told RTHK.

"But it is absolutely no help to foreign business people who are coming from abroad to Hong Kong, the average business visit is probably only three to four days," he continued.

He said for companies to be willing to send their overseas staff to Hong Kong again, there has to be no quarantine and more flights.

Call goes out for help with digital HKD

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InvestHK and the Hong Kong Monetary Authority have invited banks along with financial technology and other tech companies to help in the development of a central bank digital currency ecosystem.

A CBDC feature will be added to the Global Fast Track, which is a one-stop program with a business matching portal to pitch competition and mentoring sessions to connect fintech companies with various Asian companies and investors.

A joint statement yesterday said banks, fintech and other tech firms should suggest solutions in eight focus areas, including retail CBDC adoption, wholesale adoption, programmable money, privacy and cybersecurity.

Shortlisted applicants will compete for three awards, though all qualified candidates could have opportunities to work with the HKMA on research projects and pilot programs to foster the growth of the CBDC ecosystem.

Digital currency exploration has been high on the agendas of central banks around the world and has gained reasonable traction in recent years, said Nelson Chow Man-ching, the HKMA's chief fintech officer.

Chow also noted that the monetary authority is committed to preparing for the development of wholesale and retail CBDC in Hong Kong as part of its Fintech 2025 strategy.

Application for the CBDC track is open from now until mid-September.

This announcement came as Hong Kong's aggregate balance was set to shrink to about HK$124.7 billion today after the HKMA bought HK$1.49 billion more of the SAR currency in yet another defensive move yesterday.

In other news, the one-month Hong Kong interbank offered rate, a benchmark used for pricing home mortgages, rose for the sixth consecutive day to 1.56691 percent yesterday.

Hopes for Hong Kong economy crumble under weight of Covid curbs

by www.thestandard.com.hk
Friday, Aug 12, 2022

Hong Kong's economy will struggle to expand at all this year, the latest Bloomberg survey of economists shows, as the city grapples with Covid restrictions, a trade slump and other global headwinds.

The government is set to cut its forecast for gross domestic product growth for the year when it reports final GDP figures for the April-to-June period on Friday. That would be the second downgrade this year, after officials cut their forecast in May to a range of 1-2 percent growth.

Economists have grown more pessimistic about Hong Kong's prospects for the year after recent data showed the economy contracted for a second consecutive quarter. They now predict GDP will stagnate this year, down from earlier estimates of 1 percent, according to the latest Bloomberg quarterly survey.

The median estimates for third- and fourth-quarter growth were also trimmed to 1.8 percent and 2.9 percent, respectively, from 2.3 percent and 4.1 percent.

Along with Covid curbs that have strained businesses and consumer activity, the city is contending with challenges from rising interest rates and weakening global trade. The US Federal Reserve has sharply raised interest rates several times this year to combat inflation -- moves that Hong Kong has been forced to follow to maintain the local dollar's peg to the US dollar.

In addition, Covid outbreaks and restrictions in mainland China have hurt Hong Kong's trade. After posting double-digit growth every month last year, Hong Kong's exports contracted in May and June as demand in China slumped.

Financial Secretary Paul Chan recently said such problems would push the city to "inevitably revise down" its full-year growth forecast this month.

The restrictions also contributed to a record brain drain, with the city's population falling 1.6 percent to around 7.29 million in the year ended June 30, government data released on Thursday showed.

Hong Kong did get some good news this week when Chief Executive John Lee said the city would reduce the amount of time arrivals must spend in hotel quarantine. But the existence of any isolation period at all -- it's now three days in a hotel instead of seven, with a monitoring period afterward -- still places Hong Kong in stark contrast with other places that have moved on.

"Don't expect this reduction in quarantine to change the world, because it's not going to change the world," said Alicia Garcia Herrero, chief economist for Asia Pacific at Natixis SA. "It's just clear that the economy is doing really poorly and that mobility is a problem, especially cross-border mobility, which is much more important for Hong Kong."

Some economists suspect Hong Kong's economy could even contract in 2022, which would mark the third time in four years. Fitch Ratings Ltd. this week revised its annual growth forecast for Hong Kong to a 0.5 percent contraction, down from a previous forecast of 1 percent.

Although economic activity has marginally improved recently with some easing in Covid restrictions, the "recovery remains hampered by enduring social controls, which we view as unlikely to be rescinded fully until similar policies are relaxed in the mainland," Fitch said.

China will step up policy support for economy, premier tells state media

by www.thestandard.com.hk
Tuesday, Aug 16, 2022

China will step up macro-economic policy support for the economy, state media quoted Premier Li Keqiang as saying on Tuesday, after data showed growth unexpectedly slowed last month.

China's economy continued to recover in July, but there were "small fluctuations", Li said during a video meeting with senior officials from six major provinces - Guangdong, Jiangsu, Zhejiang, Shandong, Henan and Sichuan.

"A sense of urgency must be strengthened to consolidate the foundation for economic recovery," Li was quoted as saying.

China's central bank cut key lending rates in a surprise move on Monday to revive demand, as data showed the economy slowing in July, with factory and retail activity squeezed by Beijing's zero-COVID policy and a property crisis.

Authorities will thoroughly implement a package of policy measures unveiled in May, and will increase the intensity of macro-economic policies to keep economic activity within an reasonable range, Li was quoted as saying.

The government will take more steps to boost consumption and expand effective investment, Li added.

We'll keep the economy going while battling Covid: CE

by news.rthk.hk
Wednesday, Aug 17, 2022

Chief Executive John Lee said on Wednesday that the government will ensure that it “keeps the economy going” as it continues to rein in the Covid outbreak.

Giving a speech at the Hong Kong Summit, he said he understands the importance of keeping Hong Kong connected to the world and ensuring the city’s competitiveness, while safeguarding public health and people’s livelihood.

Lee also told the business sector that he’s aware of their wish to resume normal travel with the mainland.

“I hear you clearly. But I must stress that connecting with the world and connecting with the mainland are in no way contradictory to each other,” he said.

“On the latter, we have been maintaining good liaison with the mainland counterparts. We support and respect the mainland’s anti-epidemic strategy and maintain cooperation in joint prevention and control.

“My preliminary goal is to reduce the degree of inconvenience to travellers without bringing about additional risks to the mainland’s epidemic situation."

Meanwhile, Lee’s deputy, Chief Secretary Eric Chan, said the government will further relax Covid travel restrictions if conditions allow, adding that talks on resuming quarantine-free travel with the mainland are ongoing.

"We've been discussing actively with mainland authorities on how to resume the quarantine-free travel between Hong Kong and the mainland. We will make announcements at suitable occasions," Chan told reporters after attending an “antechamber meeting” with legislators.

Several lawmakers, including the DAB's Ben Chan, said some Hong Kong students have been unable to travel to the mainland to study because of the quarantine requirements there.

"They received their offer in mainland universities. However, they cannot reserve the quarantine hotel [on] the mainland," Chan said, noting that the government is following up on his party’s suggestion of letting those bound for the mainland isolate in the SAR first before crossing the border.

The Federation of Trade Unions also said it’s reached out to central and local authorities to reflect the students' needs.

China, U.S. sign deal on audit dispute in a step to avert delistings

by www.thestandard.com.hk
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The U.S. audit regulator said on Friday it has signed an agreement with Chinese regulators, taking a first step toward inspecting and investigating registered accounting firms in China and Hong Kong.

The Public Company Accounting Oversight Board (PCAOB) said it was the most detailed and prescriptive agreement the regulator has ever reached with China.

U.S. regulators have for long been demanding access to audit papers of Chinese companies listed in the United States, but Beijing has been reluctant to let overseas regulators inspect accounting firms, citing security concerns.

The decision marks a major thaw in U.S.-China business relations and will be a huge relief for hundreds of Chinese companies and investors who have invested billions of dollars in the firms that have a chance to retain access to the world's deepest capital markets.

By Friday, 163 companies, including Alibaba Group, JD.Com Inc, and NIO INC had been identified by the U.S. regulator as facing trading prohibition risks for not complying with audit requirements.

In a statement, the PCAOB said the agreement would allow it "sole discretion to select the firms, audit engagements and potential violations it inspects and investigates – without consultation with, nor input from, Chinese authorities."

The U.S. regulator added its inspectors would be able to "view complete audit work papers with all information included and for the PCAOB to retain information as needed."

"The PCAOB has direct access to interview and take testimony from all personnel associated with the audits the PCAOB inspects or investigates," it said.

China's Securities Regulatory Commission said the agreement was an important step towards addressing the auditing issue.

It added keeping Chinese companies listed in the United States benefited investors, companies and both countries.

The signing of the protocol between China and the U.S. signals that both sides have "made a crucial step to solve the audit regulatory issue of U.S. listed Chinese companies through enhanced cooperation", according to the CSRC statement.

"It is in line with the hope and expectation of the markets … if cooperation afterwards satisfies each side's regulatory needs, there is hope that the audit issue will be resolved, and passive delisting will be avoided."

Current U.S. rules stipulate that Chinese companies that are not in compliance with audit working papers requests will be suspended from U.S. trading in early 2024, but that deadline could get brought forward.

Securities and Exchange Commission (SEC) chairman Gary Gensler said Chinese companies still faced delisting if their accounts could not be accessed by U.S. authorities.

"Make no mistake, though: The proof will be in the pudding," he said.

"This agreement will be meaningful only if the PCAOB actually can inspect and investigate completely audit firms in China."

Major Chinese companies listed in the United States rose in premarket trading, with Alibaba Group Holdings up 2.6 percent, Pinduoduo gaining nearly 6 percent and Baidu Inc up 3.3 percent.

"This is seen as a positive first step. However, things are not fully cast in stone yet, as seen from the various sudden reversals in the past," said Samuel Siew, market specialist at CGS-CIMB.