



Economic Report 2022

HONG KONG

30 May 2023

Executive Summary

In 2022, the **economy contracted by 3.5%** for the third time in four years, but the government forecasts economic growth of 3.5% to 5.5% for 2023¹. Economic activity was initially dampened by the fifth wave of the localised outbreak, coupled with external factors such as geopolitical tensions and the war in Ukraine. The pandemic and Beijing's influence have led to an **exodus from the city**² which led to a lack of talents; and the international image is tarnished. Actions taken by the Chinese and Hong Kong authorities continue to erode Hong Kong's social, legal and judicial systems. The economy is estimated to have lost USD27 billion in potential growth from the three years long isolation. Xi Jinping promises at least another 25 years of **"one country, two systems"**. Hong Kong's economy has rebounded strongly since reopening of its borders with mainland China (PRC), but could be hampered by rising interest rates, regional conflicts and a global slowdown. **Merchandise exports fell by 1.5%** y-o-y in March 2023 due to weak external demand. **Unemployment rose** in early 2022 before falling and is expected to fall further to 2.3% in 2023 as a whole, and the economy is expected to return to its 2018 level in 2024. Hong Kong's **fiscal reserves** remain strong at **USD107 billion** as of 31 March 2023, but reserves will decline further to USD98 billion. The **service sector** is the largest economic sector in Hong Kong, accounting for **93.4% of GDP** in 2020. Financial services, trade and logistics, tourism and professional services are the four pillar industries. Hong Kong is promoting innovation in fintech, artificial intelligence, gaming, health and sustainability such as green financing in order to boost market competitiveness and to strengthen connectivity with mainland. And implemented measures to attract **strategic enterprises and quality talents**.

The Foreign-source-income-exemption amendment was introduced in HKSAR in 2023 to address concerns over double taxation with the EU. **HKSAR remains on the EU's grey list** and will be required to make further legislative changes by the end of 2023.

Switzerland represents Hong Kong's 16th largest trading partner, and Hong Kong was Switzerland's 20th largest supplier and 14th largest export market. Total Swiss export of goods including gold bars and precious metals decreased by CHF2.3 billion (-24.2%) to CHF7 billion, while total Swiss import fell by CHF0.5 billion (-12.9%) to CHF3.7 billion. As a result, total trade volume fell by 20.6% (from CHF13.6 billion to CHF10.8 billion)³. **Gold dominates the bilateral trade**. Hong Kong serves as a **gateway for Swiss exports to mainland China**, with CHF2 billion of the total trade between Switzerland and the PRC passing through Hong Kong in 2022. Swiss direct investment in Hong Kong increased by 9.1% to USD 13.1 billion⁴.

¹ South China Morning Post: <https://www.scmp.com/news/hong-kong/hong-kong-economy/article/3220499/hong-kongs-economy-can-achieve-55-cent-growth-if-city-continues-ride-current-momentum-financial>, consulted on 15.05.2023

² South China Morning Post: <https://www.scmp.com/news/hong-kong/society/article/3210429/hong-kong-emigration-wave-net-outflow-60000-residents-2022-marking-09-cent-population-drop-3rd>, consulted on 22.05.2023

³ Annex 4

⁴ Latest available information at the time of editing (May 2022).

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1 ECONOMIC OUTLOOK AND ECONOMIC POLICY DEVELOPMENTS

1.1 Macroeconomic situation and outlook

Since 1 July 2022, Hong Kong has been governed by a new Chief Executive, John Lee, following large-scale social protests, tightened reins from Beijing on Hong Kong with a security law and an election law, a "patriot-only" legislature and a largely muted opposition. Freedom have been curtailed, critical voices silenced and the space for free press and assembly reduced. John Lee took office during the pandemic and after the city had weathered the worst of the turmoil under his predecessor, Carrie Lam. However, the events of recent years are also a stark reminder of Hong Kong's economic dependence on China and not the other way around. More than 25 years after Hong Kong's handover to the People's Republic of China (1997), 7.26 million-people-city⁵ is reinventing itself. Under the principle of "one country, two systems", the Special Administrative Region has positioned itself as a hub for finance, trade and investment with China and for Asia as a whole, amassing considerable wealth in the process. Xi Jinping promises at least another 25 years of "one country, two systems", this allows the coexistence of socialism and capitalism within China.

In 2022, its **economy has contracted by 3.5%** for the third time in four years after it saw a visible recovery in 2021 (+6.4% in 2021). The Government **forecasts** economic growth of 3.5% to 5.5% for 2023 which would exceed regional competitor Singapore⁶. The revised **fiscal deficit** for 2022-23 is USD2.2 billion (HKD17.5 billion) lower than the estimate at USD17.9 billion (HKD140 billion)⁷. The deficit is mainly due to softer stock and property markets, reduced revenue from tax and land premiums⁸, and increased expenditure on anti-epidemic efforts and relief measures. Despite the sharp drop by USD 43.6 million (HKD340 million) over the past three years, the **fiscal reserves** remain strong, at an estimated USD107 billion (HKD834.8 billion) as at 31 March 2023⁹. Increased spending like a number of large-scale promotions by the government to **stimulate tourism and consumption** will give the economy a boost but will shrink the fiscal reserves further to around USD98 billion (HKD763 billion) this financial year ending March 2024. However, Hong Kong's economy is highly dependent on international trade and finance, which makes it vulnerable to global economic trends and shifts in geopolitical relations. **Unemployment** rose at the beginning of the year before falling successively to 4.3%. It is forecasted to fall further to 2.3% for the whole 2023¹⁰. The expected improvement of the labour market should provide additional support to private consumption expenditure in 2023. After a drop of 8.8% in February 2023, **merchandise exports** decreased by 1.5% y-o-y in March 2023¹¹ amid soft external demand. While demand from the advanced economies will likely weaken further and weigh on Hong Kong's exports of goods, the expected faster growth of the Mainland economy and the lifting of cross-boundary truck movement restrictions between Hong Kong and China should provide some support. China's economy expanded 3% last year, its second-weakest growth rate since 1976, but the IMF forecast the country to grow by 5.2% in 2023 as the economy reopens, indicating China's strong economic recovery which Hong Kong will be able to tap onto. Hong Kong's growth is expected to rebound this year as domestic demand and services recover especially after the border reopening¹². Inflation went up to 1.9% and is expected to edge up to 2.3% in 2023 on moderate food and energy price rises

Post-COVID: In early 2022, economic activity was initially dampened by the fifth wave of the localised outbreak, when thousands of unimmunised seniors died. This was coupled by various external factors such as geopolitical tensions between the US and China and the war in Ukraine, which pushed up energy and commodity prices. In addition, Beijing's tightening grip, ongoing crackdown on dissent and draconian Zero COVID restrictions, including flight bans and mandatory quarantines for incoming travellers, at one point lasting 21 days, had all but shut down Hong Kong's function as an international business centre and hub for the whole of Asia and causing an **exodus** from the city and hence a shortage of skilled labour¹³. Businesses, expatriates, millionaires and exhibitions were leaving the city. Up to 20% of

⁵ The city's total population fell from 7.5 million people in 2019 to 7.26 million end 2022, a 4% decrease according to the Census and Statistics Department: <https://www.censtatd.gov.hk/en/wbr.html?ecode=B11303012022AN22&scode=150>, consulted on 15.05.2023

⁶ Financial Times: <https://www.ft.com/content/0895f7ec-0a6d-4833-9217-5df8adbc5993>, consulted on 27.04.2023

⁷ HKSAR Press Release: <https://www.info.gov.hk/gia/general/202304/28/P2023042700394p.htm>, consulted on 10.05.2023

⁸ South China Morning Post: <https://www.scmp.com/news/hong-kong/hong-kong-economy/article/3219158/hong-kong-tax-revenue-drops-hk183-billion-hk3602-billion-2022-23-decline-property-and-stock-market>, consulted on 22.05.2023

⁹ HKSAR Press Release: <https://www.info.gov.hk/gia/general/202304/28/P2023042700394p.htm>, consulted on 09.05.2023*****

¹⁰ HKSAR government: https://www.hkeconomy.gov.hk/en/pdf/22q4_outlook.pdf, consulted on 10.05.2023

¹¹ HKTDC Research: <https://research.hktdc.com/en/article/MzlwNjkzNTY5>, consulted on 27.04.2023

¹² South China Morning Post: <https://www.scmp.com/news/hong-kong/hong-kong-economy/article/3219461/imf-says-hong-kong-economy-making-strong-recovery-after-border-reopening-warns-global-slowdown-could>, consulted on 08.05.2023

¹³ CNN: <https://edition.cnn.com/2022/08/12/asia/hong-kong-population-record-fall-covid-intl-hnk/index.html>, consulted 8.02.2023

Europeans living in Hong Kong have left Hong Kong temporarily or completely. With many individuals and some international companies¹⁴ moving to rival Singapore, the city-state has overtaken Hong Kong in various **international rankings**¹⁵. Although the removal of the mask requirement was lifted on 1 March 2023, Hong Kong's lustre seems to have gone, and for many, the relaxation of the strict COVID-19 precautionary policy came a little too late. The strict pandemic containment measures took a huge toll on consumption, business sentiment, and contact-intensive activities. According to Bloomberg, the 3-year-long isolation has cost the economy an estimated USD27 billion in potential growth¹⁶.

Image Repair: Hong Kong's **international reputation** and **its people's trust** in the local government have been damaged. Many foreign media and some governments, including the US, Canada, Australia and the UK, have expressed concern about the deviation from the "one country, two systems" principle. The US now treats shipments to and from Hong Kong the same as those from China for customs and export control purposes, and has imposed financial sanctions on certain Hong Kong politicians¹⁷. Under the title "**Charting a Brighter Tomorrow for Hong Kong**", the government aims to revitalize the economy, attract overseas companies and top talent, and ensure Hong Kong's competitiveness as a major regional business hub by developing a "**smart port**". It also wants to improve its international image with campaigns such as "**Hello Hong Kong**" to attract tourists to the city, direct payments to local people and other large-scale infrastructure projects¹⁸. Ministers and senior government officials are making their first overseas trips, and Hong Kong's overseas government offices are hosting image-building events. The city is also promoting innovation in **fintech, artificial intelligence, health and sustainability, such as green finance**¹⁹.

USD peg: Since 1983 in place, the US dollar peg (USD1 = between 7.75 and HKD7.85) was an anchor of the city's economic and financial stability, which was also supported by ample foreign reserves, prudent fiscal frameworks, a regulatory regime and economic flexibility. Interventions to defend the peg from May to November 2022, the Hong Kong Monetary Authority, the de-facto central bank, shrank the foreign exchange reserves by more than 70% which pushed up local borrowing costs for companies and individuals. Higher mortgage costs are a concern amid slow economy and given the high dependency of Hong Kong's business cycle on the mainland, experts question how long the dollar peg would last. However, the Hong Kong Monetary Authority reiterated in November 2022 that there's no plan nor need to tweak its foreign-exchange system²⁰.

1.2 Integration with Mainland China

Although Hong Kong's share of China's total economic output has fallen from almost 20% in 1997 to only 3%, Hong Kong remains very important to Beijing, as an international financial and trading centre, and as a gateway for the international world to and from mainland China. Much of what is decided in Hong Kong feeds into projects across Asia and Europe. Hong Kong is mainland China's fifth most important trading partner in the world. In 2021, mainland China was the second largest investor country in Hong Kong (USD 542 billion or 27.6% of total²¹) and it was the largest destination for outward direct investment (USD 984.7 or 49.2% of total²²). As at November 2022, there were 251 companies from the PRC with regional headquarters in Hong Kong²³. Chief Executive John Lee announced at the end of May 2023 that Hong Kong's top officials will make more day trips to the **Greater Bay Area (GBA)** to tap into the vast potential of the Bay Area's 86 million people, an ambitious plan to promote the integration of the HKSAR and Macau

¹⁴ HK Free Press: <https://hongkongfp.com/2023/05/06/fedex-moves-asia-headquarters-from-hong-kong-to-singapore-report/>, consulted on 22.05.2023

¹⁵ South China Morning Post: <https://www.scmp.com/comment/opinion/article/3216917/hong-kongs-absence-list-asias-high-growth-firms-shows-hard-work-needed-revival>, consulted on 13.04.2023

¹⁶ Bloomberg: <https://www.bloomberg.com/news/articles/2023-01-04/hong-kong-s-isolation-estimated-to-cost-economy-27-billion>, consulted on 18.04.2023

¹⁷ South China Morning Post: <https://www.scmp.com/news/hong-kong/politics/article/3218865/hong-kong-hits-out-us-over-made-china-rule-exports-after-meeting-geneva>, consulted on 04.05.2023

¹⁸ Hong Kong Free Press: <https://hongkongfp.com/2022/10/19/hong-kong-policy-address-new-rail-link-among-6-major-infrastructure-projects-public-transport-subsidy-extended/>, consulted on 10.05.2023

¹⁹ South China Morning Post: <https://www.scmp.com/news/hong-kong/hong-kong-economy/article/3219461/imf-says-hong-kong-economy-making-strong-recovery-after-border-reopening-warns-global-slowdown-could>, consulted on 10.05.2023

²⁰ Bloomberg: <https://www.bloomberg.com/news/articles/2022-07-31/what-the-hong-kong-dollar-peg-is-and-why-it-matters-quicktake>, consulted on 10.05.2023

²¹ Census & Statistics Hong Kong, table 315-38011: https://www.censtatd.gov.hk/en/web_table.html?id=315-38011, consulted on 22.05.2023

²² Census & Statistics Hong Kong, table 315-38021: https://www.censtatd.gov.hk/en/web_table.html?id=50, consulted on 22.05.2023

²³ Census & Statistics Hong Kong, table 325-43011A: https://www.censtatd.gov.hk/en/web_table.html?id=325-43011A, consulted on 23.05.2023

with nine southern mainland cities into an economic powerhouse²⁴. Furthermore, the GBA initiative can enhance the performance of Hong Kong's financial centre by providing access to a larger market.

The internationalization of the **Chinese yuan or renminbi** (RMB) continues. The National 14th Five-Year Plan mentions the support of Hong Kong as the global offshore RMB business hub. As the world's largest offshore pool of RMB funds and RMB foreign exchange and interest rate derivatives market, the current RMB deposit in Hong Kong is over RMB800 billion (USD114 billion), providing liquidity support to global offshore RMB transactions and financial activities. According to the Society for Worldwide Interbank Financial Telecommunication (SWIFT), more than 70% of global offshore RMB payments are processed in Hong Kong²⁵. Over the past few years, a number of mutual market access schemes have been launched, including Bond Connect, Stock Connect, Cross Boundary Wealth Management Connect (WMC), China-Hong Kong Swap Connect²⁶ and the mutual recognition of funds between the PRC and Hong Kong. HKEX announced in May 2023 that a HKD-RMB Dual Counter Model and Dual Counter Market Making Programme are to be launched mid-2023 to further support the trading and settlement of RMB-denominated securities in Hong Kong²⁷. All these initiatives will open up the PRC's capital markets and emphasize Hong Kong's role as China's leading offshore RMB market.

2 PRIORITY SECTORS AND OPPORTUNITIES FOR SWISS COMPANIES

Hong Kong is a free port which thrives on free trade due to its strategic location, infrastructure and international communications network. It enjoys a capitalistic economic and trading system, free movement of products and a separate customs territory. The economy is externally oriented and heavily dependent on trade with the rest of the world. In 2021, the value of total trade reached USD1'320.9 billion, equivalent to 358% of the GDP. The value of exports was USD638.1 billion or around 173% of the GDP. Hong Kong was the world's 6th largest trading entity in goods in 2021, 7th largest importer and 6th largest exporter. According to the WTO, in 2021, Hong Kong was the world's 6th largest entity in merchandise trade and 20th largest in commercial services²⁸. Hong Kong ranked 10th among leading world traders in 2022, accounting for 2.5% of total world trade²⁹. The top three destinations for Hong Kong's re-exports in 2022 were the Mainland (USD326.6 billion), the USA (USD36.6 billion) and India (USD21.9 billion).

2.1 Hong Kong's main economic sectors

Hong Kong doesn't have significant agriculture or large industrial base. The service sector has been constantly the largest economic sector in terms of income-generation, employment and contribution to the GDP (93.6% in 2021, 88.4% of total employment in 2022) or 35% of its GDP in 2020. Financial services, trading and logistics, tourism, and professional services are the traditional four pillar industries in Hong Kong.

The **financial sector** accounts for 21.3% of the city's GDP. The abrupt tightening of monetary conditions, such as interest rate hikes at an unprecedented pace to curb inflation, is a real test of the resilience of global financial markets and the banking system. However, the sector remains resilient in 2022. The **US dollar peg** continues to function smoothly, providing a solid anchor to the economy and the financial system, allowing the latter to perform its role as an international financial center. It has benefited from a strong IPO market, with a number of high-profile companies choosing to list in Hong Kong. The city is also pushing to become the hub for digital currencies. Several companies have chosen to offer their crypto-related services in Hong Kong. Financial linkages with mainland China continue to deepen, including through the expansion of various Connect schemes, reinforcing Hong Kong SAR's status as a key financial gateway vis-à-vis mainland China. However, the sector continues to face challenges, such as increased competition from PRC and continued scrutiny from the regulatory authorities.

²⁴ South China Morning Post: <https://www.scmp.com/news/hong-kong/hong-kong-economy/article/3221499/hong-kongs-top-officials-take-more-day-trips-greater-bay-area-promote-integration-john-lee-says>, consulted on 26.05.2023

²⁵ HKSAR press Release: <https://www.info.gov.hk/gia/general/202206/01/P2022060100301.htm>, consulted on 22.05.2023

²⁶ HKSAR Press Release: <https://www.info.gov.hk/gia/general/202305/15/P2023051500202.htm>, consulted on 22.05.2023

²⁷ Reuters: <https://www.reuters.com/article/hkex-trading-idINL4N33323Z>, consulted on 22.05.2023

²⁸ Commerce and Economic Development Bureau: <https://www.cedb.gov.hk/en/trade-and-investment/hong-kong-in-global-trade.html>, consulted on 10.05.2023

²⁹ HKSAR Trade and Industry Department: <https://www.tid.gov.hk/english/aboutus/publications/tradestat/wmttt.html>, consulted on 10.05.2023

There are 181 licensed banks, including 8 Swiss banks and one Liechtenstein bank with a banking licence and 4 with a representative office (and 2 representative offices from Liechtenstein). There are as well two Swiss insurance groups³⁰.

Tourism and consumption: To promote tourism and stimulate domestic consumption, the city unveiled the “Hello Hong Kong”³¹ campaign in February 2023 to lure back tourists with spending vouchers, special events and a giveaway of 700,000 airline tickets and additionally launched the USD2.6 million 10-month-long “Happy Hong Kong”^{32 33} campaign in late April 2023 with discounted film tickets and free food fair passes for the public on top of another round of electronic **consumption voucher**³⁴ for Hong Kong residents. Since the successive relaxation of the strict zero-COVID19 starting in Q3 2022, tourists have slowly started coming back to the city and sales at bars, restaurant and shops have seen some visible recovery. Tourist arrivals in Hong Kong in March 2023 soared to 2.45 million, up 68% from February 2023³⁵, and compared with 1,800 visitors in March 2022. The increase of arrivals from February to March is mainly attributed to the borders reopening with the mainland China. Benefitting most from the reopening are retailers of luxury products such as jewellery, clocks and valuable gifts. Sales jumped to 165% from a year earlier. Overall, the retail sales increased 39.4% y-o-y in terms of volume in March. That compared with a revised 29.7% growth in February 2023 and the second biggest growth of 31.3% recorded in February 1988³⁶.

Housing imbalance between supply and demand: One in seven Hong Kongers officially lives in poverty, even after receiving government assistance, despite the overall prosperity of the economy. This situation is intensified by high property prices and rents, which have risen sharply in recent years, largely due to mainland property investors. Experts predict an overall increase in property sales of 15-20%, while prices could remain flat or fall by as much as 5%. Rental prices are expected to increase by up to 5% overall in 2023 due to the introduction of the **Top Talent Pass Scheme**³⁷, the return of overseas students and the influx of expatriates. As the residential sales market picks up, landlords are putting their properties up for sale rather than renting them out, reducing rental supply and flexibility in negotiations^{38,39}. To counteract this imbalance in housing, the government will enhance the quantity of the housing supply and affordability⁴⁰.

3 FOREIGN ECONOMIC POLICY

3.1 Hong Kong's policy and priorities

Hong Kong participates as a full member of several international economic organizations as an independent entity. Switzerland and Hong Kong both belong to the World Trade Organization (**WTO**) and Hong Kong has continued its separate membership after its return to China in 1997 using the name "Hong Kong, China". Hong Kong has also become a member of the Asia-Pacific Economic Cooperation (**APEC**) and the Pacific Economic Cooperation Council (**PECC**) in 1991 and in its own right, belongs to the Asian Development Bank (**ADB**) and the World Customs Organization (**WCO**). Since April 1994, Hong Kong has been an observer in the Trade Committee of the Organization for Economic Cooperation and Development (**OECD**) and also joined the Asian Infrastructure Investment Bank (**AIIB**) in June 2017. So far, Hong Kong has signed eight Free Trade Agreements (**FTA**) with the Mainland China (**CEPA**, 2003), New Zealand (**CEP**, 2010), **EFTA** including **Switzerland** (2011), **Chile** (2012), HK and Macao Closer Economic Partnership Arrangement (**HK-Macao CEPA**, 2017), **ASEAN** (2017), **Georgia** (2018) and **Australia** (2019). Hong Kong commenced negotiations for an FTA with **Peru** on 30 January

³⁰ Hong Kong Monetary Authority: <https://www.hkma.gov.hk/eng/key-functions/banking/banking-regulatory-and-supervisory-regime/the-three-tier-banking-system/>, consulted on 15.05.2023

³¹ HKSAR: <https://www.info.gov.hk/gia/general/202302/02/P2023020200675.htm>, consulted on 09.05.2023

³² HKSAR: <https://www.happyhk.gov.hk/en/about.html>, consulted on 09.05.2023

³³ South China Morning Post: https://www.scmp.com/news/hong-kong/hong-kong-economy/article/3218815/happy-hong-kong-campaign-and-consumption-vouchers-should-give-lift-economy-city-leader-predicts?module=hard_link&pgtype=article, consulted on 10.05.2023

³⁴ South China Morning Post: <https://www.scmp.com/news/hong-kong/hong-kong-economy/article/3218908/hong-kong-consumption-vouchers-gone-flash-boosting-retail-and-catering-sectors-fizzing-out-fast>, consulted on 10.05.2023

³⁵ Bloomberg: <https://www.bloomberg.com/news/articles/2023-05-04/hong-kong-s-retail-sales-jump-in-march-as-rebound-strengthens>, consulted 22.05.2023

³⁶ Skift: <https://skift.com/2023/05/04/hong-kong-tourism-benefited-from-return-of-mainland-china-visitors-in-march/>, consulted on 09.05.2023

³⁷ HKSAR Press Release: <https://www.info.gov.hk/gia/general/202302/08/P2023020800194.htm>, consulted on 10.05.2023

³⁸ Financial Times: <https://www.ft.com/content/9c595e08-fa26-453c-a91b-ee9412f741ce>, consulted on 10.05.2023

³⁹ South China Morning Post: <https://www.scmp.com/business/article/3217068/no-respite-expatriates-singapore-rents-will-continue-climb-while-hong-kong-will-see-smaller-increase>, consulted on 10.05.2023

⁴⁰ South China Morning Post: <https://www.scmp.com/news/hong-kong/society/article/3196537/hong-kong-policy-address-light-public-housing-scheme-30000-bigger-temporary-homes-proposed-help>, consulted on 10.05.2023

2023. Hong Kong has signed Investment Promotion and Protection Agreements (**IPAs**) with 22 foreign economies. As mentioned, Hong Kong's economy is increasingly tied to the PRC. The **CEPA** provide tariff free treatment to all Hong Kong-origin goods meeting the CEPA rules of origin, thus qualifying products, companies and residents of Hong Kong enjoy preferential access to the Mainland Chinese market. **Switzerland** signed an agreement with Hong Kong for conducting automatic exchange of financial account information in tax matters (**AEOI**, 2017). In January 2018, authorities and private sector representatives from Hong Kong and **Switzerland** signed three Memorandums of Understanding (**MOU**) in Switzerland on strengthening collaboration in financial markets, fintech and promotion of private wealth management⁴¹. Hong Kong and **Switzerland** also signed a comprehensive agreement on the avoidance of double taxation (**CDTA**) in December 2010.

The Regional Comprehensive Economic Partnership (**RCEP**) took effect on 1 January 2022 comprising 15 member states (ASEAN countries and China, Japan, South Korea, Australia and New Zealand). It is the largest free-trade deal in the world, covering 2.2 billion people (almost 30% of the world's population) with a combined GDP of USD29.7 trillion and accounts for nearly 30% of global trade⁴². This agreement contains provision that goes beyond existing FTAs. Hong Kong has started proceedings beginning of 2022 to join RCEP⁴³. However, until its admission, it already benefits from the agreement because most of the merchandise trade, initiated and managed by Hong Kong-based companies, is produced in RCEP member states, particularly China. In other words these companies will have lower tariffs, simplified rules and procedures, and better market access.

Hong Kong generally supports free markets and the reduction of trade barriers.

3.2 Outlook for Switzerland

The economic agreements signed by Hong Kong present no discrimination against Swiss importers and exporters. The CEPA signed with the Mainland is nationality neutral. Therefore, Swiss companies incorporated in Hong Kong can enjoy the full benefits of the CEPA. The city is an important financial centre where numerous Swiss banks have established themselves since the 1960s. Switzerland maintains a regular financial dialogue with Hong Kong.

Hong Kong's progressive integration with China is inevitable given its growing economic dependence on the PRC. As part of China, Hong Kong is part of the Switzerland's first China policy 2021-2024, which focuses on human rights and trade interests. Other key areas outlined in the strategy include peace, security and prosperity, which covers trade, investment, export promotion, education and research, as well as tourism, intellectual property, sustainability and digitalisation⁴⁴.

4 FOREIGN TRADE

4.1 Developments and general outlook

Since the reform and opening up of China, the share of the PRC in Hong Kong's global trade has increased significantly from 9.3% in 1978 to 52.4% (USD693 billion) in 2021. The PRC has been Hong Kong's largest trading partner since 1985 while Hong Kong is Mainland China's fourth largest trading partner in 2021 followed by the US, Japan and the Republic of Korea.

4.1.1 Trade in goods

Although the total trade suffered in 2022 and slumped by 7.9%, Hong Kong remains one of the major international trading hubs with a significant amount of logistics-related transport in the world. It's ranked

⁴¹ Press Releases: Governments of Switzerland and Hong Kong, <https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-69574.html>, <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2018/01/20180123-5/>, consulted on 24.04.2023

⁴² RCEP: https://en.wikipedia.org/wiki/Regional_Comprehensive_Economic_Partnership, consulted on 24.04.2023

⁴³ Hong Kong Trade Development Council: <https://origin.hkmb.hktdc.com/en/MTAwNDI3NzY4OA/hktdc-research/ASIA-Hong-Kong-Makes-Official-Application-to-Join-the-RCEP>, consulted on 09.05.2023

⁴⁴ China strategy 2021-24: https://www.eda.admin.ch/publikationen/en/eda/schweizer-aussenpolitik/China_Strategie_2021-2024.html, consulted on 24.04.2023

10th among leading world traders in 2022, accounting for 2.5% of the world total trade⁴⁵. Trading and logistics is one of the four key industries of Hong Kong's economy, equivalent to 23.7% of its GDP⁴⁶.

In 2022, total **imports** shrank about 7.2% to USD632 billion (in 2021 total imports increased by 24.3%). Although decreased by 14.6% from the previous year, China remains the biggest supplier country by far with a share of 42.2% in 2022. After China, Taiwan (11.9%) and Singapore (8.1%) are the other main importing partners. Followed by South Korea, Japan and the United States.

Total **exports** decreased by 0.7% over last year. With a recent slump of 1.7% year on year in March 2023⁴⁷. The fall was due to global economic growth, coupled with disruptions to cross-boundary truck movements between Hong Kong and the Mainland, posed a significant drag. Exports to its largest trading partners Mainland China (-14.6%), Korea (-10.7%) and Japan (-10.4%) saw visible declines. Major export markets in 2022 were China (42% of total exports), following far behind Taiwan (12%) and Singapore (8%) with Korea (6%) on fourth rank. Other main importers are Japan, USA and Malaysia.

Electrical machinery, apparatus and parts has often been the largest commodity group of Hong Kong's imports and exports followed by telecom, sound equipment and office machines/computers.

4.1.2 Trade in services

Comparing 2021 with 2020, the value of total **exports of services** increased by 18.5% to USD78.9 billion, and that of total imports of services rose by 12.6% to USD61.5 billion (HKD480.0 billion). An invisible trade surplus at USD17.3 billion, equivalent to 28.1% of the value of total imports of services, was recorded in 2021. This was larger than the corresponding surplus of USD11.9 billion in 2020, equivalent to 21.8% of the value of total imports of services in 2020.

The value of exports of services posted a record annual increase of 15.8% in 2021, supported by relaxed inbound tourism in Q3 2021 and due to weaker base for comparison. With 41.6% of the value of all service exports in 2021, transportation accounted for the largest portion of service exports. Financial services (30.2%, USD1.3 billion) came next. With net exports of financial services totalling USD16.5 billion in 2021, they were the largest contributor to the overall invisible trade surplus. Hong Kong remains one of the world's most important international financial centres in the mid-term as regional rivals such as Shanghai, Shenzhen and Singapore are unable to fulfil the same role as a link for financial flows between China and the global economy. Hong Kong also thrives on *close financial integration with Mainland China*, extensive networks with the rest of the world, sound legal system, simple and competitive tax regime, free flow of capital, and a full range of financial products. Hong Kong originates and intermediates two-thirds of China's inward foreign direct investment (FDI) and outward direct investment (ODI) as well as most financial investments. The financial sector had a workforce of over 277,000, or 7.6% (Annex 1) of working population in Hong Kong in 2021, and contributed to some 21.3% of Hong Kong's Gross Domestic Product. The travel industry has suffered the most and decreased by 93.7% compared to 2019 pre-COVID⁴⁸.

In terms of **service of imports**, transportation accounted for 32.6% of the value of all service imports in 2021. Manufacturing services came in at 19.7%, and other business services came in at 18.9%. However, Hong Kong imports a sizable amount of manufacturing services, which causes a deficit of USD12.2 billion in 2021. This was followed by travel (USD1.8 billion) and charges for the use of intellectual property (USD1.3 billion).

In 2021, the Mainland of China was the most important services trading partner of Hong Kong. The total trade in services between Hong Kong and the Mainland of China amounted to USD38.1 billion. Other

⁴⁵ Ranking 2022 World Merchandise Trade: <https://www.tid.gov.hk/english/aboutus/publications/tradestat/wmttt.html>, consulted on 26.04.2023

⁴⁶ The Four Key Industries in the HK Economy:

https://www.censtatd.gov.hk/en/data/stat_report/product/FA100099/att/B72212FC2022XXXXB0100.pdf, consulted on 26.04.2023

⁴⁷ South China Morning Post: <https://www.msn.com/en-xl/news/other/slump-in-hong-kong-exports-eases-in-march-with-rebound-in-demand-from-united-states-european-union-helping-to-limit-fall-to-15-per-cent/ar-AA1aiX2G>, consulted on 26.04.2023

⁴⁸ HKSAR Trade in Services Statistics: https://www.censtatd.gov.hk/en/data/stat_report/product/B1020011/att/B10200112021AN21B0100.pdf, consulted on 18.05.2023

major services trading partners were the United States of America (USD28.1 billion), the United Kingdom (USD13.4 billion), Singapore (USD7.5 billion) and Germany (USD6.5 billion).

The USA and the Chinese Mainland accounted for 24.4% and 17.1%, respectively, of the value of Hong Kong's total service exports in 2021 as the top two main destinations for its exports of services. With respective contributions of 41.4% and 16.2% of the value of all service imports in 2021, the Mainland and the USA were also the top two main sources of service imports.

4.2 Bilateral trade

Despite small in terms of population, Hong Kong remains an important trading partner of Switzerland. In 2022, Switzerland ranked 16th among Hong Kong's trading partners in the world. According to the Hong Kong government statistics, Hong Kong was Switzerland's 20th largest supplier and 14th largest export market in 2022. Hong Kong often serves as a gateway for Swiss exports to Mainland China and Macau. In fact in 2022, the re-export of Swiss-origin consignments to China and Macau was 28% of all imports from Switzerland (USD1'124.7 million to China, respectively USD703 million to Macau)⁴⁹. The total trade between the two places amounted to CHF8.7 billion in 2022. About CHF2.2 billion of the total trade between Switzerland and the PRC was routed through Hong Kong in 2022.

4.2.1 Bilateral trade in goods

Total Swiss export in goods *including gold bars and precious metals* decreased by CHF2.3 billion (-24.2%) and amounts now to CHF7.1 billion, while total Swiss import decreased by CHF0.5 billion (-12.9%) and amounts now to CHF3.7 billion. As consequence, the total trade volume decreased by 20.6% (from CHF13.6 billion to CHF10.8 billion). The difference is mainly due to gold bars and other precious metals, as Switzerland exported and imported less of these goods from Hong Kong in 2022. The price of these goods is very volatile and this has an impact on the total yearly figure.

Trade volume *without gold bars and other precious metals* amounts to CHF5.2 billion. **Swiss exports** to Hong Kong slightly decreased to CHF4.2 billion in 2022 (from CHF4.5 billion in 2021), while **imports** increased by 10.7% from CHF944 million in 2021 to CHF1 billion in 2022.

The main products that Hong Kong imported from Switzerland was *gold* (CHF2.9 billion), *watches and clocks* (CHF2.1 billion) and *silver & platinum* (CHF1.3 billion). The main products that Switzerland imported from Hong Kong were *gold* (CHF0.5 billion), *watches and clocks* (CHF0.8 billion), and *pearls, precious & semi-precious stones* (CHF0.6 billion).

Gold dominates the bilateral trade: Although the total gold trade for the whole of 2022 between Hong Kong and Switzerland went down by 53.2% (from 119'486 kg/CHF6.1 billion in 2021 to 62'847 kg/CHF3.4 billion in 2022), it is still the biggest consignment between the two places. The local gold trade has a long history and Hong Kong's close links to China have further emphasized the importance of the gold market in Hong Kong. The main reason for Hong Kong's gold import is the re-export to China (88% of all gold re-exports of Swiss origin went to China in 2022). Furthermore, imported gold is also used for investments (gold as safe haven), manufacturing and for the local jewellery industry. According to gold trade figure between China and Hong Kong, China's gold import through Hong Kong has approximately halved in 2022 compared to 2021. Compared to 2013 (the all-time high of USD 69 billion), the trade value between Hong and China has decreased 13 times⁵⁰. Hence, the decrease of gold trade between Switzerland and Hong Kong is attributed to the decrease of gold demand from China. In recent years, Hong Kong's Swiss-origin gold re-exports are much larger than Hong Kong's gold imports from Switzerland. The reason for the difference between Swiss-origin gold imports and re-exports stems from gold stocks held for decades by gold depositories and dealers.

Watches and clocks: Swiss watchmaking had an excellent year in 2022 (CHF 24.8 billion export) with steady global demand except in two of their three main markets. However, China (CHF2.6 billion) and Hong Kong (CHF1.9 billion) saw a decline of -13.6%, respectively -10.5%. The US was Switzerland's biggest market (CHF3.9 billion, +26.3%) in 2022. The fall of demand in China and Hong Kong were

⁴⁹ HKSAR Census and Statistics Department

⁵⁰ CEICdata: <https://www.ceicdata.com/en/china/gold-import-through-hong-kong-sar-china/cn-gold-import-ytd-through-hong-kong>, consulted on 19.05.2023

largely due to measures to combat the pandemic. The situation in Hong Kong, which declined by 53.7% in the last eight years, reflects a long-term market adjustment, combined with the consequences of the pandemic⁵¹. In 2022, Hong Kong had a share of 7.7% of all Swiss watch exports. However, in March 2023, as a result of the Chinese border reopening, Swiss watch orders from Hong Kong increased by almost 62% with global exports climbing 13.8% to CHF2.4 billion⁵².

4.2.2 Bilateral trade in services

Hong Kong's import of services from Switzerland reached CHF416.7 million (0.8% of total imports of services) in 2021. Switzerland ranked 17th largest supplier in this category. It consisted of financial services (45.2%), transport (19.4%), charges for the use of intellectual property (13.5%), insurance and pension services (7.5%), travel (4.6%), computer and information services (4.3%), 'other business services' (4.1%) as well as telecommunications.

Hong Kong's exports of services to Switzerland amounted to CHF1'026.3 million (1.5% of total exports of services) in 2021. Switzerland ranked 12th largest market for Hong Kong's exports of services. It consisted of other business services (51.1%), financial services (22.5%), and transport (18.5%), as well as telecommunications, computer and information services (6.3%).

5 DIRECT INVESTMENTS

5.1 Developments and general outlook

The total stock of Hong Kong's inward direct investment increased by 5.9% over a year to USD2'157.2 billion at the end of 2021, which is 586% of its GDP in 2021. British Virgin Islands (BVI) and the Mainland of China (the Mainland) were the two largest immediate sources for Hong Kong's inward DI, with a share of 30.9% and 27.7% respectively at end of 2021. Overall, those engaged in investment and holding, real estate, professional and business services took up the largest share (63.9%) at the end of 2021. Followed by banking (13.2%) and import/export, wholesale and retail trades (11.5%).

As for the total stock of Hong Kong's outward direct investment, it increased by 4.5% over 2012 to USD2'199.3 billion. Its ratio to GDP was 598% in 2021. The increase was mainly attributable to the positive direct investment outflow to enterprises outside Hong Kong during the year. The Mainland and the BVI were also the two largest destinations for Hong Kong's outward direct investment, with a share of 49.3% and 30.3% respectively at the end of 2021. Those engaged in investment and holding, real estate, professional and business services took up the largest share (77.3%). This was followed by import/export, wholesale and retail trades (8.8%).

Hong Kong's total direct investment inflow and total direct investment outflow saw increases of 17% and 12.1% respectively in 2021, partly related to the recovery of the global and local economies during the year. A net direct investment inflow of USD 43.6 billion was recorded in 2021, which was 29% larger than the previous year. While representing a small share of FDI, the rebound in cross-border M&A sales to USD11 billion (from USD1 billion in 2019) also contributed to this increase, thanks to many cases of Chinese MNEs consolidating affiliates in Hong Kong. Hong Kong's direct investment covers a large geographical spread and a wide range of economic activities, with the Mainland featuring prominently both as a source and as a destination. Given the economy's sizeable intra-company flows and its close ties with China, which contributes 28% of its FDI stock, the rise in FDI in Hong Kong reflects corporate restructuring, particularly by Chinese multinationals, rather than new investment. Hong Kong is a hub for foreign MNEs' regional headquarters, inflows were mostly invested in services sector operations (including regional headquarters and finance functions that facilitate indirect FDI flows).

In Hong Kong, there is no restriction on inward and outward investments nor is there nationality restrictions on corporate or sectorial ownership.

⁵¹ FH: https://www.fhs.swiss/pdf/mt3_220112_a.pdf, consulted on 22.05.2023

⁵² Bloomberg: <https://www.bloomberg.com/news/articles/2023-04-25/swiss-watch-exports-keep-climbing-as-hong-kong-surges>, consulted on 22.05.2023

5.2 Bilateral investment

Switzerland has a strong presence in Hong Kong. As of 2022, there were 255 Swiss companies registered in the Hong Kong Company Registry (54 regional headquarters⁵³, 84 regional offices⁵⁴ and 117 local offices⁵⁵) using Hong Kong as a gateway for trade and investment relations to and from the Mainland and Asia. 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. Swiss companies based in Hong Kong employed approximately 19'000 persons as of June 2022⁵⁶. The decrease of employment by Swiss-related companies is mainly attributed to the decrease of residents in Hong Kong which was related to the exodus during the strict zero-COVID strategy⁵⁷.

According to the latest figures available, Swiss direct investments in Hong Kong reached USD14.2 billion in 2021. The Swiss share in foreign direct investments is historically rather stable although it saw an increase in two consecutive years (by 8.5% in 2021, respectively 9.1% in 2020). It accounts for about 0.7% of Hong Kong total foreign direct investments and it ranks 7th in terms of FDI inflows in 2021 (USD400 million in 2021)⁵⁸.

6 ECONOMIC AND TOURISM PROMOTION

6.1 Swiss foreign economic promotion instruments

- **Swiss Chamber of Commerce in Hong Kong (SwissCham)**⁵⁹: An organization with the mission to provide business platform and networking for Swiss companies and individuals in Hong Kong. Established in 1982 as the 'Swiss Business Council', the SwissCham celebrated its 40th anniversary in 2022.
- **Swiss-Chinese Chamber of Commerce/Swiss-Hong Kong Business Association**⁶⁰: Non-profit associations registered in Switzerland which provide insight into all aspects of Swiss-Chinese economic relations and maintains close ties with Swiss and Chinese authorities, economic association and companies and the media.
- **The Federation of the Swiss Watch Industry**⁶¹: Professional and non-profit, private association which defends the watch industry's interests and contributes to its development. FH currently represents around 500 members, or more than 90% of Swiss firms active in the production and sale of watches, clocks and components. In addition to the offices in Switzerland, FH has offices in Hong Kong, Japan and Latin America.
- **Switzerland Tourism office in Hong Kong**⁶² has an office promoting travel to Switzerland.
- **Swiss Business Hub**: After two years of vacancy during the pandemic, Switzerland Global Enterprise⁶³ has decided to permanently close the Swiss Business Hub office in Hong Kong end of May 2022.

The collaboration between this representation and the above mentioned actors works well, however due to COVID-19, the strict social distancing measures and travel restrictions, which was still persisting in 2022, opportunities for interaction were still limited despite the gradual relaxation of the regulations. In 2022, the Consulate General and Switzerland Tourism participated together in the annual **Hong Kong Book Fair**⁶⁴ to showcase Switzerland and promote Swiss tourism. For 2023, Switzerland Tourism plans to participate again together with the Consulate General, in the mentioned fair. In February 2023, for the second time, this Consulate General has attended the **Education and Career Expo** to promote Switzerland and its education system (both private and public). The highlight of 2022 was the first

⁵³ Census and Statistics Department: https://www.censtatd.gov.hk/en/web_table.html?id=133#section3, consulted on 20.04.2023

⁵⁴ Census and Statistics Department: https://www.censtatd.gov.hk/en/web_table.html?id=134#section3, consulted on 20.04.2023

⁵⁵ Census and Statistics Department: https://www.censtatd.gov.hk/en/web_table.html?id=206#section3, consulted on 20.04.2023

⁵⁶ Census and Statistics Department

⁵⁷ South China Morning Post: <https://edition.cnn.com/2022/08/12/asia/hong-kong-population-record-fall-covid-intl-hnk/index.html>, consulted on 12.05.2023

⁵⁸ Census and Statistics Department

⁵⁹ <https://www.swisscham.org/hongkong/>

⁶⁰ <https://www.sccc.ch/>

⁶¹ <https://www.fhs.swiss/eng/homepage.html>

⁶² <https://www.myswitzerland.com/en>

⁶³ <https://www.s-ge.com/de/unsere-standorte-weltweit?ct>

⁶⁴ <https://hkbookfair.hktdc.com/en/index.html>

edition of the **Swiss-Hong Kong Business Awards** to honour the outstanding contribution of (Swiss-Hong Kong) organizations in sustainability and innovation. Due to the ongoing social distancing restrictions, the awards ceremony was postponed to February 2023 and the winners were celebrated together with the celebration of the 40th anniversary of the Swisscham at the **Swiss Business Excellence Night**⁶⁵, co-organized by the Consulate General of Switzerland and the Swisscham.

6.2 The Hong Kong's interest in Switzerland

- **Tourism, education, other services:** In 2022, the Swiss hotel industry recorded 38.2 million (an increase of 29.4% compared with 2021) overnight stays, of which 48'393 (up from 8'384 in 2021) overnight stays in total are from Hong Kong visitors⁶⁶. This is due to the reduced and later in Q3 cancelled hotel quarantine requirements for homecoming travellers.
- Furthermore, around 300-350 Hong Kongers study in Switzerland every year. COVID does not seem to have slowed down the interest in studying in Switzerland.
- **Investments:** There are 18 Hong Kong based companies in Switzerland⁶⁰ ranging from logistics, jewellery & watches retail, manufacturing, and consulting & infrastructure asset management.
- **Switzerland as a financial center:** Chief Executive of the Hong Kong Monetary Authority, Eddie Yue, has conducted a trip to Switzerland for the meeting at the Bank for International Settlements (BIS) and Basel Committee on Banking Supervision (BCBS) in March 2023 to discuss the latest banking regulatory and supervisory policies to help maintain global financial stability⁶⁷.
- **Innovation & Technology:** Prof. Sun Dong, Secretary for Innovation, Technology and Industry has visited Switzerland in April 2023⁶⁸ for exchanges on attracting enterprises and investment, particularly in I&T industry and for exploration of opportunities for strengthening collaborations on I&T development between Hong Kong and Switzerland⁶⁹.

⁶⁵ <https://swisschamhongkong.glueup.com/event/swiss-business-excellence-night-68634/home.html>

⁶⁶ Federal Statistical Office: <https://www.bfs.admin.ch/asset/en/24247465#:~:text=23.02.2023%20-%20In%202022%2C%20the%20hotel%20industry%20in,with%20a%20result%20higher%20than%20that%20of%202017.,> consulted on 08.05.2023

⁶⁷ Hong Kong Monetary Authority: <https://www.hkma.gov.hk/eng/news-and-media/insight/2023/03/20230320/>, consulted 08.05.2023

⁶⁸ HKSAR government press release: <https://www.info.gov.hk/gia/general/202304/29/P2023042900150.htm>, consulted on 08.05.2023

⁶⁹ HKSAR government press release: <https://www.info.gov.hk/gia/general/202304/27/P2023042700091.htm>, consulted on 08.05.2023

ANNEX 1 – Economic structure

Economic structure of Hong Kong

	2017	2018	2019	2020	2021*
Distribution of GDP					
Primary Sector	0.1%	0.1%	0.1%	0.1%	0.1%
Secondary Sector	7.6%	6.8%	6.5%	6.5%	6.4%
Services	92.3%	93.1%	93.4%	93.4%	93.6%
- of which public administration, social and personal services	18.2%	18.5%	19.6%	20.7%	20.4%
- of which financing and insurance	18.8%	19.8%	21.2%	23.4%	21.3%

Distribution of Employment	2018	2019	2020	2021	2022**
Primary Sector	0.1%	0.1%	0.1%	0.1%	0.1%
Secondary Sector	11.6%	11.3%	10.8%	11.4%	11.5%
Tertiary Sector	88.3%	88.6%	89.1%	88.5%	88.4%
- of which public administration, social and personal services	27.1%	28.2%	27.8%	27.9%	28.1%
- of which financing and insurance	6.8	7.1	7.6	7.6%	7.4%

*This set of figure for 2022 will only be available by Nov. 2023, Table 310-34101:

https://www.censtatd.gov.hk/en/web_table.html?id=36, consulted on 17.04.2023

** Estimates released end of April 2023:

https://www.censtatd.gov.hk/en/data/stat_report/product/B1010006/att/B10100062023AN23B0100.pdf

Source: Hong Kong Census and Statistics Department

ANNEX 2 – Main economic data

Hong Kong's main economic data

	2020	2021	2022**	2023**
GDP (USD billion)	341.3	369.8	361	382.9
GDP per capita (USD)*/**	45'176	49'844	49'226	52'429
GDP growth (%)	-6.1	6.4	-3.5	3.5
Inflation (%)	0.3	1.6	1.9	2.3
Unemployment rate (%)	5.9	5.2	4.3	3.4
Fiscal balance (% of GDP)*	-9.4	-3.6	-4.9	-1.8*
Current account balance (% of GDP)**	6.9	11.8	10.7	8
General government external debt (% of GDP)	0.7	2.3	2.1	****
Total external debt (% of GDP)	510	510	500	****
Debt-service ratio (% of exports)**	***	***	***	***
Reserves (in months of imports)**	50	44.5 [#]	38.6	****

*HKSAR Government / forecast

** IMF forecast

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

****Unavailable at the time of report

[#] adjusted by HKSAR Government, 28 April 2023

USD 1 = HKD 7.8

ANNEX 3 – Trade partners

Trade partners of Hong Kong Year: 2022

Rank	Country	Exports from Hong Kong (USD million)	Share	Change	Rank	Country	Imports to Hong Kong (USD million)	Share	Change
1	China	266'367	42%	-14.6%	1	China	266'367	42.2%	-14.6%
2	Taiwan	75'311	12%	+7.3%	2	Taiwan	75'311	11.9%	7.3%
3	Singapore	51'094	8%	-3.7%	3	Singapore	51'094	8.1%	-3.7%
4	Korea	37'150	6%	-10.7%	4	Korea	37'150	5.9%	-10.7%
5	Japan	31'123	5%	-10.4%	5	Japan	31'123	4.9%	-10.4%
6	USA	26'840	4%	+1.3%	6	USA	26'840	4.2%	1.3%
7	Malaysia	22'679	4%	+6.1%	7	Malaysia	22'679	3.6%	6.1%
8	Vietnam	18'444	3%	+22.3%	8	Vietnam	18'444	2.9%	-22.3%
9	Philippines	12'071	2%	+7.4%	9	Philippines	12'071	1.9%	7.4%
10	India	10'350	2%	-0.8%	10	Thailand	12'008	1.9%	8.9%
...	ASEAN	46'156	N.A.	N.A.	...	ASEAN	119'790	19%	2.8%
...	APEC	471'246	N.A.	N.A.	...	APEC	563'648	89.2%	-7.5%
...	EU**	43'527	6.9%	2.4%	...	EU**	27'080	4.3%	-1.2%
20	Switzerland	3'426	0.5%	-6.2	14	Switzerland	6'527	1%	-16.2%
	Total	631'726	100%	-0.7%		Total	631'727	100%	-7.2%

* Merchandise trade statistics with EU from 2020 onwards are compiled based on the new coverage and thus not comparable with EU figures in earlier years which included the UK.

**year-on-year basis in %

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 Annex 4 Bilateral Trade Switzerland – Hong Kong.

Exchange rate: HKD 7.8 = USD 1

Source: Hong Kong Trade Statistics

ANNEX 4 – Bilateral trade

Bilateral trade between Switzerland and Hong Kong

	Exports (CHF mio.)	Change** %	Imports (CHF mio.)	Change** %	Trade Balance	Volume (CHF mio.)
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
2020 (total 2)	5'953	-39.9%	11'309	198%	-5'357	17'262
2020 (total 1)	3'625	-34.4%	1'242	-4.2	3'385	4'867
2021 (total 2)	9'321	56.5%	4'246	-62.4%	5'085	13'553
2021 (total 1)	4'464	23.1%	944	-24%	3'519	5'407
2022 (total 2)***	7'065	-24.2%	3'700	-12.9%	3'365	10'765
2022 (total 1)***	4'183	+6.3%	1'045	10.7%	3'138	5'228

*) 'Economic' total (total 1): not including gold bars and other precious metals, currencies, precious stones and gems, works of art and antiques

***) Change (%) from the previous year

***) Provisional Data

Exports	2021 (% of total)	2022 (% of total)
1. Jewellery, precious stones and precious metals	62.6	55.6
2. Watches and clocks	22.9	27
3. Machinery (electrical and non-electrical)	4.3	3.7
4. Chemical and pharmaceutical products	4.1	3.4

Imports	2021 (% of total)	2022 (% of total)
1. Jewellery, precious stones and precious metals	89.1	85
2. Watches and clocks	5.2	8
3. Machinery (electrical and non-electrical)	2.9	3.6
4. Textiles and clothes	1.7	0.5

Source: Federal Office for Customs and Border Security: Provisional figures, Total 2

ANNEX 5 – Main investing countries

Main investing countries in Hong Kong

Year: 2021 (latest available information)

Rank	Country	Direct investment (USD billion, stock)	Share	Variation (stock)	Inflows over past year (USD)
1	British Virgin Islands	604.6	30.9%	+3.9%	39.9
2	China	542	27.7%	+8.6%	45.1
3	Cayman Islands	210.2	10.7%	+14%	15.4
4	UK	192.3	9.8%	9.7%	3.2
5	Bermuda	112.6	5.8%	+8%	11.2
6	USA	45.6	2.3%	-1.1%	-1.3
7	Singapore	45.1	2.3%	+23.2%	-5.2
8	Canada	37.8	1.9%	+17%	4.1
9	Japan	27.5	1.4%	+13.2%	4.9
10	Cook Islands	25.8	1.3%	+5.3%	5.1
*	EU**	25.2	1.3%	-2%	4.8
*	Switzerland	14.2	0.7%	+8.5%	0.4
	Total	1'956.9	100%	+6.3%	139.7

*unavailable

** 'EU includes Austria, Belgium, Bulgaria, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, the Slovak Republic, Slovenia, Spain and Sweden.

Remarks: Investment figures for 2022 will only be available by Dec. 2023

Source: HKSAR Census & Statistics Department, Survey of External Claims, Liabilities and Income

USD 1 = HKD 7.8