China could take further measures to rein in yuan, says former regulator

by www.thestandard.com.hk
Monday, Feb 07, 2022

The Chinese government could take further measures if needed to keep the yuan stable, potentially putting downward pressure on the currency, a former foreign exchange regulator said.

Policymakers could increase yuan's flexibility, expand capital outflows, or control capital inflows to rein in the yuan, which could deviate from economic fundamentals in the short term, wrote Guan Tao, global chief economist at BOC International and a former official at the State Administration of Foreign Exchange (SAFE).

The yuan also faces downward pressure from several market factors, including further strengthening of the dollar index, the shrinking spread between U.S. and Chinese yields, and the narrowing difference in the growth between the two economies, Guan wrote in an article published in the Shanghai Securities News on Monday.

Guan, who previously headed SAFE's balance of payments department, said that the yuan is already losing some momentum, citing shrinking trading volumes in the interbank forex market.

China's yuan hit a near four-year-high against the dollar on Jan. 26 and an index tracking yuan's value against a basket of currencies (.CFSCNYI) is flirting with the highest level since late 2015.

China has already taken some measures, including directing financial institutions to hold more foreign exchange in reserve, to slow down yuan's rapid appreciation.

HKMA rules out matching US rate hikes

by www.thestandard.com.hk
Tuesday, Feb 08, 2022

Hong Kong may not keep pace with forthcoming US interest rate hikes as the city has sufficient liquidity, Hong Kong Monetary Authority chief executive Eddie Yue Wai-man said yesterday.

US inflation and the pace at which the US Federal Reserve will hike the interest rates are two major factors that will affect the global markets this year, but Hong Kong will remain resilient, Yue told the LegCo yesterday.

Meanwhile, inflation is expected to remain manageable although the city's unemployment rate may rise this quarter due to the latest wave of the pandemic, Yue said.

The impact of the Omicron variant on the economy is likely to emerge in the first half of this year while the business environment is still quite weak and is expected to be under pressure in the first quarter of this year, Yue added.

Yue stated he fully understands the difficult situation of small and mid-size enterprises, stressing that the HKMA will try to support and provide assistance while banks can provide greater flexibility to handle business arrangements in an inclusive manner.

This came as about 87 percent of SMEs said it is easier to obtain a loan in the fourth quarter last year in a survey conducted by HKMA.

On the impact of Covid policies on talent, Yue said the talent shortage is not just Hong Kong but a global issue, and it is difficult to balance public health policy and maintain the city's status as an international financial center, Yue said.

Separately, Faster Payment System accounts reached 9.81 million in January and is expected to exceed 10 million in the first quarter, according to Hong Kong Interbank Clearing.

Business fund to be enhanced

by news.gov.hk
Friday, Feb 11, 2022

The Trade & Industry Department will roll out an enhancement to the Dedicated Fund on Branding, Upgrading & Domestic Sales (BUD Fund) on February 14 to further support enterprises in developing more diversified markets.

The geographical scope of the BUD Fund will be extended from 22 economies to 35.

The additional 13 economies include Austria, Belgo-Luxembourg Economic Union, Canada, Denmark, Finland, France, Germany, Italy, Mexico, the Netherlands, Sweden and the UK.

They have signed Investment Promotion & Protection Agreements (IPPAs) with Hong Kong.

The fund's geographical scope has been extended in phases since July 2021 to cover all economies with which Hong Kong has signed Free Trade Agreements or IPPAs.

The final phase, with the geographical scope to be further extended to Kuwait and the United Arab Emirates, will be implemented in the next quarter.

Call the fund's secretariat at 2788 6088 for enquiries.

January bank lending triples in China

by www.thestandard.com.hk
Friday, Feb 11, 2022

New bank lending in China more than tripled in January from the previous month, beating forecasts and hitting a record high, as the central bank seeks to shore up slowing growth in the world's second-largest economy.

Chinese banks extended 3.98 trillion yuan (HK$4.88 trillion) in new yuan loans in January, up from 1.13 trillion yuan in December, according to data released by the People's Bank of China yesterday.

Chinese lenders tend to front-load loans at the beginning of the year to get higher-quality customers and win market share.

Analysts polled by Reuters had predicted new yuan loans would soar to 3.69 trillion yuan in January. The new loans were higher than 3.58 trillion yuan a year earlier.

"The market worries that policy stimulus this round may not be as strong and effective as in the past few rounds. I think this set of data helps to address part of the concern but not the full problem," said Zhiwei Zhang, chief economist at Pinpoint Asset Management.

"I expect further policy easing measures in coming months. There may be more RRR (reserve requirement ratio) and rate cuts, and financing for property developers is also critical to watch."

Retail sales will rise 7pc, forecasts PwC

by www.thestandard.com.hk
Wednesday, Feb 16, 2022

PwC expects Hong Kong's retail sales to increase by 7 percent this year to HK$378 billion, based on the assumption that the border with the mainland will reopen for three to four months between the third and fourth quarter.

Though the city is still struggling to contain the worsening Covid outbreak and the timeline for the complete reopening of borders is still very much uncertain, the accounting firm believed the border will reopen once the fifth wave is under control and the vaccination rate of Hong Kong citizens increases.

And by then, the retail sector in the city will recover, more than mitigating the impact caused by the restrictions in the first two months of this year, PwC said.

Retail sales might just grow by less than 5 percent if the border remains closed this year, it said, adding that it will adjust its forecast accordingly if the government restrictions last until the middle of the year.

This came as the Hong Kong Monetary Authority said total card receivables increased by 8.2 percent in the fourth quarter to HK$134.6 billion at the end-December 2021, mainly driven by festive spending and salaries tax payment.

Meanwhile, Deloitte expects the Hong Kong government to record a fiscal surplus of HK$58.8 billion for the current financial year ending next month, compared to a deficit of HK$101.6 billion forecasted by the authority a year ago.

HSBC profit doubles, plans for more share buyback

by news.rthk.hk
Tuesday, Feb 22, 2022

HSBC on Tuesday announced bumper 2021 profits and plans to repurchase shares worth up to US$1 billion as the Asia-focused bank continues its recovery from the coronavirus pandemic and major restructuring.

The lender endured a tumultuous 2020 like the rest of the banking sector as the virus outbreak rocked the economy just as it embarked on a restructuring programme to slash 35,000 jobs to refocus on its most profitable areas in Asia and the Middle East.

The London-headquartered bank on Tuesday reported pre-tax profit of US$18.9 billion in 2021, up US$10.1 billion on the year before, helped by lower bad loans and operating expenses.

Profit after tax was up US$8.6 billion to US$14.7 billion. Fourth quarter profit before tax rose US$1.3 billion to US$2.7 billion.

In a boon for investors, the bank also announced plans for a US$1 billion share buyback, adding to a US$2 billion buyback announced late last year.

"We have good momentum coming into 2022 and are confident that we can continue to execute against our strategy," Chief Executive Officer Noel Quinn said in the statement.

"We also remain cognisant of the potential impact that further Covid-19-related uncertainty and continued inflation might have on us and our clients."

HSBC makes 90 percent of its profit in Asia, with China and Hong Kong the major drivers of growth.

Early last year it published a new strategy laying out plans to redouble its attempt to seize more of the region's market.

HSBC wants to seek out more fee-based income, especially via wealth management for Asia's increasingly affluent.

It is also hopeful of a significant boost to income thanks to the prospect of higher interest rates to fight surging global inflation.

HK economy will bounce back

by news.gov.hk
Wednesday, Feb 23, 2022

Hong Kong's economy is expected to perform better in the second half of this year and achieve growth of 2% to 3.5% in real terms for the year as a whole, though the city's economic outlook in the first quarter is not expected to be strong.

Unveiling his 2022-23 Budget today, Financial Secretary Paul Chan told lawmakers that the city's economy and people's livelihoods have been under immense pressure in recent months as the rapid worsening of the fifth wave of the epidemic, coupled with a further tightening of various restrictive measures, led to a drastic fall in people flow and seriously dampened consumer and economic sentiments.

"Inevitably, economic activities, particularly the consumption-related sectors, will continue to be under intense pressure in the short term. Unemployment and underemployment situation will also deteriorate," Mr Chan said.

As long as the recent wave of the epidemic can be gradually put under control, and the status of "dynamic zero infection" can be maintained down the road, consumption and investment demand will likely gather steam again.

A stabilised epidemic situation will also create favourable conditions for the gradual and orderly resumption of quarantine free travel between the Mainland and Hong Kong, thereby injecting greater impetus into the economy.

On inflation, he expected external price pressures will remain high and persist for some time, while domestic cost pressures will also increase gradually alongside the economic recovery. He forecasted that the headline inflation rate and the underlying inflation rate will be 2.1% and 2% respectively this year.

The finance chief said in the medium term, the economic outlook for Hong Kong is positive. The sustained high-quality development of our country's economy will serve as the key driver of global economic growth, and provide the most solid foundation for Hong Kong to prosper and develop.

He predicted Hong Kong's economy will grow by an average of 3% per annum in real terms from 2023 to 2026, slightly higher than the trend growth of 2.8% during the decade before the pandemic. The underlying inflation rate will average 2.5%.

HK strengthens financial centre role

by news.gov.hk
Wednesday, Feb 23, 2022

In his Budget speech today, Financial Secretary Paul Chan emphasised Hong Kong's status as an international financial centre that dovetailed perfectly with the needs of the nation and was attuned to the pulse of the global capital markets over the past few decades.

Mr Chan said following the continuous expansion and implementation of various policies to promote the transformation of the market structure in recent years, Hong Kong's role and function as the international financial centre of the nation have been further enhanced.

He noted that the 14th Five-Year Plan expressly supports Hong Kong in enhancing the city's status as an international financial centre, strengthening its functions as a global offshore renminbi (RMB) business hub, an international asset management centre and a risk management centre, as well as deepening and widening mutual access between the financial markets of Hong Kong and the Mainland.

Securities, bond markets
The Financial Secretary stressed that developing the bond market in Hong Kong has been one of the Government's key objectives in recent years. Apart from promoting the diversification of bond products, the city strives to move towards the development direction of financial inclusion, enabling the public to participate and benefit from such inclusion.

The Steering Committee on Bond Market Development in Hong Kong, which was set up last year, has reviewed the current situation of the bond market in Hong Kong and put forward recommendations along three directions: enhancing market landscape, market infrastructure and market promotion to further promote the development of the Hong Kong bond market. The Government will progressively implement these recommendations.

Mr Chan pointed out that the Government has been committed to promoting the development of retail bonds so as to benefit the public. It plans to issue no less than $15 billion of inflation linked retail bonds and no less than $35 billion of Silver Bond in the next financial year, with a view to offering members of the public, particularly the elderly, investment options with steady returns. It also plans to continue to issue no less than $10 billion of retail green bonds in the next financial year.

Offshore RMB hub
A working group has been formed and it has completed the feasibility study on allowing stocks traded via the Southbound Trading of Stock Connect to be denominated in RMB, and put forward recommendations on detailed implementation. The working group will start making preparations in this regard, and will discuss with the regulatory authorities and relevant organisations in the Mainland. The Government will roll out supporting measures such as waiving the stamp duty on stock transfers paid by market makers in their transactions, so as to increase the liquidity of RMB denominated stocks.

Family offices
Mr Chan said after discussing and examining the relevant arrangements with the asset management sector, the Government is proposing to provide tax concessions for the eligible family investment management entities managed by single-family offices.

The Government will consult the sector on the detailed proposal as soon as possible and aim to submit legislative amendments to the Legislative Council (LegCo) within the current legislative session. It is expected that the relevant tax concessions will come into effect in the year of assessment 2022/23.

Green, sustainable finance
The Financial Secretary said the Green & Sustainable Finance Grant Scheme launched last year has been well received by the industry and over 50 applications have been approved so far.

“To support enterprises in obtaining green financing, we will lower the minimum loan size from $200 million to $100 million in respect of applications for subsidies for covering external review costs under the scheme,” Mr Chan added.

Financial technology
The Government will allocate funding of $10 million for launching a new round of the Fintech Proof of Concept Subsidy Scheme this year. The aim is to promote continuous innovation by encouraging the financial industry to conduct Proof of Concept projects on more financial services and products. The Government also proposes to provide subsidies to research institutions under the new round of the scheme, so that they can put forward solutions on how to remove development bottlenecks faced by the Fintech industry in Hong Kong.

GBA investment
Finally, Mr Chan pledged to increase the funding allocated to the Hong Kong Growth Portfolio under the Future Fund by $10 billion, of which $5 billion will be used to set up the Strategic Tech Fund. As for the remaining $5 billion, it will be used to set up a GBA Investment Fund, which will focus on investment opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA).

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