

COUNTRY PROFILE:
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HONG KONG SPECIAL ADMINISTRATIVE REGION
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Recent Political Highlights

- Chief of state since March 2003 has been President of China Hu Jintao with head of Government since June 2005 Chief Executive Donald Tsang Yam-kuen. The chief executive is elected for a five-year term by the 800-member electoral committee. The next election is due in 2012.

Recent Economic Highlights

- Hong Kong has a population of 7m with an expected population growth rate of 0.5% in 2009.
- Hong Kong pulled out of its deepest recession since the Asian financial crisis in the second quarter as the territory benefitted from strong growth in mainland China. The faster than expected 3.3% growth from the previous quarter could be a signal that the global economy may be recovering, but the global outlook remains uncertain as conditions in the US and Europe are still weak. Government has upgraded its 2009 annual GDP growth forecast, saying that GDP would shrink by between 3.5% and 4.5% from the initial forecast for a 5.5% to 6.5% contraction. Exports to China have picked up, while easy liquidity conditions there have contributed to recent gains in Hong Kong asset prices. The economy contracted 4.3% in the first quarter. Exports fell 12.4% in the second quarter compared to the same period last year, less than the 23% decline for the first quarter.
- Bankruptcy petitions in Hong Kong surged 36% in July from the same month a year ago, but the jump was lower than an 89% year-on-year rise in June as the economy picked up. The territory recorded 1,475 bankruptcy petitions last month, down 9% from 1,619 in June and compared to 1,081 in July 2008.
- Hong Kong's jobless rate stayed at a near four-year high last quarter despite the economy showing signs of recovery. The unemployment rate was 5.4% on a seasonally adjusted basis for the three months to July. The rate is expected to rise further as companies freeze new hiring until the economy shows signs of a lasting turnaround. Among the sectors shedding jobs during the period were education, insurance, laundry and personal services. Government has urged the country to keep in mind the major projects— including the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge – that are planned to get underway this year. They are expected to provide significant employment opportunities.
- For many years, Hong Kong has relied on the financial services, tourism, logistics and business support and professional services sectors for its success. It is now planning to prioritise the educational, services, medical services, testing and certification, innovation and technology, cultural and creative industries as means to diversify growth in the country. The country intends evolving as a knowledge-based economy to grasp the opportunities available.
- Total tourism figures for 2009 are expected to show a 3% fall to 28.6m visitors from the 2008 figures. Figures at the end of January 2009 showed that tourist arrivals for 2008 increased 4.7% year-on-year to 29.5m. China remains the main source of tourists with 16.8m people visiting Hong Kong in 2008. Tourist receipts totaled \$20.4bn. From January 2009 to May 2009 tourist arrivals fell 1.4% to 11.9m people. Fears of swine flu could have a negative impact on the 2009 forecast. The forecast for 2010 is essentially flat with a cautiously optimistic view that figures will improve with the global economic turnaround.

Latest Trade Developments

- Main export commodities: electricity machinery and appliances, textiles, apparel, footwear, watches and clocks, toys, plastics, precious stones and printed material.
- Main import commodities: raw materials and semi-manufactures, consumer goods, capital goods, food items and fuel (chiefly for re-exports).
- Major trading partners: China, US, Japan, Taiwan, Singapore and South Korea.
- Exports fell by the lowest rate in the seven months to June 2009 as a revival in the mainland bolstered demand. Overseas sales dropped 5.4% to \$27.2bn from a year earlier after shrinking 14.5% in May. Imports fell 7.9% in June from a year earlier. Financial Secretary John Tsang expects overseas shipments may fall by 12% in 2009 from a year earlier from a 5.1% gain in 2008 according to the Hong Kong Trade Development Council.
- Hong Kong signed a series of agreements to help develop parts of southern China's Pearl River Delta with the main agreement for the development of the Qianhai port area in neighbouring Shenzhen. The plan is to link up the port of Hong Kong and Qianhai by rail and eventually develop the latter into a modern industrial area that can complement Hong Kong when it becomes an international and financial trading centre.
- SA's exports to the Hong Kong totaled R4.6bn in 2007, R5.3bn in 2008 and R2.7bn in the year to May 2009.
- SA's imports from Hong Kong totaled R2.8bn in 2007, R2.7bn in 2008 and R962m in the year to May 2009.

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