Hong Kong's private sector expands at fastest pace since 2011

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Hong Kong's private sector expanded in May at the fastest pace in more than a decade as the city gradually eased its toughest Covid restrictions and a severe outbreak receded.

The S&P Global Purchasing Managers' Index rose to 54.9 in May, up from 51.7 in April. It was the second straight month of expansion after three months of contraction to start the year as the government's strict social distancing curbs impacted economic growth. A reading above 50 signals expansion, while anything below indicates contraction.

New order growth accelerated in May, driving hiring and purchasing activity expansion, according to S&P Global. The rate of growth was the sharpest since March 2011, the firm said.

"Despite the unleashing of pent-up demand with the easing of virus restrictions, price and supply pressures showed no signs of worsening, which had been a positive sign," said Jingyi Pan, economics associate director at S&P Global Market Intelligence, in a statement accompanying the data release.

She added the data suggests Hong Kong's economy is "recovering strongly into the second quarter," though pointed out that demand from China remained under pressure. The economy contracted in the first quarter for the first time in more than a year on local Covid restrictions and a severe hit to trade spurred by China's omicron outbreak.

Hong Kong has eased many of its restrictions since April, though Covid cases are beginning to climb again. The city on Sunday reported infections had reached a six-week high amid a growing cluster that originated at a group of nightclubs.

China exports rebound in May as virus controls ease

by news.rthk.hk

Thursday, Jun 09, 2022

China's exports grew at a double-digit pace in May, shattering expectations in an encouraging sign for the world's second biggest economy, as factories restarted and logistics snags eased after authorities relaxed some Covid curbs in Shanghai.

Imports also expanded for the first time in three months, providing welcome relief to Chinese policy makers as they try to chart an economic path out of the supply-side shock that has rocked global trade and financial markets in recent months.

Nonetheless, the outlook for China's exports, closely watched by investors as a gauge of world economic health, still points to risks from a months-long Ukraine war and rising raw material costs. Those same factors, along with rising interest rates in the United States and Europe, have raised concerns about a global recession.

Outbound shipments in May jumped 16.9 percent from a year earlier, the fastest growth since January this year, and more than double analysts' expectations for an 8.0 percent rise. Exports were up 3.9 percent in April.

Official data showed the daily container throughput at Shanghai port, which was running at severely reduced capacity in April, returned to 95.3 percent of the normal level in late May.

Economic activity cooled sharply in April as the country grappled with the worst Covid-19 outbreak since 2020. Stringent lockdown measures had clogged highways and ports, stranded workers and shut factories.

The State Council has called on local officials to revive supply chains, restore economic growth and rein in unemployment. Major automakers have been able to ramp up production in May and cargo handling capacity at ports and airports are returning closer to pre-lockdown level.

Standard Chartered chief bets on Hong Kong’s "resilience and recovery”

by www.thestandard.com.hk
Thursday, Jun 09, 2022

Standard Chartered Plc’s chief executive officer said Hong Kong is bouncing back and the lender remains committed to the Chinese market despite Covid-related disruptions.

“We’re seeing a healthy level of resilience and recovery in markets like Hong Kong,” Bill Winters said in an interview on Bloomberg TV Thursday. “The underlying economic activity remains strong.”

He also said the lender wasn’t “hesitating at all” when it comes to investing in China even as Covid lockdowns continue to disrupt major cities. “Our investments in China are very long term and reflect a few underlying themes that we don’t see having changed at all,” Winters said.

The executive also said governments and the private sector needed to redouble their focus on meeting climate goals, noting that the world is “not moving anywhere near as fast as we need to.”

Winters said the exit of DWS Group’s CEO last week over allegations of greenwashing was “a wakeup call” for the entire financial industry. He said his firm was looking to move faster to meet sustainability goals.

“We don’t have a debate on climate change at Standard Chartered,” he said. “I’ve not come across a colleague here who thinks that our focus is misplaced.”

HK ranked 5th in competitiveness

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Wednesday, Jun 15, 2022

Hong Kong was ranked the fifth most competitive economy in the World Competitiveness Yearbook 2022 published by the International Institute for Management Development, up from seventh last year.

Among the four competitiveness factors, Hong Kong continued to rank favourably in terms of government efficiency and business efficiency, while its rankings in economic performance and infrastructure also improved.

On sub-factors, the city continued to rank top in business legislation and was in the top three positions in public finance, tax policy as well as international investment.

The Government said the yearbook recognised Hong Kong as one of the most competitive economies in the world.

It emphasised that Hong Kong's competitiveness is underpinned by its institutional strengths under "one country, two systems", including the rule of law and judicial independence, free flow of capital, a free trade and investment regime, a simple and low tax system, a favourable business environment and an efficient government.

The Government is committed to further enhancing Hong Kong's competitiveness amid keen global competition.

Aside from upholding Hong Kong's institutional strengths and competitive advantages, it will step up investment in infrastructure, innovation and technology, nurturing talent and increasing land supply in order to provide a favourable environment for the city's long-term economic development.

Looking forward, the Government said economies in Asia, particularly the Mainland, would continue to contribute significantly to global economic growth.

Under "one country, two systems", Hong Kong will continue to play its unique roles as a gateway, a springboard and an intermediary, and actively integrate into the country's development.

It will also seize the opportunities arising from the National 14th Five-Year Plan and national development plans, such as the Guangdong-Hong Kong-Macao Greater Bay Area development and the Belt & Road Initiative.

The Government added that it has every confidence in Hong Kong's long-term economic development and competitiveness.

Chamber chief hopes for a brighter second half

by www.thestandard.com.hk
Friday, Jun 24, 2022

The Hong Kong General Chamber of Commerce says the city's economy is expected to fare better in the second half than the first, as domestic demand recovers and the consumption vouchers are rolled out.

The business environment in Hong Kong is still unfavorable and the economy has not returned to pre-pandemic levels, but the second half of the year may be better, chief executive George Leung Siu-kay said in a radio show.

Hong Kong's economy can still record positive growth this year, if the pandemic situation remains stable and travel restrictions ease, said Leung.

Quarantine regulations have been scrapped by most of Hong Kong's trading partners but the continued restrictions in Hong Kong have greatly hindered business competition, he pointed out.

However, the vaccination rate was relatively high in the city, and this could pave the way for the government to reopen its borders further.

As a bridge between the mainland and the West, Leung said Hong Kong has to consider how to normalize travel between the city and the mainland.

Also, the extended quarantine periods made it difficult to retain talent, he said.

Leung said that Hong Kong's finances and the economy would surge quickly once Covid is vanquished.

In the past 25 years, Hong Kong's financial industry had been successful. Its role as a finance hub had significantly changed in line with national development from a fund-raising center to a wealth management center. The future bond market offers a great opportunity, he added.

Leung said that the United States will continue to raise interest rates significantly.

Based on the current financial environment in Hong Kong, Leung said Hong Kong's interest rate would eventually come in line with the US by the end of this year or next, depending on the outflow of funds.

If interest rates rise in Hong Kong, it will have a negative effect on assets, however, the supply in the local property market is still insufficient, he said.

There will be many opportunities in the bond market, especially in green bonds, as the world is moving toward a green economy, and China is one of the leading countries in this market, he said.

The demand for green financing is huge, and Hong Kong is well placed to develop it through carbon trading, green financing and environmental, social and governance, said Leung

China vows measures to cope with economic risks

by news.rthk.hk
Tuesday, Jun 28, 2022

China will roll out tools in its policy reserve in a timely way to cope with more economic challenges, as Covid-19 outbreaks and risks from the Ukraine crisis pose a threat to employment and price stability, a state planner official said on Tuesday.

Activity in the world's second-largest economy is beginning to recover after Covid-19 lockdowns in April and early May throttled growth, recent data has shown, but headwinds such as a property market downturn, weak consumer spending and the risk of more Covid outbreaks persist.

The government will implement its existing support measures while improving its policy toolbox, Ou Hong, deputy secretary general at the National Development and Reform Commission, told a news conference. New policy support, depending on the circumstances, can be rolled out in a timely manner, he said.

"We are fully confident of overcoming the difficult challenges in economic operation and we have the ability to cope with all kinds of unexpected changes to ensure stable, healthy and sustainable economic development," Ou added.

Ou acknowledged that Covid-19 outbreaks and the Ukraine crisis since March have threatened to undercut growth and driven up unemployment and inflation.

Zhao Chenxin, a vice director at NDRC, told the same briefing that China would not resort to flood-like stimulus, a stance the government has reiterated in past years due to debt concerns.

China's monetary policy will continue to be accommodative to support economic recovery, People's Bank of China Governor Yi Gang was quoted by state media as saying on Monday.

In May, China's cabinet announced a slew of measures covering fiscal, financial, investment and industrial policies to wrestle with the Covid-induced damage to its economy.

Hong Kong is an economic city: CY Leung

by news.rthk.hk
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Former chief executive CY Leung says people must keep in mind that Hong Kong is an economic city, as this sets the foundation for the territory to solve deep-seated problems such as housing.

"It is important to remember that Hong Kong, after all is an economic city," Leung said in a video released on Wednesday on website Speak Out HK.

"And only through economic development, we have the capabilities to allow our government to look after the livelihood of Hong Kong people. Only through economic development, could we give our young people better prospects in their career development."

Leung, who's a vice-chairman of the Chinese People's Political Consultative Conference, added that he's very optimistic about the future of the city, after eliminating what he called "the toxic politics that preyed on Hong Kong's development".

He said he believes it is time for Hong Kong to grasp opportunities on the mainland.

"We should focus more on developing a robust economy, riding on the growth of the mainland economy, riding on the Belt and Road Initiative, riding on the Greater Bay Area development and so on," he said.

"These opportunities are abundant, whether it's Belt and Road or Greater Bay Area or other parts of our country. It's the question of actually acting on these opportunities, so grasping these opportunities and turning them into results."

China's factory, service sectors shake off 3 months of lockdown pain

by www.thestandard.com.hk
Thursday, Jun 30, 2022

China's factory and service sectors snapped three months of activity decline in June, business surveys showed on Thursday, as authorities lifted a strict Covid lockdown in Shanghai, reviving output and consumer spending.

The official manufacturing purchasing managers' index (PMI) rose to 50.2 in June from 49.6 in May, the National Bureau of Statistics (NBS) said. That slightly missed the forecast for 50.5 in a Reuters poll but rose above the 50-point mark that separates contraction from growth for the first time since February.

Though activity in China is gaining momentum from lengthy Covid lockdowns in April and May, headwinds, including a still subdued property market, soft consumer spending and fear of any recurring waves of infections, persist.

"Today's NBS numbers were encouraging to see, even if manufacturing slightly underwhelmed and expectations were for an improvement given the easing of lockdown restrictions," said Matt Simpson, senior market analyst at City Index.

Investors cheered the signs of economic recovery with China's major stock indices rallying more than 1 percent and set for their biggest monthly rise in nearly two years.

A sub-index for production stood at 52.8, the highest since March 2021, while new orders also returned to expansionary territory for the first time in four months, although growth remained weak.

"Even though the manufacturing sector continued to recover this month, 49.3 percent of the companies reported orders were insufficient," said Zhu Hong, senior statistician at NBS. "Soft market demand is still the main problem facing the manufacturing industry."

"Some firms have faced a squeeze in their profit margins, and relatively huge operating difficulties," Zhu added.

Shanghai, located at the heart of the Yangtze River Delta manufacturing area, lifted a city-wide lockdown on June 1, allowing more factories in the region to resume production. However, social distancing rules such as those on restaurant dining were still in place throughout June.

An Amcham China survey showed on Thursday supply chains received some relief in June, with fewer companies reporting Covid disruptions but an overwhelming 98 percent of firms in the poll still experiencing a negative impact from Covid on their business.

Analysts expect further improvement in economic conditions in the third quarter, although the official GDP target of around 5.5 percent for this year will be hard to achieve unless the government abandons the zero-Covid strategy.

"This surge of economic activities will likely keep the momentum into July, as further relaxation of mobility restriction takes place," said Zhang Zhiwei, chief economist at Pinpoint Asset Management.

"Nonetheless, China is sticking to the zero-Covid policy stance. I think this means the economic growth will likely stay below its potential before the policy is further relaxed."

The government said this week that it would slash Covid-19 quarantine requirements for international travelers and removed an indication of travel through Covid-hit cities on a state-mandated mobile app for its citizens, paving way for greater exchanges of people and goods.

However, President Xi Jinping defended the zero-Covid policy on Tuesday, saying China is willing to accept some temporary impact on economic development over harm to people's health.

The official non-manufacturing PMI in June improved to 54.7 from 47.8 in May. The services industry staged an impressive rebound, the fastest in 13 months, with sectors that were hard hit by Covid curbs such as retail and road transport catching up with previously depressed demand.

An index for construction activity also rose to 56.6 from 52.2.

In order to stabilize growth and rein in unemployment, China's State Council recently announced a broad package of economic support measures and Premier Li Keqiang vowed to achieve reasonable economic growth in the second quarter.

China's official composite PMI, which includes both manufacturing and services activity, stood at 54.1, compared with 48.4 in May.

However, some analysts doubt the momentum can be sustained over the medium to long-term.

"The PMI employment indices continue to point to weakness in the labour market, suggesting that household finances and consumer confidence remain fragile," said Julian Evans-Pritchard, senior China economist at Capital Economics.

"Once the reopening boost fades, this will weigh on any further recovery. And compared to 2020, the economy will benefit from fewer tailwinds from export demand and policy stimulus."