Hong Kong, 28th May 2020

Hong Kong: Economic Report 2019

Executive Summary

The Hong Kong economy went through a difficult year in 2019. It was already hit by softening global economic growth and US-Mainland trade tensions in the first half of the year and then worsened abruptly in the second half of the year. The proposed extradition bill (eventually withdrawn in October 2019) led to protests and violent clashes that dealt a heavy blow to economic sentiment as well as consumption- and tourism-related activities. The GDP contracted by 1.2% in 2019, the first annual decline since 2009.

The economic recession deepened in the first quarter of 2020, as the threat of COVID-19 seriously disrupted inbound tourism, local economic activities and supply chains in the region. The GDP declined sharply by 8.9%, the worst for a single quarter on record. Economic outlook is subject to very high uncertainties, hinging crucially on the evolving global public health and economic implications, even though Hong Kong has been doing quite well to curb the pandemic recently. In view of the severe global economic impact of the pandemic, the GDP growth forecast for 2020 was downgraded to between -4% and -7%.

Since the beginning of this year, the Government has launched three rounds of relief measures totalling about US$ 37 billion. Main measures include: cash subsidies to affected industries, cash payout to Hong Kong permanent residents, reduction of salary tax and profits tax, Special 100% Loan Guarantee (loan offered by banks for which the Government provides guarantee), Employment Support Scheme and etc.

In 2019, Swiss exports to Hong Kong, which accounted for about 3.2% of global Swiss exports, totalled about CHF 9.9 billion (-37%). The biggest two export items were unwrought gold (31% of total, -66%) and watches & clocks (27% of total, -11%). It is noteworthy that huge volume of above mentioned gold (unwrought) is re-exported via Hong Kong to China. In 2019, such re-exports fell to CHF 5.8 billion (-57%) in total, the lowest in the last six years. The drop of Swiss exports was mainly characterised by the fall of re-exports of gold unwrought as well as weak market performance of watches and luxury goods due to social unrest. On the other hand, Switzerland imported from Hong Kong amounted to CHF 3.8 billion (-0.8%).

Hong Kong's imports of services from Switzerland reached to US$ 0.5 billion in 2018. It consisted of travel (23%), financial services (23%), transport (19%), charges for the use of intellectual property (15%), other business services (9.6%) and insurance services (5.9%). Hong Kong's exports of services to Switzerland amounted to US$ 1.1 billion in 2018. It consisted of other business services (37%), financial services (26%), transport (23%) as well as telecommunication services (6.6%).

1. Economic problems and issues

The Hong Kong economy went through a difficult year in 2019. It grew modestly by 0.6% in the first half of the year amid softening global economic growth and US-Mainland trade tensions. It then worsened abruptly by contracting 2.9% in the second half of the year as the proposed extradition bill (eventually withdrawn in October 2019) led to protests and violent clashes that dealt a heavy blow to economic sentiment as well as consumption-and tourism-related activities. For 2019 as a whole, the economy contracted by 1.2%, the first annual decline since 2009.

Private consumption expenditure posted the first annual decline since 2003. Overall investment expenditure recorded the biggest drop in two decades, with machinery and equipment acquisition falling sharply and building and construction expenditure weakening further. Labour market, though already under pressure, was comparatively stable with unemployment rate at 2.9%.

The economic recession deepened in the first quarter of 2020, as the threat of COVID-19 seriously disrupted inbound tourism, local economic activities and supply chains in the region. The GDP contracted sharply by 8.9%, the worst for a single quarter on record. All major components such as exports of goods and services, imports of goods and services, private consumption expenditure and investment expenditure fell sharply. Labour market also worsened with unemployment rate soaring to 5.2% in Feb.-April 2020, the highest in over a decade.

With the pandemic causing a severe contraction of global economic activity, Hong Kong's exports will remain under notable pressure. Besides, the developments in US-Mainland economic and trade relations as well as global financial market volatility continue to warrant attention, though Hong Kong has been doing quite well to contain the pandemic recently. Hong Kong's economic outlook is subject to very high uncertainties, hinging crucially on the evolving global public health and economic implications. In view of the severe global economic impact of the pandemic, the GDP growth forecast for 2020 was downgraded to between -4% and -7%.

Since the beginning of this year, the Government has launched three rounds of relief measures totalling about US$ 37 billion. Main measures include: cash subsidies to affected industries, cash payout to Hong Kong permanent residents, reduction of salary tax and profits tax, Special 100% Loan Guarantee (applicable to all sectors and the loans will be fully guaranteed by the Government), Employment Support Scheme (Government provides wage subsidies to eligible employers to retain their employees in return for employers undertaking not to implement redundancy). Swiss companies in Hong Kong can also benefit from these relief measures such as loan guarantee, wage subsidies, subsidies to various business sectors and reduction of profits tax.

The Government runs a fiscal deficit about US$ 4.8 billion or 1.3% of GDP in 2019-20, the first time for Hong Kong over the past 15 years. Fiscal reserves are estimated to reach US$ 145 billion by 31st March 2020. Regarding 2020-21, taking into account the impact of the external economic environment, the hit by Covid-19, economy under contractionary pressure and huge relief measures, the fiscal deficit will rise to about US$ 35.9 billion or 9.5% of GDP. Nevertheless, strong fiscal reserves can provide a buffer for fiscal deficit unless it turns to a structural one.

Since 1983 the Hong Kong dollar has been linked to the US dollar at the rate of HK$ 7.8 to one US dollar. It is in essence a Currency Board system, which requires both the stock and the flow of the Monetary Base to be fully backed by foreign reserves. Owing to the dollar peg, local interest rate policy is mainly influenced by the actions of the US Federal Reserve.

2. International and regional economic agreements

2.1 HK's policy and priorities

Hong Kong is a free port which thrives on free trade. The cornerstone of this approach is a strong and credible multilateral trading system. Hong Kong is a founding member of the World Trade Organization. Hong Kong belongs, in its own right, to the World Customs Organization.

Hong Kong has signed eight free trade agreements, respectively with the Mainland of China (Closer Economic Partnership Arrangement CEPA June 2003), New Zealand (March 2010), the Member States of the European Free Trade Association EFTA (including **Switzerland**) (June 2011), Chile (September 2012), Macao (October 2017), the Association of Southeast Asia Nations (ASEAN) (November 2017), Georgia (June 2018) and Australia (March 2019). The one with the EFTA States, entered into force 1st October 2012, is Hong Kong's first free trade agreement with European economies. Hong Kong has also concluded the Free Trade Agreement negotiation with Maldives.

As CEPA is a living agreement, Mainland China and Hong Kong have broadened and enriched the content of CEPA between 2004 and 2019. Under the latest amendment signed in November 2019, it added some liberalisation measures in financial services, legal services, construction and related engineering services, testing and certification, television, motion pictures and tourism services. The Agreement will be implemented on 1st June, 2020.

Furthermore, Hong Kong has signed investment promotion and protection agreements with 22 countries including the ASEAN, Australia, Austria, Belgo-Luxembourg Economic Union, Canada, Chile, Denmark, Finland, France, Germany, Italy, Japan, Korea, Kuwait, Mexico, the Netherlands, New Zealand, Sweden, **Switzerland**, Thailand, United Arab Emirates and the United Kingdom. It concluded negotiation (pending signing) with Bahrain, Maldives and Myanmar and while negotiation with Iran, Russia and Turkey are in progress.

Hong Kong has entered into Comprehensive Double Taxation Agreements / Arrangement (CDTAs) with 43 jurisdictions including **Switzerland** (which entered into force in October 2012)**.** 14 countries/territories are still under negotiation. In addition, it has entered into Tax Information Exchange Agreements with 7 jurisdictions.

Hong Kong's network for tax information exchange has been expanded since the Convention on Mutual Administrative Assistance in Tax Matters came into force in Hong Kong on 1st September 2018. Consequently, the Inland Revenue (Amendment) (No. 2) Ordinance 2019 increased the number of reportable jurisdictions from 75 to 126 with effect from 1st January 2020.

As of February 2020, Hong Kong has activated automatic exchange of financial account information (AEOI) with 60 jurisdictions through bilateral Competent Authority Agreements (bilateral CAA) and Common Reporting Standard Multilateral Competent Authority Agreement (CRS MCAA). First exchange between **Switzerland** and Hong Kong started in 2019.

Outlook for Switzerland

The economic agreements signed by Hong Kong present no discrimination against Swiss importers and exporters. The CEPA signed with Mainland China is nationality neutral. Therefore Swiss companies incorporated in Hong Kong can enjoy the full benefits of CEPA.

2.2 Economic integration with Mainland China and Offshore Renminbi Centre

Hong Kong is the most important entrepôt of Mainland China. According to the HKSAR government statistics, 55% of re-exports were of China origin and 56% were destined for China in 2019. According to China's Customs statistics, Hong Kong is the third largest trading partner of China after the US and Japan, accounting for 6.3% of its total trade in 2019.

In 2018, Mainland China was the largest destination for Hong Kong's outward direct investment (US$ 747 billion or 41% of total) and the second largest investor country (US$ 528 billion or 27% of total) in Hong Kong.

Hong Kong is also a key offshore capital-raising centre for Chinese enterprises. As of December 2019, 1,231 mainland companies were listed in Hong Kong, comprising H-share, red-chip and private companies, with total market capitalisation of around US$ 3.4 trillion, or 73% of the market total. Since 1993, mainland companies have raised more than US$800 billion via stock offerings in Hong Kong.

Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect were launched in November 2014 and December 2016 respectively. As regards the northbound trading, the average daily turnover reached to RMB 41.7 billion (about US$ 6 billion) in 2019, an increase of 104% from the preceding year. The China Securities Regulatory Commission and the Hong Kong Securities and Futures Commission approved the mutual recognition scheme which would allow cross-border fund sales between Hong Kong and the mainland in 2015. The mutual bond market access between Hong Kong and Mainland China (Bond Connect) was also launched In July 2017. In 2019, Bond Connect recorded 109 trades daily on average. The daily turnover averaged RMB 10.6 billion (about US$ 1.5 billion), almost tripling the 2018 records.

Based on the traditionally close economic and trade relations with Mainland China, the HKSAR Government is positioning Hong Kong as the so called “super connector” within the Belt and Road initiative of the Central Government in Beijing.

Hong Kong was the first offshore market to launch renminbi business back in 2004. Since then, Hong Kong has become the global hub for renminbi trade settlement, financing and asset management, where a wide range of renminbi products and services are available to meet the needs of businesses, financial institutions and investors.

Renminbi activities in Hong Kong are supported by the renminbi liquidity pool in Hong Kong, which is the largest outside Mainland China. RMB customer deposits and outstanding certificates of deposit in Hong Kong dropped to RMB 632 billion or about US$ 90 billion (-3.9%) at end-2019. Hong Kong is the global hub for trade settlement in renminbi, serving both local and overseas banks and companies. In 2019, renminbi trade settlement handled by banks in Hong Kong rose to RMB 5,376 billion or about US$ 672 billion (+28%).

At end-2019, regarding offshore RMB financing, the outstanding balance of RMB loans increased to RMB 154 billion or about US$ 22 billion (+46%). Outstanding RMB bonds dropped moderately to RMB 169 billion (about US$ 24 billion). In November 2018, the People’s Bank of China (PBoC) started to issue bills in Hong Kong, which aims to enrich the spectrum of high quality renminbi financial products here. Outstanding PBoC bills amounted to RMB 80 billion (about US$ 11 billion).

Daily average turnover of Hong Kong's renminbi Real Time Gross Settlement (RTGS) system amounted to RMB 1,100 billion (about US$ 157 billion) in 2019, about 55% higher than that in 2014, demonstrating RMB financial activities supported by the huge RMB liquidity pool in Hong Kong.

In February 2019, the Central Government promulgated the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). The Central Government introduced new policy measures for taking forward the development of the Greater Bay Area to facilitate Hong Kong residents to develop, work and reside in the Mainland cities of the Greater Bay Area, as well as strengthen the convenient flow of people and goods within the Greater Bay Area.

The People's Bank of China together with financial regulators in Mainland China released a plan, subject to the approval of the Chinese State Council, about financial development in the GBA on 14^{th} .May 2020. One of the proposed measures can be regarded as "Wealth Management Connect". Under this proposed scheme, residents of Hong Kong and Macau can buy wealth management products sold by Chinese banks in the region, while the inhabitants of the Guangdong cities can tap financial products sold by the banks in Hong Kong and Macau. Funds authorised by Securities and Futures Commission in Hong Kong will likely benefit if they are made available for sale throughout the GBA. If implemented, Swiss banks, insurance companies and fund managers in Hong Kong can make use of "Wealth Management Connect" to offer their products and services to the GBA.

3. Foreign trade

3.1 Development and general outlook

3.1.1 Trade in goods

Imports fell to about US$ 566 billion (-6.5%) in 2019. In 2009-2019, China remained the biggest supplier country by far. In value terms, it rose by 64% during this period. Taiwan and Singapore were the second and third biggest supplier and grew by 88% and 66% respectively in value terms since 2009. The importance of Japan as a supplier country dropped to the fourth and recorded a moderate growth of 6.9% in value terms if compared with 2009. Major import products were electrical machinery, apparatus & parts; telecom equipment and office machines/computers. Electrical machinery, apparatus and parts has often been the largest commodity group of Hong Kong's imports. Its share of total imports raised from 27% in 2009 to 38% (or US$ 214 billion in value) in 2019. On the other hand, telecom equipment recorded a moderate increase in its share of total imports from 14% in 2009 to 16% in 2019. Office machines/computers remained rather flat from 9.2% in 2009 to 8% in 2019.

Total exports of Hong Kong dropped to about US$ 511 billion (-4.1%) in 2019. Major export markets were China, the US, Japan, India and Taiwan. Major export products were electrical machinery, apparatus and parts (39%), telecom equipment (18%) and office machines/computers (10%).

Hong Kong is a service economy while manufacturing accounts for only 1% of its GDP. The manufacturing sector has undergone a substantial relocation and restructuring process during the 1980s and early 1990s. Hong Kong has now a trans-boundary manufacturing base in China and other economies. Domestic exports represent only 1.1% of total exports whereas re-exports constitute 98.9% of total exports. Outward processing activities plays an important role in Hong Kong trade with China. In 2019, about US$ 72 billion (25% of total, -8.3%) of Hong Kong's total exports to China were for outward processing in China.

There are no regulatory measures impinging on international trade other than those required to discharge international obligations or to protect health, environment and access to hi-technology.

3.1.2 Trade in services

Exports of services increased to US$ 114 billion (+9.3%) in 2018 (latest available information[1]). Major items included: travel (33% of total), transport (29%), financial services (20%) and other business services (13%). In 2018, exports of services by main destinations were China (40% of total), the US (14%), the UK (8.2%), Japan (4.2%) and Singapore (4.1%).

Import of services amounted to US$ 82 billion (+5.6%) in 2018. Major items included: travel (32% of total), transport (23%), other business services (15%) and manufacturing services (15%). In 2018, imports of services by main sources were China (38% of total), the US (11%), Japan (8.3%), the UK (6%) and Singapore (4.3%).

3.2 Bilateral trade

3.2.1 Trade in goods

According to the Hong Kong Census and Statistics Department, Switzerland was Hong Kong's 12th largest supplier and 15th largest export market in 2019[2] .

According to the Swiss Federal Customs Administration, Swiss exports to Hong Kong totalled about CHF 9.9 billion (-37%) in 2019. The biggest Swiss exports were jewellery, precious metal, gold, silver and coins (60% of total, -48%). Among this category, gold unwrought or in semi-manufactured forms or in powder form (HS Code 7108) alone accounted for 31% of total Swiss exports to Hong Kong and dropped to CHF 3 billion (-66%). It has always been the biggest export item (between 31-83% of total exports) in 2013-2019 but with sharp fluctuations in volume worth CHF 2.6 – 9.7 billion. Gold unwrought of Swiss origin worth CHF 5.8 - 34 billion are re-exported via Hong Kong to China (which accounts for 59-94% of re-export consignments) and other countries in 2013-2019, according to the Census and Statistics Department, Hong Kong. In 2019, such re-exports to all consignments fell to CHF 5.8 billion (-57%), the lowest in the last six years.

Other major exports were watches and clocks (27% of total, -11%), chemical and pharmaceutical products (4.8 of total, -1.5%) as well as electrical & non-electrical machinery (3.1% of total, -5.4%).

The drop of Swiss exports to Hong Kong last year was mainly characterised by the fall of re-exports of gold unwrought or in semi-manufactured forms or in powder form (HS Code 7108) via Hong Kong as well as weak market performance of watches and luxury goods.

In 2019, Swiss exports to Hong Kong accounted for 3.2% of global Swiss exports, the third largest Swiss export market in Asia after Mainland China and India. At the same time, Switzerland got a trade surplus worth CHF 6.1 billion.

Switzerland's imports from Hong Kong amounted to CHF 3.8 billion (-0.8%) in 2019. Major imported products included jewellery, precious metal, gold, silver and coins (86% of total, -0.8%), watches and

[1] Trade in services figures for 2019 will only be available by Feb. 2021.
[2] Hong Kong official trade figures do not include trade in gold, silver and coins

clocks (8.6% of total, -1.9%), electrical & non-electrical machinery (2.6% of total, +4.9%) as well as works of arts and antiques (1% of total, +27%).

The bilateral trade figures compiled by the Swiss Federal Customs Administration differ greatly from that of the Hong Kong Census and Statistics Department because Hong Kong official trade figures do not include trade in gold, silver and coins.

According to the Hong Kong Census and Statistics Department, Swiss products worth US$ 3.4 billion (38% of Swiss imports to Hong Kong) were re-exported via Hong Kong to other countries and notably to China (US$ 0.82 billion) and Macao (US$ 0.84 billion) in 2019. Major Swiss products via Hong Kong to China were watches and clocks, measuring instruments, perfumery and cosmetics as well as jewellery and goldsmiths' wares. Major Swiss products via Hong Kong to Macao were watches and clocks, jewellery and goldsmiths' wares, perfumery and cosmetics and medicaments.

According to the Hong Kong Census and Statistics Department, products of Chinese origin worth US$ 1.4 billion were re-exported to Switzerland via Hong Kong in 2019. Major products were watches and clocks, telecom equipment, jewellery and goldsmiths' wares and footwear.

The economy of Hong Kong has been hit by US-Mainland trade tensions, social turmoil (anti-government protests) and most recently the spread of the pandemic. The key growth engines such as exports, retails and investments are left in limbo. The drastic setback in inbound tourism has seriously affected the sales of luxury products including watches. Exports of Swiss watches to Hong Kong fell by 11% year-on-year in 2019 and further dropped by 36% in the first quarter of this year. According to an industry source, visitors from Mainland China account for at least 75% of sales of Swiss watches in general. The Hong Kong Tourism Board admitted that it was difficult to predict when the industry would recover and did not anticipate a V-shaped rebound.

The pandemic has brought many new challenges for healthcare, business and daily life. Innovation and technology will play a key role not only during the spread of the pandemic but also beyond the pandemic. There will be more demands and business opportunities for Medtech, Biotech, Fintech, 5G network, big data, artificial intelligence, cloud technology, technologies and applications for tracking, logistics, remote works, online shopping, distance learning and virtual meetings.

3.2.2 Trade in services

According to the Hong Kong Census and Statistics Department, Hong Kong's imports of services from Switzerland reached to US$ 0.5 billion (0.7% of total imports of services, +20%) in 2018. Switzerland ranked 19th largest supplier in this category. It consisted of travel (23%), financial services (23%), transport (19%), charges for the use of intellectual property (15%), other business services (9.6%), insurance services (5.9%) as well as telecommunication and information services (2.5%).

Hong Kong's exports of services to Switzerland amounted to US$ 1.1 billion (1% of total exports of services, +8%) in 2018[3]. Switzerland ranked 17th largest market for Hong Kong's exports of services. It consisted of other business services (37%), financial services (26%), transport (23%), telecommunication and information services (6.6%) as well as charges for the use of intellectual property (1.2%).

[3] The trade in services figures for 2019 will only be available by Feb. 2021.

4. Direct Investments

4.1 Development and general outlook

According to the Hong Kong Census and Statistics Department, at the end of 2018 (latest available information)[4], the stock of Hong Kong's inward direct investments rose by 1.3% to US$ 1,972 billion. Major investor countries were the British Virgin Islands BVI (32% of total), China (27%), Cayman Islands (8.1%). the UK (7.9%) and Bermuda (5.2%).

Mainland China was the largest destination for Hong Kong's outward direct investment (US$ 747 billion or 41% of total) in 2018. Guangdong Province remained a popular location for Hong Kong's outward direct investments in China, accounting for US$ 193 billion. The BVI ranked the second (34%), followed by Cayman Islands (3.6%) and Bermuda (2.4%).

Mainland China and the BVI were both the major sources as well as the major destinations of Hong Kong's direct investments. The substantial cross-boundary investment between Hong Kong and the Mainland reflected the close economic links between the two places. Moreover, the importance of offshore financial centres such as the BVI, Cayman Islands and Bermuda to Hong Kong's external direct investments was due to their popularity (factors including taxation reasons and relaxed regulatory control) for some Hong Kong enterprises in setting up non-operating companies to channel direct investment funds back to Hong Kong or to other places, and also for some non-resident enterprises in re-directing funds to Hong Kong.

In Hong Kong, there is neither restriction on inward and outward investments nor nationality restrictions on corporate or sectorial ownership.

4.2 Bilateral investment flows

According to the Hong Kong Census and Statistics Department, Swiss direct investments in Hong Kong were about US$ 11.6 billion (0.6% of total, +2.3%) in 2018.

The Swiss share in foreign direct investments is rather stable. It accounted for about 0.6-0.8% (in average) of total foreign direct investments between 2000 and 2018.

As at 1st June 2019, there were 245 Swiss companies operating in Hong Kong: 55 regional headquarters, 85 regional offices and 105 local offices. They are classified in various sectors: banking, beauty products, chemicals & pharmaceuticals, consultants, electronics, food and beverage, freight forwarding, inspection, insurance, machinery/engineering, textiles & garments, watches/jewellery and trading houses, etc.

According to the Hong Kong Census and Statistics Department, ranking of Switzerland as an investor country in 2018 is not available. The Department also added that due to precision consideration, statistics of outward direct investment of Hong Kong to Switzerland for 2018 cannot be provided.

[4] Investment figures for 2019 will only be available by Dec. 2020.

5 Trade, economic and tourist promotion

5.1 Foreign economic promotion instruments

Swiss Business Hub Hong Kong

The Swiss Business Hub (SBH) was officially opened in October 2012, emphasizing the solid economic ties between Switzerland and Hong Kong. Its priority aims in particular to support Swiss SMEs in their entry to the Hong Kong market, nowadays mainly through local distributors. In addition to supporting exports of services and products, the SBH is now also actively promoting Switzerland as an investment hub in the centre of Europe.

The Swiss Chamber of Commerce in Hong Kong (SwissCham)

It is an organization with the mission to provide business platform and networking for Swiss companies and individuals in Hong Kong. It represents the Swiss business community to both the Swiss and HKSAR governments. For details, please visit its website http://cn.swisscham.org/.

Swiss-Chinese Chamber of Commerce/Swiss-Hong Kong Business Association

The Swiss-Chinese Chamber of Commerce and Swiss-Hong Kong Business Association are non-profit associations registered in Switzerland. For details, please visit its website https://www.sccc.ch/.

The Federation of the Swiss Watch Industry

The Federation of the Swiss Watch Industry (FH) is a private, professional and non-profit association which defends the watch industry's interests and contributes to its development. For details, please visit its website www.fhs.hk.

5.2 Hong Kong interest in Switzerland

Tourism, education and other services

Switzerland Tourism organises media trips, travel talks in the media and travel seminars on regular basis. It focuses on promoting longer stay & experience traveling ---cultures/outdoor activities for novice to professional. All the above activities help to promote Switzerland in excellent image and top quality branding. ST Hong Kong promotes Switzerland’s tourist industry in Hong Kong, Macao and Southern China. There were 191,765 overnights stay in total (+23%) from Hong Kong visitors in 2019.

There were about 300 Hong Kong residents studying in Switzerland in 2019.

Interests for Switzerland as a location for investment, potential for development

Some Hong Kong companies have acquired Swiss watchmakers and producers of watch movements as means to extend marketing and distribution network, and/or to gain access to better technology and designs.

Apart from acquisitions, Switzerland as a location of international headquarters or research and development centres may be of interests to a limited number but well-established companies in Hong Kong.

Interests for Switzerland as a financial centre

The Hong Kong Monetary Authority co-organised the third Hong Kong-Switzerland Financial Dialogue with the State Secretariat for International Financial Matters (SIF) under the Swiss Federal Department of Finance on 12^{th} November 2019 in Bern. Representatives from governments and regulators from Switzerland and Hong Kong attended the Dialogue and discussed the latest development of green finance and fintech, opportunities arising from Mainland's financial open-up including the development of the Greater Bay Area, as well as some international financial policy issues.

Switzerland has a competitive edge in asset and wealth management business. The Swiss wealth management hub, as a world leader in this sector, benefits from political and economic stability, service quality, know-how of its workforce and renowned reputation. The rise of billionaire entrepreneurs and the super-rich, particularly in China and the rest of Asia, will present long-term growth opportunities for wealth management business, despite volatile global financial markets at present. Hong Kong is the 4^{th} wealthiest city in the world in terms of billionaires per inhabitant.

Hong Kong has spent more efforts on green and sustainable finance in recent years. Switzerland, as a pioneer in this field, can promote its visions and strengths on green and sustainable finance to both government authorities and private sectors in Hong Kong. Switzerland is in a good position to raise its international profile as home of sustainable finance.

Appendices

1. Structure of the economy
2. Essential economic data
3. Trading partners
4. Bilateral trade between Switzerland and Hong Kong
5. Main investor countries

Appendix 1

Structure of Economy (latest available information*)

	2010	2017	2018
Distribution of GDP*			
Primary Sector	0.1%	0.1%	0.1%
Secondary Sector	7%	7.6%	6.8%
Services	92.9%	92.3%	93.1%
- of which public administration, social and personal services	16.8%	18.2%	18.4%
Distribution of Employment	**2010**	**2018**	**2019**
Primary Sector	0.1%	0.1%	0.1%
Secondary Sector	11.6%	11.6%	11.3%
Tertiary Sector	88.3%	88.3%	88.6%
- of which public administration, social and personal services	25.6%	27.1%	28.2%

*This set of figure for 2019 will only be available by Nov. 2020
Source: Hong Kong Census and Statistics Department

Appendix 2

Essential Economic Data

	2017	2018	2019	2020
GDP (USD billion)	341.4	363.5	367.7	350-360*
GDP per capita (USD)	46,180	48,782	48,980	46,180-47,640*
GDP growth (%)	+3.8	+2.9	-1.2	-4 to -7*
Inflation (%)	+1.5	+2.4	+2.9	+2 (Jan-March)
Unemployment rate (%)	3.1	2.8	2.9	5.2% (Feb-April)
Fiscal balance (% of GDP)	5.2	2.1	-1.3	-9.5*
Current account balance (% of GDP)	4.6	3.7	6.3	6**
General government external debt (% of GDP)	1	0.9	0.9	unavailable
Total external debt (% of GDP)	462	468	454	unavailable
Debt-service ratio (% of exports)	***	***	***	***
Reserves (in months of imports)	36.8	33	39.3	unavailable

* HKSAR Government forecast
** IMF forecast
***HKSAR Government has not compiled this set of figures

Sources: HKSAR Government, IMF

Appendix 3

Trading Partners 2019

Rank	Country/region	Exports from HK (USD millions)	Share (%)	Growth* (%)
1	China	283,443	55	-3.3
2	USA	38,975	7.6	-15
3	Japan	15,514	3	-6.4
4	India	15,152	3	-12
5	Taiwan	11,317	2.2	+2.4
6	Vietnam	10,284	2	-3.6
7	Singapore	9,231	1.8	+4.1
8	Germany	8,890	1.7	-8.9
9	Netherlands	8,740	1.7	-4.4
10	Korea	7,251	1.4	-2.3
	EU	45,846	9	-6.1
15	**Switzerland**	**4,311**	**0.8**	**+18**
	Total	511,370	100	-4.1
Rank	**Country/region**	**Imports to HK (USD millions)**	**Share (%)**	**Growth* (%)**
1	China	263,858	47	-5.9
2	Taiwan	42,366	7.5	-2.4
3	Singapore	37,264	6.6	-7.5
4	Japan	32,385	5.7	-2.8
5	Korea	28,214	5	-21
6	USA	27,295	4.8	-7.9
7	Malaysia	20,769	3.7	-14
8	Thailand	10,932	1.9	-7.4
9	Vietnam	10,048	1.8	+19
10	India	9,590	1.7	-19
	EU	39,013	6.9	-0.3
12	**Switzerland**	**8,917**	**1.6**	**-0.3**
	Total	566,082	100	-6.5

*year-on-year basis
Remarks: The compilation of this table is based on the source from the Hong Kong Census & Statistics Department. It does not include trade in gold, silver and coins, which is different from the current approach of the Swiss Customs Administration. It therefore shows a huge contrast if comparing with Appendix 4 Bilateral trade Switzerland – Hong Kong.
Source : Hong Kong Census & Statistics Department

Appendix 4 Bilateral Trade Table

Bilateral trade Switzerland – Hong Kong

	Exports (CHF mio.)	Change %	Imports (CHF mio.)	Change %	Trade Balance	Volume (CHF mio.)
2005	4'012	-5.3 %	1'674	+52.4%	2’338	5'686
2006	4’694	+17.0%	1’457	-13.0%	3’237	6'151
2007	5'296	+12.8%	1'185	-18.6%	4'111	6'481
2008	6'219	+17.1%	1'440	+21.5%	4'779	7'659
2009	5’426	-12.7%	1'104	-23.3%	4’322	6’530
2010	6’535	+20.4%	1’636	+36.6%	4’899	8’171
2011	7’927	+20.9%	1’750	+0.4%	6’177	9’677
2012 (total 2)**	15’178	*	2’811	*	12’367	17’989
2012 (total 1)***	6’970	*	1’392	*	5’578	8’362
2013 (total 2)**	47’765	+215%	2’009	-29%	45’756	49’774
2013 (total 1)***	6’696	-3.9%	1’422	+2.2%	5’274	8’118
2014 (total 2)**	22’157	-54%	2’836	+41%	19’321	24’993
2014 (total 1)***	6’979	+4.2%	1’775	+25%	5’204	8’754
2015 (total 2)**	24’235	+9.4%	2’603	-8.2%	21’632	26’838
2015 (total 1)***	5’740	-18%	1’366	-23%	4’374	7’106
2016 (total 2)**	18’291	-25%	8’180	+208%	10’150	26’238
2016 (total 1)***	4’853	-15%	1’132	-17%	3’721	5’985
2017 (total 2)**	15’747	-14%	9’227	+13%	6’520	24’974
2017 (total 1)***	5’345	+10%	1’193	+5.4%	4’152	6’538
2018 (total 2)**	15’670	-0.5%	3’831	-59%	11’839	19’501
2018 (total 1)***	5’944	+11%	1’199	+0.4%	4’745	7’143
2019 (total 2)**	**9’873**	**-37%**	**3’801**	**-0.8%**	**6’072**	**13’674**
2019 (total 1)***	**5’524**	**-7.1%**	**1’296**	**+8.1%**	**4’228**	**6’820**

* The Swiss Customs Administration made changes to the way it calculates imports and exports as of 1 January 2012. Since then, comparisons between 2012 and the previous years have no longer been possible. Data on Switzerland's foreign trade in gold, silver and coins are contained in the general total (total 2) starting in the data for 2012 and correspondingly increases this level considerably.

** General total (total 2) includes gold bars and other precious metals, coins, precious stones and gems, work of art and antiques.

*** Economic total (total 1) does not include gold bars and other precious metals, coins, precious stones and gems, work of art and antiques.

Major products (general total, total 2)

Exports	2018 (% of total)	2019 (% of total)
Jewellery, precious stones and precious metals	72	60
Watches and clocks	19	27
Chemical and pharmaceutical products	3	4.8
Machinery (electrical and non electrical)	2.1	3.1

Imports	2018 (% of total)	2019 (% of total)
Jewellery, precious stones and precious metals	86	86
Watches and clocks	8.7	8.6
Machinery (electrical and non electrical)	2.5	2.6
Works of art and antiques	0.8	1

Source: Swiss Federal Customs Administration

Appendix 5

Major investor countries/regions 2018 (latest available information)

Rank	Country/Region	Direct investments (USD billion)	Share (%)	Growth (%)	Direct Investment Inflow during the year (USD billion)
1	British Virgin Islands	629	32%	-1.4%	36
2	China	528	27%	+6.4%	38
3	Cayman Islands	160	8.1%	+4.8%	-1.3
4	UK	155	7.9%	+319%	10
5	Bermuda	104	5.2%	+23%	6.4
6	Singapore	41	2.1%	-17%	-0.2
7	USA	37	1.9%	-11%	2.5
8	Japan	31	1.6%	-3.7%	3.2
9	Cook Islands	16	0.8%	+31%	1.5
10	Taiwan	14	0.7%	+5.1%	1
	European Union	161	8.2%	-5.9%	5
*	**Switzerland**	**11.6**	**0.6%**	**+2.3%**	**0.2**
	Total	1,972	100 %	+1.3%	105

*unavailable
Remarks: Investment figures for 2019 will only be available by Dec. 2020

Source: Hong Kong Census & Statistics Department