Citi raises its GDP growth forecast for Hong Kong

by www.thestandard.com.hk
Wednesday, May 04, 2022

Citigroup Inc. raised its quarterly growth forecast for Hong Kong citing an easing of virus restrictions, while DBS Group Holdings Ltd downgraded its full-year projection on supply chain snags and concerns about the labor force.

Citi economists now expect Hong Kong to expand 2.4 percent in the second quarter from an earlier estimate of 0.3 percent as the Asian financial hub sped up measures to re-open.

A first-quarter contraction of 4 percent in gross domestic product from a year prior was likely the “trough for economic growth this year, barring another infection wave,” Citi economist Adrienne Lui said in a note Wednesday.

A faster-than-expected decline in infections and a decision to relax some Covid-related restrictions quicker than originally intended spurred the revision in year-on-year growth for the second quarter.

Citi maintained its full-year GDP growth forecast at 2.2 percent, the low end of the government’s estimate of up to 3.5 percent, saying a “genuine” recovery “depends ultimately on the resumption of quarantine-free travel” between Hong Kong and China.

DBS, meanwhile, downgraded its full-year GDP forecast for Hong Kong to 1.7 percent from 2.4 percent, citing global supply chain disruptions, the “dwindling pace” of the labor force and rising interest rates that will hamper investment recovery.

“The severe lockdown in mainland China will negatively impact re-export in the months ahead,” DBS economist Samuel Tse wrote in a Wednesday note. He also cited a shrinking labor force, adding that higher-skilled workers in financing and professional business services “will dampen the long-term competitiveness of the regional financial center.”

'HK can cope with weaker currency, higher rates'

by news.rthk.hk
Thursday, May 05, 2022

The head of the Monetary Authority has sought to reassure people that Hong Kong can handle the impact of the US Federal Reserve's policy tightening, despite expectations that the weakening of the local currency and pace of interest rate rises could come faster this time.

"The rate hike in the US will not affect Hong Kong's financial and monetary stability," said HKMA chief executive Eddie Yue during a press briefing on Thursday morning.

The authority raised its base rate by half a percentage point to 1.25 percent shortly after the US Fed decision.

Yue said the local currency is likely to edge closer to the weak end of its trading band with the US dollar, as investors are expected to move their money into US dollars to take advantage of higher interest rates.

"As to how fast it will touch 7.85 and how fast it will reduce our aggregate balance to the extent that our Hong Kong dollar interest rates will start to rise, it will also depend on the supply and demand of the Hong Kong dollar funding market," he noted.

"Almost definitely the adjustment this time will be faster than last time," added the HKMA chief, referring to the previous round of Fed tightening between 2016 and 2018.

Following the Fed and HKMA decisions, HSBC and Standard Chartered announced that they were keeping their best lending rates unchanged.

Standard Chartered's senior economist for Greater China, Kelvin Lau, said he does not see "immediate pressure" for local banks to raise their prime rates.

And even when banks eventually decide to lift their lending rates, Lau said the local economy should be able to cope with the impact.

"A lot of the companies and mortgagees have been preparing for higher interest rates for quite some time, if not for some years," he explained.

"As long as the Covid-related restrictions continue to get relaxed, then I think the economy should be moving in the right direction, and enough to weather higher interest rates locally."

Hong Kong recovering, says Morgan Stanley

by www.thestandard.com.hk
Thursday, May 12, 2022

Hong Kong's economy can rebound this quarter and could reach 0.5 percent of economic growth this year, according to a Morgan Stanley forecast.

The investment bank said in a report that the financial hub will recover slowly from a 4 percent year-on-year contraction in the first quarter, and will grow by 0.4 percent in the second quarter from an earlier year. It may accelerate its growth further to 2.6 percent in the second half of the year, and achieve 0.5 percent of economic growth for the whole year, Morgan Stanley noted.

Hong Kong's economy is expected to grow by 4.5 percent next year if it reaches a quarantine-free reopening with the mainland, it further said.

Private consumption is expected to recover from a 5.4 percent year-on-year decline in the first quarter to grow by 1 percent in the second quarter and 0.6 percent in the second half of the year, it added.

However, the report said the pace of economic recovery is likely to remain slow as the mainland is unlikely to change the zero-Covid policy before the middle of the fourth quarter and the Covid measures in the next two quarters may disrupt the supply chain and affect Hong Kong's trade.

The report also said weak global demand amid aggressive interest rate hikes and geopolitical tensions could also weigh on Hong Kong's exports.

Meanwhile, the Hong Kong dollar fell to the weak end of its trading band for the first time since May 2019, as the dollar gains and tightening in the US undermines the appeal of the city's assets.

The move came around the same time as faster-than-expected US inflation data helped buoy the greenback more broadly against various peers.

IMF boosts yuan weighting in SDR basket

by www.thestandard.com.hk
Monday, May 16, 2022

The International Monetary Fund lifted the yuan's weighting in the Special Drawing Rights currency basket, prompting the Chinese central bank to pledge to push for a further opening of its financial markets.

The IMF raised the yuan's weighting to 12.28 percent from 10.92 percent in its first regular review of the SDR evaluation since the Chinese currency was included in the basket in 2016, the People's Bank of China said in a statement yesterday.

The weighting of the US dollar rose to 43.38 percent from 41.73 percent, while those of euro, Japanese yen and British pound declined.

The PBOC and other regulators "will continue to resolutely push for the opening up of China's financial markets and further simplify the process of overseas investors coming into the Chinese market," it said.

SDRs are an international reserve asset that can be converted into five currencies.

The yuan's entry into the SDR signaled it became one of the five global reserve currencies in 2016, after years of effort by Chinese authorities to promote its global use.

The change came amid a sharp depreciation of the yuan since late April, as it faces a double whammy of slowing domestic growth because of Covid-induced lockdowns and capital outflows due to its widening monetary policy divergence with the US.

Meanwhile, a former central bank adviser said in a forum that it is necessary to adjust the structure of China's overseas assets and improve the safety of China's foreign exchange reserves in order to cope with uncertainties in the international monetary system.

The ways include reducing holdings of US Treasuries and increasing investments in some countries with strategic resources such as countries in Central Asia, said Yu Yongding, an economist at the Chinese Academy of Social Sciences.

HK, UAE hold webinar

by news.gov.hk
Tuesday, May 24, 2022

The Commerce & Economic Development Bureau and the United Arab Emirates (UAE)'s Ministry of Economy jointly held a webinar today to explore collaboration opportunities in trade, investment and professional services.

The webinar, titled "Hong Kong-UAE Partnership: Immense Opportunities", attracted some 400 sign-ups.

Addressing the opening session, Secretary for Commerce & Economic Development Edward Yau said the UAE is Hong Kong's largest trading partner in the Middle East and underlined the close economic and trade partnership between the two sides.

He noted that the mutual collaboration between the two places has reached new heights after the signing of the Investment Promotion & Protection Agreement in June 2019 and the formal opening of the Hong Kong Economic & Trade Office in Dubai in October last year.

Mr Yau encouraged enterprises of the UAE and member states of the Cooperation Council for the Arab States of the Gulf to leverage Hong Kong's role as a two-way connector to capitalise on the opportunities brought by the Belt & Road Initiative.

Businesses can also make use of the Mainland & Hong Kong Closer Economic Partnership Arrangement as well as the Free Trade Agreement between Hong Kong and the Association of Southeast Asian Nations as springboards to tap into these markets, in particular the Guangdong-Hong Kong-Macao Greater Bay Area, he emphasised.

In addition to trade collaboration, Mr Yau pointed out that there was plenty of room for enhanced co-operation in the area of professional services. He also highlighted the benefits that Hong Kong's professional services could bring to the UAE's infrastructure and investment projects.

The webinar featured a panel discussion session moderated by Commissioner for Belt & Road Rex Chang, which focused on the opportunities for collaboration in the post-COVID era.

During the discussion, panelists from Hong Kong and the UAE shared their insights on how the two places could join hands to enhance collaboration and seize the immense opportunities in trade, investment, professional services, as well as innovation and technology.

Hong Kong looks to revive global banking status with major summit

by www.thestandard.com.hk
Friday, May 27, 2022

Hong Kong's central bank plans to hold a major conference in November it hopes will draw global banking bosses, sources said, as the financial hub seeks to welcome back international business following two grueling years of closed borders.

For most chief executives of the world's major banks, the meeting would be their first visit to Hong Kong - historically, a massive global conference venue - in at least three years, said the sources familiar with the matter.

The Chinese-controlled territory closed its borders in early 2020 for most non-residents to deal with the coronavirus pandemic and has maintained some of the tightest restrictions in the world, which have starved its economy of tourist and business arrivals.

Visitors to Hong Kong have to quarantine for seven days in hotels and face mandatory testing before and after arriving, as the city sticks to its near-zero Covid-19 strategy to curb all outbreaks as soon as they occur.

Those rules, combined with temporary measures this year that separated families and children in quarantine facilities, triggered an exodus of expatriate workers, especially in financial services, from the city.

Hong Kong Monetary Authority (HKMA) is working with foreign investment banks based in Hong Kong on the event, which is scheduled for early November and will run alongside the prestigious Rugby 7s tournament, said the sources.

The Rugby 7s are due to run Nov. 4 to 6, having been postponed a number of times since the start of the pandemic.

For the HKMA conference to attract global bankers, the mandatory seven-day hotel quarantine rules would need to be eased, said the sources, who declined to be named as they were not authorized to speak to the media.

After a two-year ban, borders were re-opened to non-residents this month, although their entry is subject to the seven-day hotel quarantine.

While exemptions allow top financial executives visiting Hong Kong to leave their hotels for meetings, very few have taken advantage of the program because itineraries have to be lodged with regulators, the sources said.

Hong Kong authorities have to date given no public indication they intend to relax quarantine restrictions by November.

An HKMA spokesperson told Reuters the authority was working on a "high level investment summit" and would release more details later.

"The HKMA has been maintaining regular dialogue with relevant government authorities to share with them financial industry's observations and suggestions with regard to Hong Kong's anti-epidemic measures," the spokesperson said.

"We shall defer to the relevant government authorities on border control matters."

Outgoing Hong Kong Chief Executive Carrie Lam said this week quarantine rules were unlikely to be altered before her term ends on June 30. John Lee, who takes over as CEO on July 1, has indicated he wants Hong Kong to remain a global financial hub.

Stock connect agreement welcomed

by news.gov.hk

Friday, May 27, 2022

The China Securities Regulatory Commission and the Securities & Futures Commission issued a joint announcement today on the in-principle agreement to include eligible exchange-traded funds (ETFs) in Stock Connect.

The Hong Kong Special Administrative Region Government warmly welcomed the decision.

Chief Executive Carrie Lam explained that the National 14th Five-Year Plan expresses staunch support for enhancing Hong Kong's function as a global offshore renminbi business hub, as well as deepening and widening the mutual access between financial markets of the Mainland and Hong Kong.

She said: “Various mutual access programmes including the Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Bond Connect have thrived over the past few years.

“Since the launch of Stock Connect, its northbound trading has brought a net inflow of over RMB1,600 billion to the Mainland stock market; its southbound trading has brought a net inflow of over $2,300 billion to the Hong Kong stock market.

“The amount of foreign holding of Mainland onshore bonds has reached over RMB3,700 billion through Bond Connect and other channels.”

Mrs Lam noted that the implementation of mutual access of ETFs marks another milestone in the continual integration of the two capital markets and it will further strengthen Hong Kong's role in connecting financial markets in the Mainland and the rest of the world.

She emphasised that as the Hong Kong SAR Government welcomes in the 25th anniversary of the establishment of the Hong Kong SAR, she is most grateful to the central government for the announcement, which will considerably bolster investors' confidence in the city's market.

“We will continue to capitalise on Hong Kong's unique advantages under ‘one country, two systems' as well as further consolidate and enhance its status as an international financial centre.

"Looking ahead, Hong Kong will better integrate into the overall national development and play a part in the development strategy and real economy of our country in pursuit of high-quality opening up."

Financial Secretary Paul Chan said the Hong Kong SAR Government has all along strived to expand the scope of mutual access of financial markets in Hong Kong and the Mainland.

He pointed out that ETF Connect will further deepen the interaction and integration of the two capital markets, offer more diverse asset allocation choices to Mainland and overseas investors, and promote liquidity as well as sustainable development of ETF markets in the two places.

The finance chief asserted that the initiative also promotes the further opening up of the Mainland financial market, and at the same time, consolidates Hong Kong's role as the gateway and the bridge for flows of international and Mainland capital.

"I would like to express my gratitude to the Central People's Government and relevant authorities for their strong support, and the financial institutions in the Mainland and Hong Kong for their efforts in implementing the programme," Mr Chan added.

The stock exchanges in Shanghai, Shenzhen and Hong Kong as well as the China Securities Depository & Clearing Corporation reached an agreement on the overall Stock Connect inclusion arrangements for ETFs at the end of last year.

The parties are working closely on completing the preparations for launching relevant trading. A separate announcement will be made on the official launch date.

HK ideal springboard to the Mainland

by news.gov.hk
Friday, May 27, 2022

Secretary for Financial Services & the Treasury Christopher Hui

Selamat petang (Good evening). It is a great pleasure of mine to see you all at this reception for the 25th anniversary of the establishment of the Hong Kong Special Administrative Region. This event, together with the business conference held earlier today, marks the beginning of the series of events to commemorate this important milestone of ours and to underscore the bright future ahead.

This reception is a good occasion for us to share the joy and excitement with all of you. I would like to extend my sincere gratitude for the support and encouragement from Malaysia and our friends and counterparts here throughout our journey. We are particularly impressed with how close our two places have all along been and the achievements and progresses made together.

There is indeed a lot to marvel at when it comes to Hong Kong- Association of Southeast Asian Nations (ASEAN) bilateral ties over the years. The ASEAN has been our second largest trading partner for a decade and our relations on those fronts have always been encouragingly strong. The Hong Kong-ASEAN Free Trade Agreement and Investment Agreement, which came fully into force in February 2021, are further enhancing our already very close business and investment ties. At the same time, there are multi-level exchanges and co-operation in a wide spectrum from business and investment to cultural and people-to-people exchanges.

Looking ahead, it is equally or even more exciting. Home to both major economies and fast-growing ones, our region is ascending in significance. With an ideal location, world-class infrastructure, connections and talents, Hong Kong is well suited to serve the ASEAN's and Malaysia's economic aspirations.

Particularly, numerous major initiatives are evolving around us, offering both Malaysia and Hong Kong boundless opportunities. Just to name a few, such include the Regional Comprehensive Economic Partnership (RCEP), the Guangdong-Hong Kong-Macao Greater Bay Area, the Belt & Road Initiative, as well as Malaysia's investment-focused policy and legislative reforms like the National Investment Aspirations.

As a free trade practitioner and staunch supporter of the multilateral trading system, we are very glad to see the entry into force of the RCEP earlier this year. Hong Kong is eager to join the agreement to further pursue the common goal of economic advancement with the region.

I am sure that many of you agree Hong Kong is the first-choice springboard to the Mainland. This is particularly so for the bay area, a dynamic economic powerhouse with a market of more than 86 million people and a combined gross domestic product largely equivalent to the ninth largest economy in the world. Hong Kong is also the ideal access point for the Belt & Road Initiative, a vision that sees enhanced connectivity and economic development for more than 100 countries and economies. Opportunities abound in such areas from infrastructure, trade and investment to supply chain, logistics, digital economy and services.

We are now at an even firmer foothold to continue to pursue all these endeavours, with safety and stability restored in our city following the implementation of the National Security Law and the improvement to our electoral system. Such is further buttressed by the 14th Five-Year Plan - the blueprint and development action agenda of our country in the next five years announced by the Central People's Government last year. We would certainly love to share the mutual benefits with our friends from Malaysia.

The positive notes do not stop here. With the relaxing of inbound travel requirements for non-residents earlier this month - I am sure that is music to the ears of many - we do look forward to welcoming you back in Hong Kong to immerse yourselves once again in the vibrancy of our city.

Secretary for Financial Services & the Treasury Christopher Hui delivered this video speech at the 25A Reception in Kuala Lumpur, Malaysia, on May 27.