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Economy + Finance

Financial chief warns of slow growth, more job losses: HK would face an increasingly difficult time in the coming six month as the recession hit businesses and more jobs were lost, Financial Secretary John Tsang said. He said the government's latest estimate for the economy was a slowdown of growth in gross domestic product from the 7.3% in the first quarter of this year to 1.7% in the third quarter, resulting in annual growth of 3 to 3.5%. He said that on top of a drop in exports and consumer confidence, the series of business closures was expected to raise the jobless rate.

'Through train' plan still on track: It would be more difficult to get the stocks "through train" plan with the mainland started amid the financial crisis, but the programme was still on track, the financial secretary said. John Tsang said mainland officials were assessing the risks for launching the scheme, which would allow mainlanders to trade HK stocks directly.

Airport nosedives: November cargo traffic throughput at HK International Airport was heavily hit by the threatening global recession, slumping 18.7% compared with a year earlier - the largest drop since Chek Lap Kok commenced operations in April 1998. Meanwhile, passenger traffic fell 5.6% last month. "We believe the market is not likely to rebound soon, and a continued decline in air traffic is expected in the coming months, reflecting the continued impact of the economic slowdown in major economies worldwide," said Airport Authority chief executive Stanley Hui.

HKMA sees home prices falling less than in 1997: The extent of the current home price correction could be less severe than the market downturn during the Asian financial crisis in 1997-1998, according to the HK Monetary Authority. Lower interest rates, improved housing affordability and less speculative activity had given better support to today's housing market, the de facto central bank said in its quarterly bulletin.

Unemployment rate hits 13-month high: HK's unemployment last month rose to 3.8%, the highest level since October last year, and the number of jobs available dropped more than one-fifth as the government warned of further economic strife.

HK's November inflation seen dipping further: HK's November headline inflation rate probably fell to 1.6%, its lowest in over a year, as consumers and businesses cut spending and investments after the city slipped into a recession. Lower oil prices, declining food costs and a government's subsidy on household electricity consumption helped slow price increases, economists said. “Inflation will not be an issue in HK for a while,” said Daniel Chan, senior investment strategist at DBS Bank. “As the economy continues to slow down, that will lead to further weakness in inflation.”

Shoppers still spending despite downturn: The financial crisis does not seem to have had much impact on HKers' desire to spend this Christmas, with shopping malls and restaurants anticipating business comparable to last year during the festive season. Retailers say one of the reasons is that more people are staying in HK as the economic downturn puts a damper on overseas-travel plans. However, some observers in the catering industry are less optimistic, warning of a 20% drop in business. Diners are said to be thinking twice before opening their wallets.

Economists hail yuan trade scheme as step to going global: Beijing's decision to allow the yuan to be used as a limited trade currency lends long-term support to the renminbi and is a major step towards making it an international currency, experts said. The State Council said that companies in HK and Macau would be permitted to use yuan to settle trade in goods with partners in Guangdong and the Yangtze River Delta under a pilot scheme. The starting date has yet to be announced.

HK too closely tied to US dollar to be a yuan centre, official says: HK does not meet the requirements to set up an offshore yuan market, according to a former People's Bank of China adviser. The HK dollar was still pegged to the US dollar, making the greenback the dominant currency in the city, said Li Yang, now with the Chinese Academy of Social Sciences. "If the fundamental demand in HK is for the US dollar instead of yuan, how can the region form an offshore yuan market?" he said.

New Territories home sales rise to 11-year high: Cheaper flats in the New Territories are defying the slowing housing market, with transaction values surging to an 11-year high. Total sales were valued at HK$97.21 billion between January and December 23. This was an increase of 1.78% from the HK$95.51 billion achieved in last year's boom.

Government land sales decline to lowest level since 2005: The government has recorded the worst land sales performance since 2005 as a result of HK's faltering economy and weak demand for housing, market watchers said. The use of the application list system to sell developable land should also bear some responsibility for the sharp year-on-year decline in auction sales of land in the first nine months of the financial year, they added.

Hoteliers brace for fall-off in occupancy: Occupancy rates at five-star hotels in the city slumped by more than 10% in December and the industry is predicting rates will drop across the whole sector. Estimated December occupancy rates at five-star hotels dropped to around 70% and the overall occupancy rates of all hotels across the territory are expected to drop about three percentage points to 84% for the whole of 2008. Federation of HK Hotel Owners executive director Michael Li said that three- and four-star hotels were slightly more resistant to the financial turmoil with occupancy at about 85% in December.

HK exports slide 5.3pc on weak demand: HK's November exports slipped 5.3% from a year earlier to HK$231 billion. It was the largest year-on-year decline since March 2005 and came on the heels of weak demand because of the global financial crisis. Total exports fell for the first time in five months, after climbing 9.4% year-on-year in October.

Domestic politics

Public spending will exceed 20pc of GDP this financial year: Public spending will exceed 20% of gross domestic product this financial year and is likely to do so again in the next one, breaching a pledge made by Financial Secretary John Tsang in his budget and violating a principle cherished by finance chiefs for decades and enshrined in the Basic Law. As a guiding rule for financial prudence, the government has held that growth in public spending should not exceed the growth trend in the economy in any year. As spending was about 20% of GDP when the policy was set, this means in practice that it should be held at this level or below. The higher spending will contribute to a surging deficit that some estimate will hit a record HK$88 billion this year - more than 10 times the administration's original forecast.

Anson issues a `who's in charge' plea to officials: Former chief secretary Anson Chan wants to know who's giving the orders at the top of government departments after a series of blunders left officials red faced. The ex-legislator has asked for clarification of roles at the top of government and is calling for a review of the much-criticized accountability system. Chan told RTHK that a series of incidents, such as the call for chartered flights to Thailand during the Bangkok Airport closure, showed flaws in the system. Chan said the powers and responsibilities that should be shouldered by political appointees and civil servants are unclear.

Authority told to focus on bank basics: The HK Monetary Authority should remain focused on the stability of the banking system and stay away from disputes between banks and customers, a consultant warned after a review of the local banking system.

Relations HK - Mainland China

National contribution vital in changing times: HK must increase its awareness of being part of China, and contribute to the nation with the "overall national interest" in mind, former chief executive Tung Chee-hwa said. Mr. Tung, a vice-chairman of the Chinese People's Political Consultative Conference, also said HK was going through a turbulent period and some of its current strengths would disappear and the city must look for new opportunities. "We have to care and understand more about the overall development of the nation. Everything we do has to be considered in light of the overall national interest when we contribute to the nation's development. We have to realise that we are part of the Chinese nation. In our national development, we are not bystanders but of the same body, sharing the same fate," Mr. Tung said.

Beijing helps HK fight crisis: Beijing will further liberalise renminbi business in HK as part of a 14-point plan to help prop up the city's economy. The measures were announced as the top leadership pledged to provide a "strong backstop" for HK. In future, qualified enterprises will be allowed to settle cross-border trade in yuan, in the first trial of yuan settlement outside the mainland. At present such trades are usually settled in HK dollars or US dollars. The central government will give HK-owned companies on the mainland more help and grant more HK businesses in the services sector preferential access to the mainland market under a 14-point plan to help the city ride out the economic downturn.

Beijing pledges extra help for HK businesses: Chief Executive Donald Tsang said Beijing had increased export-tax rebates three times this year and would do so again soon, helping firms engaged in the processing trade over the border, including HK-owned businesses. Authorities would also help the firms promote sales of their products on the mainland, Mr. Tsang said, and improve arrangements for their hiring of workers.

Transborder affairs

Bridge could bring HK$48b in benefits: The bridge linking HK with Zhuhai and Macau could benefit the city to the tune of HK$48 billion in terms of increased trade, and time and money saved, the government has said. In a paper released to explain the cost allocation for the bridge, it said the economic value was calculated based on reduced costs of freight operations, shorter travel time and increased freight volume for 20 years after 2016, when construction of the bridge is expected to be completed.

Planners have grand designs for delta cities: The Pearl River Delta should be developed into integrated city clusters that would turn the region into a mega "bay area" similar to the one centred on San Francisco, a planning study by the HK and Guangdong governments recommends. The six key cities of the delta should be grouped into three "one-hour living zones" within which people can travel anywhere in an hour. Efficient rail links should also be built to ensure the cities - Guangzhou, Foshan, HK, Shenzhen, Macau and Zhuhai - could be reached from any other within 60 minutes.

Legal affairs and human rights

Maid levy to stay, with 5-year hiatus: Hopes of quashing a levy on employers of foreign domestic helpers were dashed when lawmaker Regina Ip's proposed amendment to abolish the levy for good was voted down. The failure to pass the proposed amendment meant employers of migrant domestic helpers will only enjoy a suspension of the levy for five years - from August this year to the end of July 2013. Money raised from the levy, which was introduced in 2003, goes to the Employees' Retraining Board.

End indignity of body-cavity searches, HK prisons urged: A United Nations human rights body has urged the HK government to end routine body cavity searches of prisoners, saying the practice is only permissible as a last resort. In its latest report, the UN Committee against Torture expresses concern at what has become a routine practice, saying HK prison rules only provide for such possibility. The call to allow prisoners some dignity came at the committee's 41st session held from November 3 to 21 in Geneva to examine reports by China, HK, Macau and others on the implementation of the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment.

18 HK banks commit cash to Lehman legal move: Eighteen local banks involved in selling minibonds linked to collapsed investment bank Lehman Brothers have committed up to HK$100 million to support the US-based trustee's action "to protect the interests of investors". Lawyers acting for the liquidator of Lehman Brothers told the trustee, HSBC Bank USA, National Association, that its move to allow the banks to buy back the bonds before maturity might contravene US bankruptcy law. The banks - which had agreed to buy back the minibonds at market value at the request of the government in mid-October - were forced to stop the buy-back plan until the legal issues were clarified and addressed.

Be more open to laws of mainland, Bar chief asks: Bar Association chairman Rimsky Yuen has urged HK people to let go of any distrust and prejudice they may harbour towards the mainland and try to understand better its continental legal system to resolve common legal issues. Mr Yuen - who recently led a Bar delegation to Beijing that met Qiao Xiaoyang, deputy secretary general of the Standing Committee of the National People's Congress - said HK would face a growing number of problems requiring an understanding of the mainland's continental-law system. "Because of the ever closer relationship between HK and mainland China, there are bound to be legal issues that have to be resolved, and these cannot be resolved purely by applying a common-law perspective," he said. A rational discussion of those issues would only be possible if people maintained an open mind.

Rights group will urge UN to press HK government for full democracy: A local human rights group will urge the United Nations to press the HK government to introduce full democracy and improve human rights in the city, during a hearing early next year. HK Human Rights Monitor has dismissed as a "promotional leaflet" the report prepared by the government for the United Nations Human Rights Council's universal periodic review, during which the council reviews all members' human rights records. The group criticised the government report for failing to touch on human rights problems in the city.

Environment

City enjoys rare winter days of clear blue skies: HK saw clear blue skies rarely seen during the winter, but data shows that the overall picture was no better than last year and roadside pollution remains a serious problem. The major source of the pollution was vehicles. Heavy vehicular emissions were still a serious problem, according to Professor Alexis Lau, the HK University of Science and Technology. Meanwhile, factory closures in the Pearl River Delta triggered by the financial meltdown have not meant increased visibility in the city. Professor Lau said continued monitoring was needed, though he would not rule out that closures could help contribute to clearer skies.

Culture and education

Flagship museum reaches out to Asia: The West Kowloon Cultural District Authority is looking for diverse and long-term partnerships with top museums in Asia so that the city's flagship museum M+ will showcase the continent's best art, Victor Lo, the head of the authority's museum committee, said. The authority would not seek just a single international partner for M+, he said. Instead, it would foster many collaborations to showcase the best exhibits from Asian museums, especially those of Chinese arts and culture, to attract mainland tourists.

Architect warns on cultural cloning: The proposed West Kowloon cultural district may become another "clone" of the Western world, a renowned architect has warned. Rem Koolhaas, 2000 winner of the Pritzker Prize - the Nobel for architecture - issued the warning while presenting his view of the cultural district during discussions at the Business of Design Week. Koolhaas proposed three options for the 40-hectare site, but hopes the area may be divided into smaller segments, warning there can be no mistakes with a mega site.

Macau

Civil service seeks change in Macau: A civil servants' group says Macau's next chief executive should be a legal expert experienced in government work, as a guessing game continues in the former Portuguese enclave

over who will become its new leader. Jose Coutinho, president of the Macau Civil Servants Association, said the city had paid a heavy price for businesspeople running Macau over the past nine years.

Edmund Ho says Macau can weather economic decline:

Macau can overcome the challenges of the financial meltdown and is grateful for the central government's support, its chief executive has said on the ninth anniversary of the city's handover. Edmund Ho's speech came amid rising unemployment and social unrest in Macau. Residents are also wondering who their new leader will be when Mr. Ho steps down next year, and casino magnate Stanley Ho offered his view to Cable TV. "He should be a real Macau person, like those living in Macau for the last several generations," Stanley Ho said. "Please, let's not have a repeat of Tung Chee-hwa. He was not a HKer."

Venetian sacks 500 and slashes salaries: Venetian Macao Limited will cut staff salaries and has sacked 500 non-Macanese employees. The gaming company, which operates three casinos including Venetian Macao, will cut salaries by about 16.7% as it will adjust the weekly working hours for its 6,800 gaming operators, from 48 hours to 40 hours, starting from January 1. It has started to inform the affected employees.

Macao's gambling boom turns sour (International Herald Tribune, 26.12.2008):

www.iht.com/articles/2008/12/25/business/casino.php

Varia

Crisis chance to rethink urban goals: The city should take advantage of the economic downturn and do much needed soul-searching about urban renewal, a sustainable development leader said. HK Polytechnic University China Business Center head Thomas Chan called for a change in the philosophy and approach to urban development and regeneration. "Not everything is about money. These projects should be about the communities, the ecology and the local culture," he said. "We need to offer sustainable alternatives."

Cardinal Zen's wish finally granted - he's to retire next year: Cardinal Joseph Zen has finally received Pope Benedict's approval to retire in the next few months as leader of the HK Catholic diocese, allowing him to focus on church affairs on the mainland. Announcing the news hours before celebrating his last Christmas Eve midnight Mass as bishop of HK, Cardinal Zen, who turns 77 next month, said it was "very good news" for him. "I am very happy that the Holy Father has finally agreed to my retirement. I have asked to retire many times so that I can spend more time dealing with matters relating to the mainland church," Cardinal Zen said.

Thousands to return home after losing jobs in Macau and Dubai: Thousands of construction industry employees from HK, including workers and supervisors, have been tipped to lose their jobs in Macau and Dubai and return home in the coming months. The Construction Industry Council says it will provide retraining courses in an effort to help them find other jobs in the recession-battered local economy.

Press articles related to Switzerland and Swiss matters

Banks under renewed pressure to lift their cloak of secrecy (SCMP, 12.12.2008): More than a decade after Holocaust survivors won compensation from Swiss banks for emptying Jewish accounts that had lain dormant since the Second World War, the pressure is on again to dismantle Swiss banking secrecy. This time, the tax collector is leading the charge. With Washington joining Germany to press for an end to a code they believe helps tax dodgers, many see it as only a matter of time before the Swiss lift the cloak guarding the secrets of the world's wealthy.

Singapore's star rises as Switzerland staggers (SCMP, 15.12.2008): As pressure mounts on Switzerland's flagship bank UBS and the country's secrecy code comes under fire from the United States and Germany, Singapore's star as a haven for the superrich is rising fast. The city state, with the highest density of millionaires in the world, is seeing wealth management prosper as the US and Europe grapple with the worst slump in a generation. Its strict bank secrecy rules seem likely to be spared an assault similar to the one that Berne is defending now, following the charging of UBS's wealth management chief with helping Americans hide money. With close ties to the rest of Asia, Singapore is in a stronger position to resist pressure from the US than rival Switzerland or Alpine retreat Liechtenstein, which recently partially surrendered bank secrecy.

Top luxury watch brand winds up slashing prices (The Standard, 22.12.2008): Luxury watch brand Patek Philippe will cut its HK prices by 12% in early February amid worsening sales performance and the depreciation of the euro. Sales of top brand watches have fallen amid the deepening global financial crisis, as prospective buyers are forced to change purchase plans for luxury items and turn to cheaper alternatives. Sales of licensed watches were heavily hit by unlicensed counterparts which swarmed into HK, as grey imports became more attractive due to the depreciation of the euro.

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