Hong Kong & Mainland China News – January-2020

China cuts banks' reserve ratio to boost growth

by news.rthk.hk

Wednesday, January 1, 2020

China's central bank said on Wednesday it was cutting the amount of cash that all banks must hold as reserves, releasing around 800 billion yuan in liquidity to shore up the slowing economy.

The People's Bank of China said on its website it will cut banks' reserve requirement ratio (RRR) by 50 basis points, effective January 6. Many analysts had expected such a move was imminent.

The PBOC has now cut the RRR eight times since early 2018 to spur more bank lending as economic growth slows to the weakest pace in nearly 30 years. (Refinitiv)

Six virtual banks join bankers' group

by www.thestanadard.com.hk

Friday, January 3, 2020

The Hong Kong Institute of Bankers announced that six virtual banks in Hong Kong - Airstar Bank, Fusion Bank, Livi VB, Ping An OneConnect Bank (Hong Kong), SC Digital Solutions as well as WeLab Bank have become corporate members.

"The HKIB is thrilled to welcome six of the city's virtual banks as corporate members," said Carrie Leung, chief executive of the group.

The HKIB now has 103 corporate members and corporate affiliates and over 6,000 individual members, according to Leung.

She believes that more virtual banks and fintech companies will see the importance of joining the community in the years ahead.

China maintains 'around 3pc' inflation target

by www.thestanadard.com.hk
Friday, January 3, 2020

China has decided to keep its inflation target unchanged this year at around 3 percent, sources say, suggesting policymakers will continue to roll out economic stimulus gradually and avoid more aggressive measures, Reuters reports in an exclusive.

Some analysts have speculated that Beijing will raise the inflation target to 3.5 percent, which would give authorities more room to support the world's second-largest economy as growth tails off to the slowest in nearly 30 years.

But policy sources told Reuters the government expects surging food prices to start easing in the second half of the year, as the government takes steps to address pork shortages.

The 2020 inflation target, to be unveiled at the annual parliamentary session in early March, was endorsed by top leaders at the annual closed-door Central Economic Work Conference last month, according to three sources with knowledge of the meeting's outcome.

“The target will still be around 3 percent,” one of the policy sources said. “We cannot rule out the possibility that inflation may break 5 percent in the coming months but that could be short-lived.”

The State Council Information Office and the National Development and Reform Commission - the state planner, did not immediately respond to Reuters' requests for comment.

China's consumer price inflation (CPI) accelerated to a near eight-year high of 4.5 percent in November, as pork prices doubled due to a massive outbreak of African swine fever, but producer prices have remained in deflation for five straight months.

The diverging price trends have complicated policymakers' efforts to revive activity without risking overstimulating the economy.

While Beijing has rolled out a series of support measures in the last two years, mainly in the form of higher infrastructure spending and tax cuts, leaders have pledged they will not embark on massive stimulus like that during the 2008-09 global crisis, which created a mountain of debt that is still weighing on the economy.

China has kept its inflation target at around 3 percent since 2015

PBOC vows to support small businesses

by www.thestanadard.com.hk
Monday, January 6, 2020

China's central bank pledged more financial support for small and micro businesses while saying it plans to stick to a prudent monetary policy stance this year.

The People's Bank of China will improve the incentive mechanism for lending to such companies, it said in a statement following a two-day work conference in Beijing yesterday. Authorities will make it easier for them to gain access to financing through targeted reserve cuts, re-lending and re-discounting, among other policy tools, it said.

The central bank also said it would continue efforts to defuse major risks with a focus on building a long-term regulatory mechanism for internet finance and real estate financing.

The State Administration of Foreign Exchange, China's forex regulator, said separately that it would diversify policy tools to counter the impact from external shocks on the country's trade and investment, international balance of payment and cross-border capital flows.

China's banking and insurance regulator on Friday said it will implement a series of measures to shore up the nation's troubled smaller banks and insurers while continuing a clampdown on shadow financing and property speculation.

The China Banking and Insurance Regulatory Commission said it will introduce measures to eliminate bad loans and promote mergers, capital injections and the restructuring of high risk institutions. Other steps include setting up a resolution fund and bridge banks while introducing new investors and allowing market-oriented exits.

US Treasury: China no longer a currency manipulator

by news.rthk.hk
Tuesday, January 14, 2020

The United States on Monday removed the currency manipulator label it imposed on China last summer, in a sign of easing tensions between the two economic powers after nearly two years of conflict.

Just two days before US President Donald Trump is set to sign a "phase one" trade agreement with China, the US Treasury said in its semi-annual report to Congress that the yuan has strengthened and Beijing is no longer considered a currency manipulator.

Although Treasury refrained from slapping the label on China in its report last May, Trump in August angrily accused Beijing of weakening its currency "to steal our business and factories," restating a long-standing grievance.

Chinese authorities in August allowed the yuan to fall below 7 to the dollar, sending shudders through stock markets at the time and stoking Trump's ire.

"Over the summer, China took concrete steps to devalue its currency," the renminbi (RMB), and those moves "left the RMB at its weakest level against the dollar in over 11 years," Treasury said.

However, more recently it strengthened to 6.93 to the dollar. Treasury said the new trade pact addresses currency issues.

"In this agreement, China has made enforceable commitments to refrain from competitive devaluation and not target its exchange rate for competitive purposes," Treasury Secretary Steven Mnuchin said in a statement.

However that commitment is identical to the one Beijing has long made as part of the Group of 20 major global economies.

Mainland media give cautious welcome to trade deal

by news.rthk.hk
Thursday, January 16, 2020

Chinese state media on Thursday hailed a phase one trade deal between Beijing and Washington as a "hard-fought agreement", but warned of uncertainties that could jeopardise future relations.

After nearly two years of conflict, the world's top two economic powers signed the long-awaited trade truce on Wednesday at the White House.

The agreement includes pledges from China to beef up purchases of American agricultural goods and other exports for two years, and provides some protection for US technology.

Nationalistic tabloid Global Times described the deal as "a hard-fought agreement [which] should be cherished by both sides".

The China Daily said that "with the signing of the deal, it is now to be hoped that the detente leads to lasting peace".

Communist Party mouthpiece The People's Daily called it "a new starting point" for US-China relations, while state broadcaster CCTV said the deal was "in the common interest" of both the US and China.

"China-US economic and trade frictions have achieved a phased 'ceasefire' and have taken a practical step towards the ultimate resolution of the problem," CCTV said in a commentary.

But state media also warned the nation should brace for future clashes with the US.

"The elation was quickly tempered by suspicions that it would not take much to banjax the deal", wrote the China Daily in an editorial.

It added that there was a "sobering realisation" that if the deal collapsed it would damage the next phase of the agreement and bring tensions to a head again.

The People's Daily described it as "a stormy process in which China and the US know each other's determination, strength and energy".

The Global Times questioned the resilience of the deal, asking: "Can a preliminary trade agreement, reached during a period when China-US strategic relations are clearly declining, really work?"

"Will it be replaced by new conflicts or further progress as negotiations continue?"

It warned: "Huge uncertainty remains".

Record number of firms invest in HK

by www.news.gov.hk
Tuesday, January 21, 2020

Invest Hong Kong assisted 487 overseas and Mainland companies to set up or expand in Hong Kong last year, up 11.7% year-on-year, setting a new record.

The number of fintech companies and startups saw the strongest growth.

The total number of jobs thereby created rose 14.1% to 6,009 over the previous year.

More than 27% of the assisted companies indicated that Hong Kong's status as an international hub played an important role in the sustained economic development of Mainland China.

They added that setting up businesses in Hong Kong would enable them to fully capitalise on the opportunities brought about by the Guangdong-Hong Kong-Macao Greater Bay Area development and the Belt & Road Initiative.

HK, Mexico sign investment pact

by www.news.gov.hk
Friday, January 24, 2020

Secretary for Commerce & Economic Development Edward Yau has signed an investment promotion agreement to enhance investor confidence, expand investment flows and further strengthen Hong Kong-Mexico economic and trade ties.

Mr Yau signed the Investment Promotion & Protection Agreement (IPPA) with Undersecretary of Foreign Trade at Mexico's Ministry of Economy Luz María de la Mora Sánchez on the margins of the World Economic Forum (WEF) Annual Meeting in Davos.

Under the agreement, the two governments will provide each other's investors with fair, equitable and non-discriminatory treatment of their investments, compensation in the event of expropriation of investments and the right to free transfers abroad of investments and returns.

It also provides for settlement of investment disputes under internationally accepted rules.

"An IPPA enables investors of the two parties to enjoy corresponding protection of their investments in the host economies, and thus enhance investors' confidence in making investments abroad.

“Hong Kong has been making dedicated efforts to expand its network of IPPAs in order to enhance two-way investment flows and boost our economy," he said.

The commerce chief also attended Hong Kong Night to highlight the city's edge as a trade capital.

Addressing about 200 international political, business and media leaders at a Hong Kong Night panel session, Mr Yau said the city is a highly connected, free and open economy with a level playing field, a world-class workforce and a place with huge potential.

Hong Kong is the best place for business as evidenced by the presence of more than 9,000 overseas and Mainland companies in the city in 2019, of which over 1,500 serve as regional headquarters, he added.

Mr Yau said the city with its unique status under "one country, two systems" and the international connectivity brought about by its Free Trade Agreement network can continue to attract foreign investment and serve as a platform to connect businesses within the region and overseas.

He had earlier met Minister for Industry, Business & Financial Affairs of Denmark Simon Kollerup and Minister of Foreign Affairs of Saudi Arabia Prince Faisal bin Farhan Al Saud.

At the WEF's Informal Gathering of World Economic Leaders: Finding Resilience in a Global Economy with New Rules, Mr Yau and participating ministers and policy makers exchanged views on global economic prospects, in particular the co-ordination of fiscal and monetary policies and possible financial stability risks during the economic slowdown.

He also attended a lunch hosted by the Washington Post and Foreign Policy before the informal gathering.