November 2008 in Hong Kong **28.11.2008 / No 59**

A condensed press review prepared by the Consulate General of Switzerland in HK

Economy + Finance

South China firms 'in dire need of help': Manufacturers in southern China are in dire need of help, an economist and HK's trade representative in Guangdong warned, days after another big factory closed, throwing more than 3,000 people of out work. "We have no time ... HK factories on the verge of closure are waiting for help," Peter Leung, director of the HK Economic and Trade Office in Guangdong said. Economist Ju Jinwen, of the Chinese Academy of Social Sciences, said only bold measures could save the manufacturing industry. Both said the government should cut taxes, loosen regulations and offer financial support to firms.

Banks remain cautious in lending to SMEs: HSBC has warned that banks should remain cautious about lending to small and medium-sized enterprises, although different sectors are demanding credit relaxation for SMEs. The bank's executive director Peter Wong said banks need to strengthen their risk management policies amid the financial crisis. Task Force on Economic Challenges member Shih Wing suggested the government offer incentives to banks in an effort to encourage lending to SMEs.

Tsang warns of recession: Chief Executive Donald Tsang has painted a gloomy picture of the future - one of an increased risk of recession and a sharp rise in unemployment. "Being a small, open economy, the risk of HK going into a recession in 2009 has increased. Unemployment is expected to rise as a result of an economic downturn in 2009," Tsang said.

Millions of jobs at risk in delta: Thousands of HK-owned enterprises in the Pearl River Delta region will shut down and millions of workers will lose their jobs if nothing is done to help them in the face of the global financial meltdown, the city's trade representative in Guangdong warned. The director of the HK Economic and Trade Office in Guangdong, Peter Leung, said the worst was yet to come. He said he expected as many as 3,000 factories to close in the first half of next year, especially around Lunar New Year, as the impact of the financial meltdown sank in.

HKMA acts again, selling $853m to defend peg: The HK Monetary Authority was forced to step into money markets for the second time in a week to defend the HK dollar peg system, selling HK$853 million of the local currency against the greenback. It was the eighth time in the past two months for the HKMA to inject money into the system. The action was triggered automatically after the exchange rate hit HK$7.7500 to US$1 during New York trading, an HKMA spokesman said.

Banks hear Yam plea to start lending again: HK Monetary Authority chief Joseph Yam is strongly urging local banks to start lending again, warning them they need to do their part in supporting the economy. "It is in difficult times like these that the banks are particularly called upon to bear the important responsibility to keep the economy going," Yam said. "I am sure bankers in HK are aware of their heavy responsibility and the implications of their actions on the well-being of HK."

Outlook gloomy as city slips into recession: HK's economy has fallen into recession. Government data for the three months from July to September shows that the economy shrank 1.4%, following a fall of 0.5% in the previous quarter. A recession is commonly defined as two consecutive quarters of economic contraction. The dire outlook was reflected in the government's decision to cut its official full-year growth forecast to between 3 and 3.5% from 4 to 5%. "HK's small, open economy and trade dependence exposed it to the impact of the financial crisis, which derailed the economic upturn HK enjoyed in the past four years," government economist Helen Chan said. "The risk of a more prolonged and protracted global economic downturn has increased."

Flat prices fall by 18pc to last year's levels: The average flat price in HK has dropped 18.33% since the end of June and returned to last year's early-November price levels, according to the property benchmark Centa-City Index. The index, which includes the transaction prices of flats in 86 of HK's housing estates every week, shows that property prices dropped sharply after the outbreak of the global financial crisis.

Apartment rents fall 12pc in three months: Battered by the financial crisis and weak property market sentiment, flat rents fell 8% last month from September, bringing the decline to more than 12% in three months. Average rents fell to HK$15.90 per square foot last month - a return to the level of a year ago - from HK$17.30 in September. The demand for the lease of luxury flats remains strong, though more expatriates are expected to be moving out of HK amid the financial crisis.

Central office rents may drop 60pc: Souring business sentiment and expectations of further lay-offs as HK's financial sector continues to reel from the impact of the global credit crisis could see office rents in Central decline by up to 60% over the next two years, analysts warn. Their grim revisions to earlier relatively optimistic forecasts that the city's commercial property market might be spared the worst of the crisis follow news that the mainland's economic growth is decelerating faster than expected and mounting job losses in the local financial sector are likely to continue.

Exchange Fund heading for first full-year loss: HK's Exchange Fund, the reserve that backs the HK dollar, is set to record a full-year loss for the first time in its history. The fund posted a HK$83.3 billion loss for the first nine months due to the global financial crisis. "The situation deteriorated even more abruptly moving into

October and November," Joseph Yam, chief executive of the HK Monetary Authority, told the Legislative Council.

Domestic politics

First-half deficit tops HK$48b ... and rising: The government's deficit for the first half of this financial year reached HK$48.6 billion, with financial experts saying it might top HK$50 billion for the full year amid the economic slowdown. The government announced that expenditure from April to September was HK$128.5 billion and revenue HK$79.9 billion, resulting in a deficit of HK$48.6 billion. It was the largest first-half deficit since 2003, when severe acute respiratory syndrome was hitting the city.

Called to account: Lawmakers made an unprecedented decision to investigate HK's financial system, with a vow to "uphold justice" and get to the bottom of why thousands of investors lost money on investment products backed or guaranteed by collapsed US investment bank Lehman Brothers. Legislators across the political divide came together to pass a controversial motion to evoke the Legislative Council (Powers and Privileges) Ordinance to investigate the minibond debacle. More than two-thirds of the 56 members present - 20 from the functional constituencies and 27 from the geographical constituencies - voted in support of the motion.

$100b plan promises 40,000 building jobs: A government proposal to spend HK$100 billion on construction projects to create jobs will soon be submitted to the Legislative Council for approval, legislators were told. Secretary for Development Carrie Lam told a development panel meeting that 10 large infrastructure and community projects, such as the Central land reclamation, and other minor works are being planned.

Regulators to face scrutiny: Lawmakers passed a motion to review the city's four major financial regulators to decide whether the government should improve them. The move comes amid a chorus of complaints about regulatory oversight and overlapping in scandals related to sales of Lehman Brothers minibonds and Citic Pacific's foreign currency losses.

Transborder affairs

Tsang urges the mainland to help local companies: Chief Executive Donald Tsang has proposed to mainland authorities that they introduce measures to help local companies cope with the financial turmoil. Returning from a tour to Dongguan, Guangdong, Mr Tsang said the government had spelled out the hardships faced by HK-based firms on the mainland. "In the face of the global credit crunch and economic downturn, the government is highly concerned about the difficulties faced by HK enterprises on the mainland," he said. "HK enterprises are concerned that in complying with the Labour Contract Law, labour costs will surge, flexibility in managing human resources will be undermined, and labour disputes will arise," Mr Tsang said.

Shenzhen vows to help HK firms in survival fight: Shenzhen authorities vowed to give ample help in the form of credit, land and market access to HK businesses struggling to survive the global economic crisis. In a two-hour, closed door meeting, Mayor Xu Zongheng told Chief Secretary Henry Tang that they would pay close attention to the situation confronting HK factory owners in Shenzhen. Mr Xu promised that details about cost-cutting, market access, financing and industrial transformation would be unveiled soon. "We have the responsibility to help HK enterprises in Shenzhen. They are the first to invest here and represent 60% of foreign investors," Shenzhen mayor Xu Zongheng said.

No relief for HK manufacturers: HK manufacturers emerged from a brief meeting with Guangzhou party chief Wang Yang with little to encourage them amid the financial crisis. They received no good news, such as easier credit from mainland lenders or a relaxation of the controversial labour law that manufacturers say has added to their business costs and limited their flexibility. Mr Wang only recognised the role HK and Macau manufacturers played in the economy of the Pearl River Delta, saying they were the foundation of the region's economic development. "We support all measures which can strengthen enterprises' development in the region," he said. But he fell short of providing them with the quick fixes they had been lobbying for to cope with the financial crisis.

Construction of bridge could start next year: Construction of the HK-Macau-Zhuhai bridge could begin next year after the three governments agreed to start looking for design contractors without waiting for Beijing's final approval. HK, Macau and Guangdong will advertise for tenders for the design work, and HK's Secretary for Transport and Housing Eva Cheng said she hoped construction could begin next year instead of 2010 as originally planned.

Legal affairs and human rights

Ip sticks to guns on scrapping maid levy: Independent legislator Regina Ip said she intends to pursue a bid to see the levy on foreign maids scrapped even though the government has threatened to scuttle any debate on the issue by seeking a judicial review. The levy was suspended for two years from August as part of government inflation-busting measures but is to be reinstated in August 2010. However, Ip is proposing an amendment bill that seeks to ban it permanently. The government maintains that scrapping the levy will have an impact on government expenditure, so Ip's move may breach Article 74 of the Basic Law. That prevents lawmakers from introducing bills related to public expenditure.

Banks agree on formula for Lehman minibonds buyback: Banks have agreed a formula to calculate the value of Lehman Brothers-linked minibonds and all series of the failed products are expected to be bought back by banks early next month, the HK Association of Banks said.

UN committee hears HK rights group concerns: The United Nations Committee Against Torture heard the concerns of HK rights activists about police strip-searching procedures and the lack of a clear government policy on asylum seekers. The views were put forward as the Geneva-based committee began a hearing on human rights in HK. Government representatives and non-government organisations were attending the meeting. Speaking from Geneva, Human Rights Monitor director Law Yuk said the group had stated in a paper presented to the committee that arbitrary strip-searching in HK has become a matter of grave concern, leading to substantial numbers of unjustified searches.

Cash gloom no bar to low wage push: The government is to press ahead with minimum wage legislation despite the financial tsunami. But Secretary for Labour and Welfare Matthew Cheung pledged the economic situation will be taken into account before setting a minimum level. He said the minimum wage should be in place by the first half of 2010 at the earliest.

Setback on minibonds: Local banks have notified the HK government they are now facing a devastating legal hurdle that, if unresolved, will halt their plans to buy back Lehman Brothers-linked minibonds from their weary customers. The buyback program was originally scheduled to kick off at the beginning of next month. However, banks have received legal advice that buyback plans may come into conflict with US bankruptcy laws, sources said.

Health

Bravo for HK as tots get free jabs: HK has been praised for being the first Asian region to give free vaccines to children under two years old against a bacterial disease that may lead to meningitis, sinusitis and sometimes death. In his recent policy address, Chief Executive Donald Tsang said the government would incorporate the pneumococcal conjugate vaccine into its childhood immunization program in the third quarter of next year. The move will benefit about 70,000 newborns a year.

Specialists and surgeons start to feel the pinch: Private specialists and surgeons are starting to feel the effects of the financial crisis, with some complaining they are losing business as patients opt for cheaper public services or postpone non-urgent operations. Private surgeon Chu Kin said a number of specialists across the city had told him business had fallen by 10 to 40%. The most affected areas were cosmetic surgery and Lasik eye surgery.

Environment

Lawmakers urge clear road map to achieve a low-carbon economy: Lawmakers endorsed a motion urging the government to set a clear road map and timetable to turn HK into a low-carbon economy. Moved by Civic Party chief Audrey Eu, the motion passed with little controversy. The legislators were generally dissatisfied with what they claimed was the government's failure to enact clear targets to cap greenhouse gas emissions, as well as a framework and timetable to achieve that.

Culture and education

School fees to rise: The Education Bureau has approved fee increases at 63 international and private schools, with one school raising its fees by as much as 40%. Twenty international schools of the 23, which had applied for tuition fee increases were allowed to raise their fees by less than 10%.

Academics urge action to lift city's status as higher education hub: Academics are stepping up calls for the government to set up a centralised agency to boost HK's status as a regional education hub. A HK Institute of Education study has found that despite rising demand in Asia for overseas study, the city's higher education is not well known in the region.

Macau

Macau casinos rake in less as VIP bets fall: Casino revenues in Macau shrank for a second month last month as Beijing's five-month-old crackdown on visits to the city by mainlanders continued to weigh on its gaming and tourism sectors. The contraction came after September's casino revenues fell 0.8% from a year ago to 7.08 billion patacas. That came in stark contrast to the 51.6% expansion in the first eight months of the year.

Ho launches $13b stimulus package to revive Macau: Macau Chief Executive Edmund Ho, in probably his last policy address, announced a HK$13 billion package of infrastructure development, tax and mortgage concessions and cash handouts to boost the economy. Ho, who has run the territory for nine years, is expected to step down in December next year.

Macau won't rescue troubled casino firm: Macau Chief Executive Edmund Ho quashed hopes that the Macau government would come to the rescue of troubled casino developer Las Vegas Sands after the company was forced to suspend construction of a US$3.3 billion Cotai resort complex. "The government has no plan to help Sands with its financing," Mr Ho said at a press briefing after delivering his annual policy address to the Legislative Assembly. He said that if the company collapsed, the government would take over the running of its casinos until it found a buyer.

Up to 11,000 jobs face axe at Macau Sands: More than 9,000 workers, including 4,000 from HK, are being sacked from Las Vegas Sands' construction sites in Macau and the jobs of 2,000 more are in doubt in what is believed to be the Pearl River Delta region's biggest layoffs. The troubled US casino operator has suspended development projects including four major hotels in the Cotai Strip resort district for up to six months, leading to the job cuts that also involve 5,000 mainlanders.

Sands says policies share blame for stoppage: Mainland and Macau government actions were partly to blame for Las Vegas Sands Corp's decision to halt work on a US$3.7 billion Cotai casino complex, president and CEO William Weidner said. "There have been some changes in the central government's attitude towards Macau," Mr Weidner said. "We don't think it's necessarily all that prudent to put more money in until we see how that attitude works its way out." Las Vegas Sands said it would lay off up to 11,000 construction workers in Macau after the financial crisis forced it to suspend the building of a 6,400-room resort opposite the Venetian.

Wynn defends Beijing rules on Macau visits: Casino developer Steve Wynn sought to defend measures by the central and Macau governments to restrict mainlanders from travelling to the gaming city and rejected criticism of those policies by a top executive at Las Vegas Sands Corp. "The government attempt to moderate the impact of explosive growth in Macau was well considered and well timed," Mr Wynn said. "There's no question the economy had been overheated. If people who work for us can't afford to live in apartments in the city, that is surely a sign that expansion had been too rapid."

Varia

HSBC staff tell of tears, tension as job cuts hit local branches: Sacked HSBC staff wept as they packed their belongings after being told by their managers they were being dismissed. They were given the termination letters at about 5pm and told to leave immediately. The news came at the end of a day in which staff said the atmosphere around the branches was tense amid rumors of mass layoffs. Affected staff were called in to see their supervisors and given a letter of termination of service, bank sources said. The sacked included customer relations managers, financial services officers, tellers, office assistants, and even cleaners and janitors.
Some were said to have worked at the bank for 10 years.

Young, educated people tipped to join ranks of the homeless: Welfare groups say the government should prepare for a new class of young and relatively well-educated people joining the ranks of street sleepers in HK, which are expected to grow as the recession forces more people into poverty. Usually, most street sleepers are single elderly men or drug addicts. But food banks have said they are already dealing with former professional and middle-class people who have fallen on hard times, and social workers say some of these could end up on the streets.

Airport set to expand despite economic crisis: The government is determined to press ahead with expansion of the airport in the next five years, despite a continuous decline in air traffic since the start of the financial meltdown. Preliminary findings from a study of a master plan for Chek Lap Kok to 2030 would be made public in July, a government source said, adding that the target to double runway capacity from 55 to nearly 100 aircraft movements an hour had not changed. Passenger numbers and cargo volume at the airport have been declining since August. Cargo fell 7.5% year on year in September and 9.2% last month, while passenger numbers shrank 4.7% and 1.4%.

Press articles related to Switzerland and Swiss matters

UBS warns of 6b franc hit even after state rescue (SCMP, 5.11.2008): UBS says a government bailout is helping to stem client money outflows but warns that it could take a 6 billion Swiss franc hit in the fourth quarter because of accounting effects. The world's largest wealth manager had already reported most of its third-quarter figures, including a small profit, last month, when it announced it was getting a 6 billion franc capital injection from the government and was also unloading US$60 billion of risky assets into a central bank fund.

UBS ex-boss renounces multi-million payout (SCMP, 11.11.2008): Former UBS AG chief executive Peter Wuffli has renounced 12 million Swiss francs in payments he was to receive under his contract when Switzerland's largest bank fired him as the subprime crisis began, the bank said on Sunday. The move by Mr Wuffli adds to pressure on other former UBS top managers, including former chairman Marcel Ospel, to give back bonuses and other payments credited to them by the bank as it ran up such losses that it received a near US$60 billion bailout package from the Swiss government last month.

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