Hong Kong & Mainland China News –July-2017

Mainland bond market opened to offshore investors

By news.rthk.hk
Sunday, July 2, 2017

International investors will be able to trade mainland bonds from Monday, giving them access to a US$9 trillion bond market.

The introduction of so-called "Northbound" trading through a long-awaited 'Bond Connect' programme was widely expected and was finally confirmed by the Hong Kong Monetary Authority and the People’s Bank of China early on Sunday.

The announcement, which coincides with the 20th anniversary of Hong Kong's handover to Chinese rule, marks the latest step in the opening up of China's capital markets. It follows the introduction of similar programmes allowing two-way trading between stock markets in Hong Kong and Shanghai and Shenzhen.

As previously announced by regulators, trading through the programme will initially commence "Northbound", meaning foreign investors will be able to buy and sell mainland bonds. The authorities have not yet indicated when Chinese investors will be able to trade Hong Kong and overseas bonds, known as "Southbound" trading.

Access to China's bond market through the programme will remain restricted to overseas institutional investors such as banks, insurance companies, securities companies and fund managers. Trades through the "Bond Connect" will not be subject to quotas.

The central government granted eligible foreign institutional investors access to its interbank bond market in 2016, but the "Bond Connect" should add another, more convenient channel for foreigners looking to access the world's third largest bond market via Hong Kong, the regulators have said.

However, market participants expect muted uptake of Chinese onshore bonds initially, due to ongoing fears over the depreciation of the yuan amid capital outflows and other technical investment hurdles. (Reuters)

New tax unit studying concessions

By www.news.gov.hk
Wednesday, July 5, 2017

The new tax policy unit under the Financial Services & the Treasury Bureau started operation in April and is studying the plan to provide additional tax concessions for research and development expenditure.

Secretary for Financial Services & the Treasury James Lau made the statement to legislators today, saying the unit is also studying the proposal to enhance the two-tiered profits tax system tabled by Chief Executive Carrie Lam in her election manifesto.

"Once specific proposals have been drawn up the Government will consult the stakeholders concerned," Mr Lau said, adding the first priority of the unit is to boost the development of Hong Kong’s industries and economy through good taxation policies.

He said when studying the taxation proposals made by the business sector, the Government must consider a series of factors, including how the proposals will affect government revenue, whether they will lead to tax avoidance loopholes, and whether they are consistent with the two fundamental principles of tax symmetry and taxing only profits sourced in Hong Kong.

On the proposal to relax the Inland Revenue Ordinance to give manufacturers capital expenditure allowances on leased machinery and plants, Mr Lau said the plan is not feasible as the ordinance seeks to prevent tax avoidance through various leasing arrangements for machinery and plants.

The proposed relaxation of the ordinance will violate the two fundamental tax principles and affect the taxing rights of Hong Kong and other tax jurisdictions, he added.

1.37m local companies registered

By www.news.gov.hk
Sunday, July 9, 2017

The total number of local companies registered reached 1,372,303 at the end of June, up by 31,080 on the end of 2016, the Companies Registry announced today.

The total number of local companies newly registered in the first half of 2017 was 80,533, among which 23,691 companies were incorporated online using the e-Registry.

The Government gazetted two amendment bills last month to enhance Hong Kong’s regulatory regime for combating money laundering and terrorist financing

Registrar of Companies Ada Chung said under the bills, designated non-financial businesses and professions must meet statutory customer due diligence and record-keeping requirements when they engage in specified transactions, and companies incorporated in Hong Kong must maintain beneficial ownership information.

For non-Hong Kong companies that have established a place of business in Hong Kong, 462 were newly registered in the first half of 2017, compared to 408 in the second half of last year.

The total number of registered non-Hong Kong companies reached 10,190 by the end of July.

Mainland's June imports, exports jump

By news.rthk.hk
Thursday, July 13, 2017

Growth in mainland exports and imports outstripped expectations in June, data showed on Thursday, fuelling hopes of stability in the world's second-largest economy.

Exports rose 11.3 percent from a year ago to US$196.59 billion, the customs administration said, topping a Bloomberg News forecast of 8.9 percent.

Imports were up 17.2 percent year-on-year – compared with an expected increase of 14.5 percent – to US$153.83 billion, lifting the trade surplus to US$42.76 billion.

The latest data could soothe concerns that the mainland economy is losing momentum as Beijing clamps down on free-wheeling credit and property purchases that have been key drivers of growth for years.

Dilemma as new yuan loans top analyst estimates

By www.thestandard.com.hk
Thursday, July 13, 2017

Chinese banks extended 1.54 trillion yuan (HK$1.75 trillion) in net new yuan loans in June, well above analysts' expectations, but the trend is not expected to continue and the market believes China faces a dilemma of whether to deleverage or to stimulate economic growth.

Analysts had predicted new yuan loans of 1.2 trillion yuan, up from 1.11 trillion in May.

Outstanding yuan loans grew at 12.9 percent by month-end on an annual basis.

Analysts expected outstanding loans to rise by 12.7 percent, after May's 12.9 percent.

Broad M2 money supply, which includes demand deposits and monies held in easily accessible accounts, grew 9.4 percent in June from a year earlier, slowing from 9.6 percent in May, data showed. Economists expected 9.5 percent growth.

The slower M2 growth, the central bank said last month, could be a "new normal" after May's reading fell to the slowest since records began in 1996, with analysts saying Beijing is having some success with financial deleveraging.

The stronger-than-expected loans suggest authorities are keeping up support for the real economy, even as they tighten regulations to force banks to deleverage, said Nie Wen, an economist at Hwabao Trust in Shanghai.

"The shadow banking sector is shrinking but credit for the real economy remains strong," he said.

Some analysts said the pick-up in new loans may be masking a slowdown in overall credit growth.

"While we think the PBOC is now done pushing up interest rates, we expect the monetary tightening that has already taken place to continue weighing on credit growth from some time," Julian Evans-Pritchard, China economist of Capital Economics, said in a report.

Fitch Ratings said China faces a dilemma of balancing growth against risks. Grace Wu, senior director and head of Chinese Banks, said China is not in a deleveraging cycle yet. "China's economic model remains heavily reliant on credit to meet GDP targets, and while some credit has started to migrate back on to banks' balance sheets in May, overall credit growth remains stronger than GDP," she said.

She has also seen signs of a slowdown in shadow financing activities. But the regulatory combating has also led to tightening of the interbank market, which will exert greater liquidity and capitalization pressures on smaller banks. But state banks, being net liquidity providers, are expected to be less impacted.

As for Hong Kong banks, the biggest asset-quality risk is the China- related exposure, said Sabine Bauer, senior director and head of Hong and Japan Banks.

Though the Hong Kong Monetary Authority had eyed regulations of local mortgage loans, it focused less on exposures to mainland borrowings.

She said local banks should avoid loan exposure to high-risk industries.

HK, NZ sign tax deal

By www.news.gov.hk
Friday, July 14, 2017

Hong Kong has signed an agreement with New Zealand to allow the automatic exchange of financial account information in tax matters from next year.

The move brings the number of Hong Kong's tax data exchange partners to 14.

The other partners are Belgium, Canada, Guernsey, Indonesia, Ireland, Italy, Japan, Korea, Mexico, the Netherlands, Portugal, South Africa and the UK.

The Government said it also plans to extend the application of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters to Hong Kong.

An amendment bill will be tabled at the Legislative Council by the end of this year.

China posts 6.9 percent growth in second quarter

By news.rthk.hk
Monday, July 17, 2017

The mainland posted better-than-expected growth of 6.9 percent in the second quarter, official data showed on Monday, but authorities warned of lingering risks to the economy.

Analysts polled by AFP had forecast growth of 6.8 percent after the economy expanded 6.9 percent in the first quarter.

"Generally speaking, the national economy has maintained the momentum of steady and sound development in the first half of 2017, laying a solid foundation for achieving the annual target and better performance," national statistics bureau spokesman Xing Zhihong said.

"However, we must be aware that there are still many unstable and uncertain factors abroad and long-term structural contradictions remain prominent at home," Xing said.

Consumer spending and trade growth both accelerated during the second quarter, helping to offset softening investment in factories, real estate and other fixed assets.

Retail sales rose 10.4 percent in the first half of the year, up 0.1 percentage points from the first quarter's rate. Trade data released earlier showed export growth accelerated in May and June.

Investment, the biggest single component of economic growth in recent years, rose by 8.6 percent in the first half of the year, but that was down from 0.6 percent from the first quarter's expansion.

Upward GDP growth revision likely

By www.news.gov.hk
Saturday, July 22, 2017

Financial Secretary Paul Chan says Hong Kong’s economic growth forecast for the year is likely to be increased by half a percentage point.

Mr Chan made the statement to the media today after attending a radio programme.

He said his previous estimate of 2% to 3% GDP growth now appears too conservative and a full-year economic forecast will be announced in August.

As a small-scale outward economy, Hong Kong is benefitting from a rare occurrence of the economies of the Mainland, US, Europe and Japan simultaneously performing well, Mr Chan added.

However, he warned the outlook for the global economy is still uncertain, especially in terms of further possible US interest rate hikes.