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# Economic Acumen

Commentary by CEBI Research Team

## In Brief

- The HKSAR Government Chief Executive, John Lee, sets out his vision for HK's economy in his maiden Policy Address. Lee highlights that the principle of "One Country, Two systems" helps ensure the long-term prosperity and stability of HK with which the top priority is to safeguard national sovereignty, security and development interests. Lee unveils different policy measures to address issues, namely creation of impetus for growth, a path to normalcy amid Covid-19, easing of housing woes, attraction of talent to the city as well as people's concerns and difficulties in daily life.
- Amid the ongoing pandemic and growing global recession risks coupled with staggering inflation, liquidity tightening and heightened geopolitical risks, HK's economy is facing bumpy ride of economic recovery. We are of the view that the initiatives in Lee's Policy Address aiming to stimulate economic growth will further improve the people's livelihood, boost land and housing supply, and strengthen HK's competitiveness.
- The Government will work actively to elevate HK's competitiveness, thus overcoming economic challenges, forging ahead with progressive development and enhancing growth strengths of the economy in the next five years and beyond.

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## HK Policy Address: reviving growth momentum and fostering competitiveness

The Hong Kong Special Administrative Region (HKSAR) Government Chief Executive (CE), John Lee, sets out his vision for HK's economy in his maiden Policy Address. Lee highlights that the principle of "One Country, Two systems" helps ensure the long-term prosperity and stability of HK with which the top priority is to safeguard national sovereignty, security and development interests. In sum, HK has managed to restore order from chaos since the enactment of the national security law. By leveraging on HK's unique strengths of having the motherland's support and its connection with the world to build a harmonious and diverse community, Lee unveils different policy measures to address issues, namely creation of impetus for growth, a path to normalcy amid Covid-19, easing of housing woes, attraction of talent to the city as well as people's concerns and difficulties in daily life. Amid the ongoing pandemic and growing global recession risks coupled with staggering inflation, liquidity tightening and heightened geopolitical risks, HK's economy is facing bumpy ride of economic recovery. We are of the view that the initiatives in Lee's Policy Address aiming to stimulate economic growth will further improve the people's livelihood, boost land and housing supply, and strengthen HK's competitiveness. Accelerating pace of work and consumption normalization as well as further relaxation of the restrictions on cross-border movement will speed up growth momentum of HK in coming quarters while fiscal stimulus measures will help support consumption-related sectors, safeguard jobs and relieve people's burden. The HKSAR Government will work actively to elevate HK's competitiveness, thus overcoming economic challenges, forging ahead with progressive development and enhancing growth strengths of the economy in the next five years and beyond.

**National strategies creating impetus for HK's growth.** In order to elevate HK's economic competitiveness, national strategies including 14<sup>th</sup> Five-Year Plan, the "Greater Bay Area" (GBA) development and Bely and Road Initiative emerge to be a continuous push for the

growth of HK's economy. HKSAR government will establish the Steering Group on Integration into National Development, which aims at formulating works plans and promoting high-quality development of co-operation. In addition, HKSAR Government aims to elevate its strengths in financial services by consolidating and strengthening HK's role as an international financial center. HK will further enhance its strengths in offering high-end financial services, products for offshore renminbi and commodities markets, cross-border private equity investment and international asset management.

**Promoting HK as an international innovation and technology (I&T) center.** The National 14<sup>th</sup> Five-Year Plan aims to develop China into an innovative nation with strong science and technology. It puts forward the development pattern of "dual circulation", which takes the domestic market as the mainstay while enabling domestic and foreign markets to interact positively with each other, and expresses clear support for HK to develop into an international I&T hub. In sum, I&T is of paramount importance in driving high-quality development of HK's economy. The development blueprint to set out major policies under four broad development direction, including enhancement of the I&T ecosystem and achievement of re-industrialization, enlargement of the I&T talent pool, development of HK as a smart city as well as integration into overall development of China.

**Schemes enticing worldwide talents to work in HK.** HK is experiencing a brain drain that may have attributed to the city's strict Covid-19 policies with which the COVID-19 epidemic, which has been going on for nearly three years, has shrank the local workforce by about 140,000. Apart from actively nurturing and retaining local talents, HKSAR Government set aside billions of dollars to attract businesses and set up dedicated team to proactively attract the worldwide talents to boost economic competitiveness of HK. The suggested plans include that people who earn an annual salary of around \$318,000 or more, and graduates from the world's top 100 universities who have three years of work experience over the past five years, will be eligible for a two-year pass for exploring opportunities in HK. In addition, foreigners who enter HK under talent attraction schemes, buy a residential property and become permanent residents will be able to apply for a refund of buyer's stamp duty and new residential stamp duty for their first property. In sum, the schemes are expected to attract top talents to come to HK and contribute to the city's development.

**Addressing long-term problem of housing shortage.** HK's housing shortage has been a long-standing problem. Solving the housing problem is the top agenda of HKSAR Government. Lee's administration is targeting breakthroughs in housing supply and solutions to deal with the problem of inadequate accommodation. Measures include introduction of new Light Public Housing (LPH), the acceleration of overall public housing production, delivery of sufficient

land for private housing development, compression of land production procedures, enhancement of public-private partnership, build-up of land reserves and so on.

**Driving long-term development through new transport infrastructure.** The economic benefits brought about by accelerated infrastructure development are apparent. Largescale infrastructure projects provided the momentum for HK to develop into a cosmopolitan city. HKSAR Government unveils three major road projects and three strategic railway projects to foster long-term development of HK. The projects are a highly inter-connected and accessible road network and rail system, which complements the development of the proposed Northern Metropolis. In sum, cross-boundary projects which strengthen our linkage with the Mainland and the region will further enhance HK's competitiveness on a global scale. Embarking on major infrastructure developments creates ample employment opportunities and boosts economic growth.

## China economic indicators

	1Q2021	2Q2021	3Q2021	4Q2021	2021	1Q2022	2Q2022	3Q2022
Real GDP (YoY%)	18.3	7.9	4.9	4.0	8.1	4.8	0.4	-
PMI Manufacturing (%)	51.3	51.0	50.0	49.9	50.3	49.9	49.1	49.5
PMI Non-Manufacturing (%)	53.4	54.5	51.3	52.5	52.7	50.4	48.1	52.3
Exports (RMB YoY %)	38.7	19.9	14.4	17.8	21.2	13.4	13.3	-
Imports (RMB YoY %)	19.3	32.4	15.7	18.6	21.5	7.6	1.9	-
Trade Balance (RMB/bn)	710.0	868.3	1181.1	1612.7	4372.1	1029.7	1478.2	-
Exports (USD YoY %)	48.8	30.6	24.2	22.9	29.9	15.8	13.0	-
Imports (USD YoY %)	29.4	44.1	25.4	23.6	30.0	9.8	1.7	-
Trade Balance (USD/bn)	108.8	134.2	183.1	250.9	676.9	162.9	227.8	-
CPI (YoY %)	0.0	1.1	0.8	1.8	0.9	1.1	2.2	2.7
PPI (YoY %)	2.1	8.2	9.7	12.2	8.1	8.7	6.8	2.5
FAI (YTD/ YOY %)	25.6	12.6	7.3	4.9	4.9	9.3	4.2	-
Real Estate Investment (YTD YoY %)	25.6	15.0	8.8	4.4	4.4	0.7	(9.0)	-
Industrial Production (YoY %)	24.6	9.0	4.9	3.9	9.6	6.5	0.6	-
Retail Sales (YoY%)	33.9	13.9	5.0	3.5	12.5	3.3	(4.6)	-
New Lending (RMB/bn)	7667.9	5084.5	3961.4	3231.2	19945.1	8338.9	5340.1	4403.2
M2 (YoY %)	9.4	8.6	8.3	9.0	9.0	9.7	11.4	12.1
Aggregate Financing (RMB bn)	10288.9	7510.9	6967.1	6584.1	31351.0	12031.0	8946.9	6724.2

	Sept 21	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22	Apr 22	May 22	Jun 22	July 22	Aug 22	Sept 22
Real GDP (YoY%)	4.9	-	-	4.0	-	-	4.8	-	-	0.4	-	-	-
PMI - Manufacturing %	49.6	49.2	50.1	50.3	50.1	50.2	49.5	47.4	49.6	50.2	49.0	49.4	50.1
PMI - Non-manufacturing%	53.2	52.4	52.3	52.7	51.1	51.6	48.4	41.9	47.8	54.7	53.8	52.6	50.6
Exports (RMB YoY %)	19.7	20.1	16.3	17.3	20.8	3.9	12.7	1.6	14.8	21.8	23.9	11.8	-
Imports (RMB YoY %)	9.7	14.3	25.6	16.0	17.9	9.4	(1.1)	(1.9)	2.2	4.8	7.4	4.6	-
Trade Balance (RMB/bn)	441.6	547.8	460.6	600.1	537.3	178.8	287.6	317.7	494.8	646.5	682.7	535.9	-
Export (USD YoY %)	28.0	26.9	21.7	20.9	24.0	6.1	14.4	3.6	16.4	17.7	18.0	7.1	-
Import (USD YoY %)	17.2	20.4	31.4	19.5	20.9	11.5	0.5	0.1	4.0	1.0	2.3	0.3	-
Trade Balance (USD/bn)	68.1	84.8	71.7	93.7	82.7	28.1	45.3	50.0	77.5	97.4	101.3	79.4	-
CPI (YoY %)	0.7	1.5	2.3	1.5	0.9	0.9	1.5	2.1	2.1	2.5	2.7	2.5	2.8
PPI (YoY %)	10.7	13.5	12.9	10.3	9.1	8.8	8.3	8.0	6.4	6.1	4.2	2.3	0.9
FAI (YTD/ YOY %)	7.3	6.1	5.2	4.9	-	12.2	9.3	6.8	6.2	6.1	5.7	5.8	-
Real Estate Investment (YTD/ YoY %)	8.8	7.2	6.0	4.4	-	3.7	0.7	(2.7)	(4.0)	(5.4)	(6.4)	(7.4)	-
Industrial Production (YoY %)	3.1	3.5	3.8	4.3	-	7.5	5.0	(2.9)	0.7	3.9	3.8	4.2	-
Retail Sales (YoY%)	4.4	4.9	3.9	1.7	-	6.7	(3.5)	(11.1)	(6.7)	3.1	2.7	5.4	-
New Lending (RMB/bn)	1663.0	826.2	1273.2	1131.8	3980.0	1233.6	3125.4	645.4	1888.4	2806.3	679.0	1254.2	2470.0
M2 (YoY %)	8.3	8.7	8.5	9.0	9.8	9.2	9.7	10.5	11.1	11.4	12.0	12.2	12.1
Aggregate Financing (RMB bn)	2902.6	1617.6	2598.3	2368.3	6162.3	1221.2	4647.5	943.0	2833.8	5170.7	762.0	2432.2	3530.0
Urban Unemployment Rate (%)	4.9	4.9	5.0	5.1	5.3	5.5	5.8	6.1	5.9	5.5	5.4	5.3	-
Urban Unemployment Rate in 31 major cities (%)	5.3	5.0	5.1	5.1	5.1	-	6.0	6.7	6.9	5.8	5.6	5.4	-

## World Economic/Financial Indicators

Global Indices			
Index	Closing Price	P/E	One Week chg(%)
<b>U.S.</b>			
DJIA	30,423.81	17.21	4.15
S&P 500	3,695.16	18.14	3.30
NASDAQ	10,680.51	34.28	2.53
<b>EUR</b>			
FTSE 100	6,924.99	13.45	1.45
DAX	12,741.41	12.42	4.68
CAC40S	6,040.72	12.73	3.82
STOXX EUR 600	397.73	13.88	3.07
<b>Asia</b>			
HSI	16,511.28	6.24	(1.14)
HSCEI	5,597.79	5.38	(1.66)
CSI300	3,776.53	13.81	(0.21)
SSE Composite	3,044.38	13.30	0.62
SZSE Composite	1,981.84	35.27	2.71
NIKKEI 225	27,257.38	27.29	3.26
KOSPI	2,237.44	9.49	1.59
TWSE	12,976.76	9.20	(0.80)
S&P/ASX 200	6,800.06	13.96	2.29
<b>MSCI Index</b>			
MSCI WORLD	2,439.30	15.79	3.02
MSCI DEVELOPED	565.21	14.77	2.70
MSCI EMERGING	865.91	9.65	0.07
MSCI US	3,512.60	18.61	3.18
MSCI UK	1,993.43	13.37	1.26
MSCI France	172.24	14.42	3.69
MSCI Germany	125.97	11.87	4.60
MSCI China	53.78	9.41	(1.92)
MSCI Hong Kong	11,272.23	16.81	(1.91)
MSCI Japan	1,161.37	14.78	2.02

\* As of 2022/10/19 closing for all markets

Money market		
	Yield (%)	One Week chg(%)
US Fed Fund Rate	3.25	0.00
US Prime Rate	6.25	0.00
US Discount Window	3.25	0.00
ECB Rate (Refinancing)	1.25	0.00
BOJ Policy Rate	(0.10)	0.00
US Treasury (1 Mth)	3.0966	0.1935
US Treasury (1 Yr)	4.5826	0.3537
US Treasury (5 Yr)	4.3568	0.2391
US Treasury (10 Yr)	4.1335	0.2373
US Treasury (30 Yr)	4.1249	0.2504
1-Month LIBOR	3.4891	0.1436
3 Month LIBOR	4.2426	0.3019
Japan 1-Yr Gov. Bond	(0.121)	0.011
Japan 10-Yr Gov. Bond	0.257	0.001
German 1-Yr Gov. Bond	2.078	0.296
German 10-Yr Gov. Bond	2.376	0.062
China LPR (1-year)	3.65	0.00
China 1-Yr Gov. Bond	1.729	(0.043)
China 5-Yr Gov. Bond	2.469	(0.032)
China 10-Yr Gov. Bond	2.710	(0.020)
O/N SHIBOR	1.116	(0.039)
1-mth SHIBOR	1.609	(0.011)
HK Base rate	3.50	0.00
O/N HIBOR	1.8182	0.0818
1-mth HIBOR	2.7321	0.3023
O/N CNH HIBOR	1.2603	0.2308
1-mth CNH HIBOR	2.0744	(0.1005)
<b>Corporate Bonds (Moody's)</b>		
Aaa	5.11	0.07
Baa	6.29	0.13

Global Commodities			
	Unit	Price	One Week chg(%)
<b>Energy</b>			
NYMEX WTI	USD/bbl	85.55	(1.97)
ICE Brent Oil	USD/bbl	92.41	(0.04)
NYMEX Natural	USD/MMBtu	5.46	(15.12)
<b>Basic Metals</b>			
LME Aluminum	USD/MT	2,154.50	(7.11)
CMX Copper	USD/lb.	331.80	(3.12)
LME Steel Rebar	USD/MT	677.50	(1.61)
LME Lead Cash	USD/MT	2,018.25	(2.79)
<b>Precious Metals</b>			
CMX Gold	USD/T. oz	1,633.22	(2.18)
Gold Futures	USD/T. oz	1,634.20	(2.58)
CMX Silver	USD/T. oz	18.44	(3.91)
NYMEX Platinum	USD/T. oz	892.42	(0.40)
<b>Agricultural</b>			
CBOT Corn	USD/bu	678.25	(2.13)
CBOT Wheat	USD/bu	841.25	(4.65)
NYB-ICE Sugar	USD/lb.	18.65	(0.16)
CBOT Soybeans	USD/bu.	1,372.50	(1.68)

Currency market		
	Spot Rate	One Week chg(%)
US Dollar Index	112.98	(0.30)
Euro/USD	0.9781	0.67
GBP/USD	1.1255	1.60
AUD/USD	0.6289	0.42
USD/CAD	1.3763	(0.18)
USD/JPY	149.58	2.08
USD/CHF	1.0030	0.79
USD/CNY Midpoint	7.1105	0.00
USD/CNY	7.2287	0.75
USD/CNY NDF-12-mth	7.0820	0.44
USD/CNH	7.2598	1.15
USD/HKD	7.8500	0.00
CNY/HKD	1.0859	(0.75)
CNH/HKD	1.0813	(1.13)
USD/KRW	1,426.30	0.11
USD/TWD	32.03	0.56
USD/SGD	1.4239	(0.83)
USD/INR	82.99	0.82

All data sources: Bloomberg

## Disclosures

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