Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Embassy of Switzerland in Hong Kong

Economic Report 2023

HONG KONG

30 June 2024

Executive Summary

Hong Kong's economy has faced a range of challenges in recent years, including growing Chinese political influence, the 2019 protests, the COVID-19 pandemic, and the enactment of the new National Security Law (NSL) known as Article 23 in early 2024. These factors have strained the city's international reputation, economic growth, and public trust. However, in 2023, Hong Kong's economy showed signs of recovery, with GDP growing by 3.2% after a contraction of -3.7% in 2022. Inflation remained moderate at 1.7%. Hong Kong’s total goods export fell further in 2023, dragged by the weak external demand for goods amid heightened geopolitical tensions and tight financial conditions. However, exports of services continued to increase significantly due to revival of inward tourism. Private consumption expenditure also increased, supported by rising household income and government initiatives. Despite facing a fiscal deficit of HKD101.6 billion in 2023, the government's fiscal reserves remain robust, providing support for the economy and future challenges. To address the declining population and stimulate economic growth, the Hong Kong government has implemented a series of initiatives to attract skilled individuals and foreign companies, to reduce stamp duties on property and securities transactions, and to improve the labour market.

A newly introduced, controversial national security law has raised concerns about limitations on civil liberties such as freedom of press, speech, expression, and assembly, with potential implications also for businesses. Western media and governments criticized the NSL as a violation of the "one country, two systems" principle that was meant to maintain Hong Kong’s autonomy and freedoms.

Switzerland represents Hong Kong’s 15th largest trading partner, and Hong Kong was Switzerland’s 19th largest supplier and 14th largest export market. Total Swiss export and imports of goods increased by 93.5% to CHF13.7 billion, respectively by 3.2% to CHF4 billion. As a result, total trade volume increased by 64.4% to CHF17.7 billion. It is the highest bilateral trade volume since the protest in 2019. Hong Kong serves as a gateway for Swiss exports to China, with over one quarter of the total import from Switzerland to Hong Kong being re-exported to China and Macau. Swiss direct investment to Hong Kong decreased by 9.1% to USD 12.8 billion. The Swiss economic footprint in Hong Kong remains stable and strong in spite of the current challenging environment. There are 260 Swiss companies in the city, more than half of them with regional headquarters or regional offices, employing a total of about 19’000 persons.

Hong Kong ranks 4th in the Global Financial Center ranking. As the largest offshore center for the Chinese currency RMB, Hong Kong is undertaking efforts to strengthen financial integration with mainland China. The city originates and intermediates two-thirds of China’s inward foreign direct investments and outward direct investment as well as most financial investment. Hong Kong is also a key component of the Greater Bay Area, an increasingly integrated economic region comprising nine cities in Guangdong province.

Consulate General of Switzerland in Hong Kong
62/F Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong
+852 3509 5000
hongkong@eda.admin.ch
www.eda.admin.ch/hongkong

TABLE OF CONTENTS

1 ECONOMIC OUTLOOK AND ECONOMIC POLICY DEVELOPMENTS

1.1 Macroeconomic situation and outlook

In recent years, Hong Kong's economy has faced a series of significant challenges that have impacted its stability and growth. Growing Chinese political influence and a controversial extradition law from Beijing have led to protests in 2019, followed by the implementation of the national security law in 2020, and the subsequent strict measures during the COVID-19 pandemic. Concerns over eroding social and political freedoms and autonomy, resulted in a climate of uncertainty and unrest. The combination of these developments, have created a sense of unease among its residents and has led to a mass exodus, reducing the workforce by about 291’000 people in 2023[1]. The impact on Hong Kong's status as an international financial hub and residents’ daily life led to a wave of departures, with both expatriates and locals seeking more stable and secure environments while democratic lawmakers and political figures were arrested in a widespread crackdown. This all was taking a toll on its international reputation and economy. Moreover, Sino-US tensions and China’s slowing economy have piled additional challenges on Hong Kong.

While the last COVID-19 regulations were lifted by early 2023, the city's recovery was delayed, impacting its economic growth. According to Bloomberg, the economy suffered an estimated USD 27 billion loss in potential growth by the end of 2022[2]. Although slower than expected, Hong Kong's economy showed signs of recovery in 2023, mainly thanks to the removal of anti-epidemic measures and the resumption of normal travel with China early in the year. After experiencing a contraction of -3.7% in 2022, the GDP for 2023 grew by 3.2%, indicating a positive turnaround. Inflation remained relatively moderate at 1.7%, providing stability to the economy. Hong Kong’s total goods export fell further in 2023, dragged by the weak external demand for goods amid heightened geopolitical tensions and tight financial conditions. Export of services reverted to visible growth and a concurrent rise in exports of transport services, thanks to the revival of visitor arrivals. Last year, incoming tourism experienced a significant rebound, reaching approximately 34 million visitors. In the fourth quarter, arrivals recovered to 58% of the same period in 2018, pre-protest. As a result, there was noteworthy growth of 21.2% in total exports of services for the entire year. Private consumption expenditure increased by 7.3% last year, supported by rising household income and the Government’s various initiatives such as the Government’s Consumption Voucher Scheme, activities and initiatives such as “Happy Hong Kong” and “Night Vibes Hong Kong”. Labour market improved along with the local economic recovery[3]. Hong Kong’s economy grew 2.7% year on year in the first quarter of 2024, at the lower end of the government’s forecast, as exports of services continued to increase notably due to a rise in visitor arrivals[4].

In 2023, Hong Kong faced a fiscal deficit of HKD101.6 billion (USD13 billion). This deficit was primarily caused by a decline in land premium revenue, which decreased from HKD65.6 billion (USD8.4 billion) to HKD19.4 billion (USD2.5 billion). Additionally, there was a decrease in revenue generated from stamp duties, declining from HKD50 billion (USD6.4 billion) to HKD35 billion (USD4.5 billion)[5]. Despite the deficit, Hong Kong's fiscal reserves remain robust, estimated at HKD733.2 billion (USD94 billion) as of March 31, 2024. While this amount is lower than the fiscal reserves of HKD1.2 trillion in 2020, equivalent to 22 months of public expenditure, it still indicates that the government has significant reserves to support the economy and address future challenges. It is worth noting that Hong Kong had recorded 15 years of budget surpluses before being impacted by the 2019 pro-democracy protests, unrest, and the subsequent COVID-19 pandemic.

New national security law: Hong Kong enacted the Safeguarding National Security law on 23 March 2024, also known as Article 23, which had been in the works for several decades. It includes regulations aimed at protecting China's sovereignty, territorial integrity, and national security. The prohibited activities encompass acts such as secession, subversion, terrorism, and collusion with foreign forces.

[1] https://www.ncesc.com/geographic-faq/how-many-brits-live-in-hong-kong/, consulted on 11.06.2024

[2] https://www.bloomberg.com/news/articles/2023-01-04/hong-kong-s-isolation-estimated-to-cost-economy-27-billion, consulted on 22.04.2024

[3] HKSAR Census & Statistics Department: https://www.hkeconomy.gov.hk/en/pdf/23q4_ppt.pdf, consulted on 29.04.2014

[4] https://www.scmp.com/news/hong-kong/hong-kong-economy/article/3261198/hong-kongs-economy-grows-27-first-quarter-amid-rise-service-exports, consulted on 15.05.2024

[5] https://kpmg.com/cn/en/home/insights/2023/11/tax-alert-21-hk-the-reduced-stamp-duty-rate-on-hk-stock-transfer-will-take-effect-from-17-nov-23.html, consulted on 06.05.2024

The new security law has been a subject of controversy due to concerns about chilling effects on civil society organizations potential limitations on freedom of press, speech, expression, and assembly. Consequently, Hong Kong's international reputation has been tarnished, and public trust in the local government has been affected. Western media and governments, including those of the US, Canada, Australia, EU and the UK, have expressed apprehension regarding the departure from the "one country, two systems" principle. Mainland China's broad definition of "state secrets" covers a wide range of information classified as national security. For the private sector, this creates uncertainty in the processing of data and information and increases the risk of arbitrary access to company data by the authorities. There are already law firms in Hong Kong that block their employees' access to international databases. This provision is particularly problematic for the financial sector, which accounts for about one-fifth of Hong Kong's economic output. In future, China analysts will have to be more careful about how far they are prepared to go with critical comments about the Chinese economy or the creditworthiness of Chinese state-owned enterprises. In addition, foreign companies that follow the instructions or wishes of their governments in their business activities could be classified as "foreign forces" and, if in doubt, face sanctions. In general, the new law is expected to significantly increase compliance costs for companies. According to a survey by the American Chamber of Commerce, a clear majority of member companies still have confidence in the rule of law in Hong Kong. However, with regard to the security laws, more than a third of respondents said that they had a direct or indirect negative impact on their business, particularly in terms of attracting and retaining talent.

Highlights of Initiatives: Hong Kong has implemented various initiatives to address its declining population and stimulate economic growth. One of these initiatives is the Top Talent Pass Scheme (TTPS)[6], which was launched in 2022. The TTPS aims to attract skilled individuals to replenish the workforce and enhance the city's human capital. Since its introduction, the TTPS has received significant interest along with the approved applications of other talent admission schemes, around 90’000 talents arrived in Hong Kong last year[7]. The government has approved around 80% of these applications. 90% of talented individuals who have arrived in Hong Kong through the scheme, come from China[8]. By targeting skilled individuals and streamlining the application process, the government hopes to rejuvenate the city's workforce and stimulate economic growth. In addition to the talent scheme, the Hong Kong government has also taken steps to attract foreign companies to establish their base in the city. These efforts aim to help these companies tap into the mainland market and contribute to the city's economic development. Furthermore, the government has implemented measures to reduce stamp duties on property and securities transactions. The stock trading stamp duty has been lowered from 0.13% to 0.1% for both buyers and sellers. Additionally, the stamp duty for property transactions has been reduced by half, from 15% to 7.5%. These reductions are part of broader efforts to alleviate costs and stimulate activity in the financial and real estate sectors[9]. The HKSAR government has set up a wealth management network to attract 200 family offices in the city by the end of 2025[10].The mandate of the recently established Office for Attracting Strategic Enterprises (OASES) is to attract companies in strategically important industries and to develop Hong Kong into an international hub for Innovation and Technology (I&T) enhancing the I&T ecosystem and reindustrialisation in the city[11].

Intellectual property: Hong Kong will reduce the tax on profits derived from intellectual property (IP) to 5% and update legislation to reflect breakthroughs in artificial intelligence (AI) as part of a wider push to turn the city into a hub for copyright trading[12]. Furthermore, the city would also seek closer cooperation with the China National Intellectual Property Administration over the training of patent examiners and

---

[6] https://www1.liveworkhongkong.gov.hk/en/most-needed-talents/hksar-admission-schemes/top-talent-pass-scheme-ttps/, consulted on 03.05.2024

[7] https://www.info.gov.hk/gia/general/202401/24/P2024012400291.htm#:~:text=The%20TTPS%20has%20received%20enthusiastic,talents%20arrived%20in%20Hong%20Kong, consulted on 07.06.2024

[8] https://www.scmp.com/news/hong-kong/hong-kong-economy/article/3252886/professionals-recruited-under-hong-kong-talent-scheme-earning-median-hk50000-month-double-what, consulted on 03.05.2024

[9] https://www.scmp.com/news/hong-kong/politics/article/3239139/6-key-takeaways-john-lees-policy-address-boosting-hong-kong-property-market-and-birth-rate-oral?module=hard_link&pgtype=article, consulted on 06.05.2024

[10] https://andsimple.co/insights/family-offices-in-hong-kong/#:~:text=The%20new%20legislation%20provides%20family%20offices%20with%20tax,to%20the%20city%20by%20the%20end%20of%202025., consulted on 21.05.2024

[11] https://www.news.gov.hk/eng/2022/10/20221019/20221019_092113_319.html#:~:text=It%20will%20collaborate%20with%20the%20Office%20for%20Attracting,Park%20%28HSITP%29%20in%20the%20Lok%20Ma%20Chau%20Loop., consulted on 06.06.2024

[12] https://www.scmp.com/news/hong-kong/hong-kong-economy/article/3258137/hong-kong-cut-tax-intellectual-property-profits-5-align-copyright-law-ai-advances, consulted on 21.05.2024

pursue deeper ties with mainland Chinese cities in the Greater Bay Area to bolster the cross-border protection of various forms of IP registration[13].

Monetary system and USD peg: The Hong Kong SAR Government continues to have sole discretion over its monetary and financial policies, safeguarding the free operation of financial business and the free flow of capital within, into and out of the jurisdiction. The US dollar peg has provided economic and financial stability in Hong Kong since 1983 (USD1 trading between HKD7.75-7.85[14]). However, interventions to defend the peg in 2022 and 2023 depleted foreign exchange reserves by over 70%, leading to higher borrowing costs. In the last 18 months, the main driver for the pressure on HK's currency was the US interest rate hikes. Experts question the sustainability of the peg, saying the economic and social costs of maintaining Hong Kong's dollar peg have become untenable[15]. Nonetheless, Hong Kong's de-facto central bank, HK Monetary Authority (HKMA) stated in October 2023 that there are no plans to modify the foreign-exchange system, as it remains crucial for stability in the region[16].

Challenges and outlook: Looking ahead to the rest of 2024, it will be full of external challenges for the city. The difficult external environment will continue to put pressure on the city, these include the weak Chinese economy, higher interest rates, geopolitical tensions, and upcoming U.S. elections, which could contribute to economic volatility. In addition, although Hong Kong has demonstrated resilience, it still grapples with a talent shortage. Attracting and retaining skilled professionals will be crucial for sustained growth. However, compared to the COVID-19 crisis years, the economy is now stabilizing, the IMF is forecasting a real GDP growth of 2.9% for 2024. Rising income among the general public will continue to support private consumption. The healthy fiscal reserves provide a buffer for the government to navigate through these challenges and support the economy moving forward. While China has a persistent reliance on the public sector and additionally on private consumption to lift growth, as a small and externally-oriented economy, Hong Kong's economic growth inevitably continues to depend on the external environment and China's economic performance[17], which is projected to grow steadily. There are positive signs of recovery and the situation may improve later in the year if the advanced economies cut interest rates as expected. It is expected that the city's economic pillars, services exports, capital investments, and consumption, will continue to contribute to its grow.

1.2 Integration with Mainland China

Financial link and largest offshore RMB center: Hong Kong has unique access channels for cross-border portfolio investment flows to and from China. These channels enable overseas investors to access the mainland capital markets through connections established between China and Hong Kong markets. The city originates and intermediates two-thirds of China's inward foreign direct investments (FDI) and outward direct investment (ODI) as well as most financial investments[18]. The city has been expanding its financial links with China over past years, including setting up Stock and Bond Connects to allow cross-border investments. Wealth Connect, launched in 2021, allows for investments in the Greater Bay Area, a region of 70 million people that includes Hong Kong and megacities in the southern mainland such as Shenzhen and Guangzhou. After Hong Kong has struggled to regain its growth momentum, Chinese as well as Hong Kong authorities stepped up measures beginning of 2024 to further financially integrate Hong Kong with China, including facilitating real estate purchases and expanding the Wealth Connect program, opening China's onshore repo market[19] and allowing bonds issued by the Chinese government as well as its policy banks as qualified collateral for the Hong Kong Monetary

[13] https://www.deacons.com/2024/01/16/reciprocal-enforcement-of-intellectual-property-judgments-between-hong-kong-and-mainland-china-imminent/, consulted on 21.05.2024

[14] https://en.wikipedia.org/wiki/Hong_Kong_dollar. Consulted on 29.04.2024
[15] https://edition.cnn.com/2023/06/13/investing/hong-kong-dollar-peg-yuan-intl-hnk/index.html, consulted 02.05.204

[16] https://news.rthk.hk/rthk/en/component/k2/1723475-20231017.htm, consulted on 06.05.2024

[17] https://www.imf.org/en/Publications/REO/APAC/Issues/2024/04/30/regional-economic-outlook-for-asia-and-pacific-April-2024, consulted on 06.05.2024

[18] https://www.hkma.gov.hk/eng/key-functions/international-financial-centre/hong-kong-as-an-international-financial-centre/dominant-gateway-to-china/, consulted on 26.04.2024

[19] https://www.brookings.edu/articles/what-is-the-repo-market-and-why-does-it-matter/, consulted on 26.04.2024

Authority's Renminbi Liquidity Facility[20]. The internationalization of the **Chinese yuan or renminbi** (RMB) continues. Before the RMB becomes fully convertible, Hong Kong has a unique opportunity to ride its rise and consolidate its status as a global financial centre. 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 RMB600 billion (CHF75.6 billion), providing liquidity support to global offshore RMB transactions and financial activities. According to the Society for Worldwide Interbank Financial Telecommunication (SWIFT)[21], in September 2023, the RMB has retained its position as the fifth most active currency for global payments by value, with a share of 3.71%. In other words, over 70% of the world's RMB payments are settled through Hong Kong. Additionally, HKSAR regulators are also allowing greater sharing of creditor information to ease cross-border financing and to deepen the program for the digital yuan. All these initiatives will further open up Chinese capital markets and emphasize Hong Kong's role as China's leading offshore RMB market and to trigger a further rise of foreign holding of China onshore bonds[22].

Greater Bay Area (GBA): GBA refers to the Chinese government's scheme to link nine cities in Guangdong province (Guangzhou, Shenzhen, Zhuhai, Foshan, Zhongshan, Dongguan, Huizhou, Jiangmen and Zhaoqing) and two special administrative regions (Hong Kong and Macau) into an integrated economic and business hub. The GBA is the largest and most populated urban area, comparable to major metro areas like New York City, Tokyo, and San Francisco and it has a total population of approximately 71.2 million (5% of China's total population) and is known for its economic prosperity. Surrounding the Pearl River Delta with a total area of 56,000 km^2 (comparable in size to Croatia), it is the largest and the richest economic region in South China. It is home to Fortune 500 companies, innovative technology firms, and a thriving start-up ecosystem. The GBA is considered by many experts as an emerging Silicon Valley of Asia. The GBA's combined regional GDP was RMB13 trillion (USD1.8 trillion) in 2022, which was equivalent to over 10% of GDP for all of China.

2 PRIORITY SECTORS AND OPPORTUNITIES FOR SWISS COMPANIES

Hong Kong's economy is externally oriented and depends heavily on trade with the rest of the world. Its strategic location, infrastructure and international communications network gives the city an advantage over its competitors. Hong Kong is a free port and enjoys a capitalistic economic and trading system, free movement of products and a separate customs territory.

2.1 Hong Kong's main economic sectors

Hong Kong does not have a significant agricultural 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 (93.5% in 2022, 88.4% of total employment in 2022). Financial services, trading and logistics, tourism, and professional services are the traditional four pillar industries in Hong Kong.

Financial services: The financial sector accounts for 22.4% of the city's GDP in 2022 and remains one of its most important economic pillars providing some 276'200 jobs in 2022 (7.4% of total employment). At the end of April 2024, there were 177 licensed banks in Hong Kong, including 8 Swiss banks and one Liechtenstein bank with a banking license and 4 with representative offices from Switzerland (of which two are online financial and trading services banks) and 2 representative offices from Liechtenstein. There are as well two Swiss insurance groups[23]. Since the first of its semi-annual ratings was published in March 2007, the *GFCI* has consistently ranked Hong Kong as one of the top international financial centers in Asia. Hong Kong has one of the world's most active and liquid securities markets. There is no control over capital movement, capital gains tax and dividend income tax. Hong Kong ranks fourth in Global Financial Center ranking according to the latest GFCI Report[24]. Hong Kong's stock market was

[20] https://www.businesstimes.com.sg/international/china-and-hong-kong-broaden-investment-and-financing-links, consulted on 26.04.2024

[21] https://www.swift.com/sites/default/files/files/rmb-tracker_october-2023_final_ast.pdf, consulted on 26.04.2024

[22] https://cashinsight.co.uk/upcoming-investments/china-hong-kong-broaden-investment-and-financing-links/, consulted on 08.03.2024

[23] https://www.hkma.gov.hk/eng/key-functions/banking/banking-regulatory-and-supervisory-regime/the-three-tier-banking-system/, consulted on 11.04.2024

[24] https://www.longfinance.net/media/documents/GFCI_35_Report_2024.03.21_v1.0.pdf, consulted on 27.05.2024

the 5th largest in Asia (after Japan, Shanghai, India and Shenzhen)[25] and the 8th largest in the world[26] in terms of market capitalization at the end of December 2023. At that time, there were 2’603 companies listed on the Hong Kong Exchange (HKEx), with a total market capitalization of about HKD32 trillion (USD4.1 trillion). It is one of the world’s most active markets for initial public offerings (IPO), with 90 listings and HKD104.6 billion (USD13.4 billion) raised in 2022. However, Hong Kong's IPO market was dealt a crippling blow by rising interest rates and an aversion to Chinese assets. But it appears to be healing. While Hong Kong and China saw sluggish IPO activity in the first quarter, with declines of 29% and 64% respectively, the underlying trend is promising. Over the past five to six years, China has produced a remarkable number of huge new companies, and as these businesses continue to grow, they will eventually seek banking services as they grow[27].

Tourism and consumption: The luxury brand market in Hong Kong has traditionally been driven by the influx of wealthy tourists from China who come to Hong Kong mainly for shopping purposes. During the three-year long border closure due to the pandemic regulations, the number of inbound tourists, especially from China, has decreased significantly. Adding the decrease of tourists during the 2019-protest, the number of inbound visitors decreased by 99.9% from 2018 (65.2 million) to 2021 (91’398), only to recover a little after the quarantine regulations have been relaxed in the second half of 2022 (8604’654). Before the outbreak of the COVID-19 pandemic in 2019, the industry contributed to around 3.6% of Hong Kong’s GDP. Due to the lengthy pandemic, in 2021, the industry’s contribution to Hong Kong’s GDP dropped to 0.1%. Meanwhile, the tourism industry has recovered. 2023 as a whole year, Hong Kong has received nearly 34 million incoming visitors which is half of the number of visitors compared to 2018 (pre-protest and pre-pandemic). Since Hong Kong’s full relaxation of all COVID-19 related restrictions on 1 March 2023, the total visitor arrivals surged to about 3.8 million at the end of January 2024, as compared to 498’689 year-on-year[28]. However, regardless of the influx of mainland visitors, Hong Kong has the highest per capita expenditure on the luxury market per the ‘World Market for Luxury Goods’ report, beating Switzerland and the UAE[29]. As pandemic restrictions eased in 2022, Hong Kong consumers swiftly rekindled their passion for luxury goods, resulting in a resurgence in sales and a notable upswing in per capita spending. However, the return of big-spending mainland tourists has not yet fully materialized. Instead, numerous wealthy mainland residents are choosing to spend their money in the rival Chinese destination of Hainan, where they can make up to 100’000 RMB (approximately $13’800 USD) in tax-free purchases annually, compared to just 5’000 RMB (around $690 USD) per entry in Hong Kong. This shift in mainland Chinese spending habits has prompted luxury brands, including many Swiss labels with a strong presence in Hong Kong, to refocus their marketing strategies on attracting affluent local residents rather than relying solely on the mainland tourist segment[30].

3 FOREIGN ECONOMIC POLICY

3.1 Hong Kong’s policy and priorities

Hong Kong has a robust open market policy that encompasses all trade and investments in the city. It maintains a capitalist economic system, facilitating the free movement of goods and capital. The city actively participates in international trade agreements and organizations, representing itself as "Hong Kong, China." It became an individual contracting party to the General Agreement on Tariffs and Trade (GATT) and played a founding role in the establishment of the World Trade Organization (WTO).

As part of its commitment to international trade and cooperation, Hong Kong has signed several Free Trade Agreements. These include agreements with China (**CEPA**, 2003), New Zealand (**CEP**, 2010),

[25] https://www.statista.com/statistics/265236/domestic-market-capitalization-in-the-asia-pacific-region/, consulted on 07.06.2024

[26] https://www.brandhk.gov.hk/docs/default-source/factsheets-library/hong-kong-themes/2024-04-16/rankings_en_apr-2024.pdf, consulted on 07.06.2024

[27] https://www.scmp.com/business/banking-finance/article/3261352/hong-kongs-moribund-ipo-market-seen-revived-deals-innovative-unbelievably-huge-china-companies-citi, consulted on 07.06.2024

[28] Census & Statistics Department: https://www.censtatd.gov.hk/en/web_table.html?id=650-80001#, consulted on 11.04.2024

[29] https://www.scmp.com/magazines/style/luxury/luxury-news/article/3240058/hong-kong-just-reclaimed-global-luxury-crown-city-once-again-luxury-market-highest-capita, consulted on 24.05.2024

[30] https://www.scmp.com/yp/discover/news/hong-kong/article/3251906/hong-kong-too-expensive-say-mainland-tourists-rivals-hainan-dubbed-chinas-hawaii-take-over-and-day, consulted on 11.06.2024

EFTA including Switzerland (2011), Chile (2012), HK and Macao Closer Economic Partnership Arrangement (**HK-Macao CEPA**, 2017), ASEAN (2017), **Georgia** (2018), and **Australia** (2019). Additionally, Hong Kong has commenced negotiations for an FTA with **Peru** in January 2023 and filed an application to join the **RCEP** in January 2022.

Hong Kong has signed agreements with 24 foreign economies to ensure the protection and promotion of investments (**IPPAs**). Additionally, its economy is closely linked to China, and 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 mainland Chinese market.

Furthermore, Hong Kong has engaged in collaborations with **Switzerland**. This includes an agreement for the automatic exchange of financial account information in tax matters (**AEOI**, 2017). And three Memorandums of Understanding (**MOU**) to strengthen 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.

Bank for International Settlement: 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 monetary and financial stability. The HKMA has been a member of the BIS since 1996. Apart from the BIS, the HKMA is also a member of two other Basel-based international organisations, namely the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS). FSB promotes international financial stability through developing strong regulatory and supervisory policies, whereas BCBS sets standards, guidelines and sound practices for the global banking industry[31].

Regional Comprehensive Economic Partnership (RCEP): Hong Kong is expected to become a member of the RCEP in 2024. The world largest free-trade deal covers a third of the world's population (2.27 billion), nearly as much of its GDP (USD26 trillion) and USD5.2 trillion in total export value[32]. This agreement contains provisions that go beyond existing FTAs. In terms of merchandise trade, the RCEP will eventually eliminate more than 90% of tariffs on imports between its members. It will also establish common rules for e-commerce, custom procedures and intellectual property. These will strengthen trade flows between RCEP members by reducing costs of and barriers to trade. This will benefit Hong Kong's offshore trade and third-party logistics services, given its close ties with these economies as well as its prominence as an international trading center. In addition, the RCEP will foster trade and investment relations within the region, thereby creating demand for financial and professional services, in which Hong Kong has strong competitiveness[33].

3.2 Outlook for Switzerland

The economic agreements signed by Hong Kong present no discrimination against Swiss importers and exporters. The CEPA signed with China is nationality neutral. Therefore, Swiss companies incorporated in Hong Kong can enjoy the full benefits of the CEPA. This allows Swiss companies to access favourable trading conditions and enjoy preferential treatment in the Chinese market. Furthermore, Hong Kong is an important financial centre where numerous Swiss banks have established themselves since the 1960s. Switzerland maintains a regular financial dialogue with Hong Kong, further strengthening bilateral economic ties and cooperation in the financial sector. These agreements and collaborations highlight Hong Kong's commitment to international trade, investment, and economic cooperation, providing Swiss companies with opportunities to thrive in the city's vibrant business environment. The inclusion of the RCEP will further enhance the scope of market access and growth potential for Swiss businesses based in Hong Kong.

Financial Dialogue: In 2027, the State Secretariat for International Financial Matters (SIF) under the Swiss Federal Department of Finance and the Hong Kong Monetary Authority (HKMA) launched a financial dialogue to promote cooperation on financial market issues of common interest. In September 2023, the 6th Financial Dialogue was again held in Berne. Representatives from the Swiss Financial

[31] https://www.hkma.gov.hk/eng/news-and-media/insight/2023/11/20231123/

[32] https://customs.pwc.com/en/publications/what-rcep-means-for-international-trade.html, consulted on 09.05.2024

[33] https://www.hkeconomy.gov.hk/en/pdf/box-20q4-3-2.pdf, consulted on 09.05.2024

Market Supervisory Authority, Swiss National Bank, Federal Finance Administration, SIF, and HKMA attended the meeting. The 7th Financial Dialogue will be taking place in Hong Kong end of 2024.

4 FOREIGN TRADE

In 2023, the value of total trade reached USD1'131.1 billion, equivalent to 295% of its GDP, which is a decrease by 6.7% in 2023 as a whole. In 2023, Hong Kong was the world's 10th largest trading entity in merchandise trade, accounting for 2.6% of world total trade at USD48'018 billion and the 23rd largest entity in commercial services[34]. The top three destinations for Hong Kong's exports in 2023 were China (USD297 billion), the USA (USD34.9 billion) and India (USD21.4 billion)[35].

4.1 Developments and general outlook

Hong Kong does not levy tariffs on the import or export of goods, with the exception of four commodities (hard alcohol, tobacco, hydrocarbon oil, and methyl alcohol), retaining its status as a free port. In February 2024, national security clauses were added to all land sales and short-term lease tender documents. Hong Kong's export of goods faced challenges due to falling global demand and heightened geopolitical tensions. The complicated external environment continued to put pressure on Hong Kong's exports of goods, due to disruptions in cross-boundary truck movements between Hong Kong and China. However, there is hope of improvement later in the year if advanced economies cut interest rates as expected[36]. In 2023, exports of services reverted to visible growth, thanks to the revival of visitor arrivals and spending. Efforts to promote mega event economy should provide additional support[37]. Domestic demand rebounded strongly in 2023, supported by improved labour market conditions and government initiatives. Economic confidence is expected to gradually improve in 2024, leading to further growth. However, factors including heightened geopolitical tensions and slowing global economic growth will continue to weigh on Hong Kong's export performance in the near term.

4.1.1 Trade in goods

In 2023, Hong Kong's export decreased by 7.8% to USD535.6 billion (or around 139% of its GDP) compared to 2022, dragged by falling global demand for goods amid heightened geopolitical tensions and tight financial conditions. For 2023 as a whole, decreases were registered in the values of total exports to most major destinations, in particular Singapore (-21.4%), Japan (-17.7%), Taiwan (-9.9%), the China (-9.7%) and Korea (-9.5%). The major principal commodities of domestic exports are miscellaneous manufactured articles (31.1% share), non-ferrous metals (15.2%) and metalliferous ores, metal scrap (11.8%) and medicinal and pharmaceutical products (10.3%). As for the re-exports, the major principal commodities are electrical machinery, apparatus and appliances, and electrical parts thereof (48.2% share), telecommunications and sound recording and reproducing apparatus and equipment (12.8%) and office machines and automatic data processing machines (9.9%).

The value of import of goods decreased by 5.7% resulting in a visible trade deficit of USD59.9 billion, equivalent to 10.1% of the value of import of goods in 2023[38]. Although decreased by 2.7% from the previous year, China remains the biggest supplier country by far with a share of 43.5% in 2023. After China, Taiwan (11.3%) and Singapore (7.1%) are the other main importing partners. Followed by South Korea, Japan and the United States. The biggest import in commodities are electrical machinery, apparatus and appliances and electrical parts thereof (43.6%) followed by telecommunications and sound recording and reproducing apparatus and equipment (12%) and office machines and automatic data processing machines (7%)[39].

4.1.2 Trade in services

Hong Kong is renowned for its robust services-oriented economy with services sectors playing a pivotal role, accounting for 93.5% of its GDP in 2022. While trade in goods had already exceeded pre-

[34]https://www.tid.gov.hk/english/aboutus/publications/tradestat/wmttt.html, consulted on 08.05.2024

[35] https://www.tid.gov.hk/english/trade_relations/mainland/trade.html, consulted on 08.05.2024

[36] https://www.hkeconomy.gov.hk/en/pdf/23q4_outlook.pdf, consulted on 07.05.2024

[37] https://www.hkeconomy.gov.hk/en/pdf/23q4_outlook.pdf, consulted on 09.05.2024

[38] https://www.info.gov.hk/gia/general/202401/25/P2024012500332p.htm, consulted on 15.05.2024

[39] https://www.tid.gov.hk/english/aboutus/publications/tradestat/imcom.html. Consulted on 14.05.2024

pandemic levels in 2021, trade in services caught up only in 2022[40]. Visitor arrivals bounced back sharply to about 34 million in 2023. In the first quarter of 2024, thanks to the rise in visitor arrival, the city's GDP grew 2.7% year on year. Exports of travels services soared for the year, while exports of transport services also increased, bringing about notable growth of 21.2% in total exports of services for the year as a whole[41]. Comparing 2022 with 2021, the value of total exports of services rose by 5.8% to USD83.4 billion, and that of total imports of services increased by 3.2% to USD63.5 billion. An invisible trade surplus at USD19.9 billion, equivalent to 31.4% of the value of total imports of services, was recorded in 2022. This was larger than the corresponding surplus of USD17.3 billion in 2021, equivalent to 28.1% of the value of total imports of services in 2021. Transport was the largest component in exports of services, accounting for 40.1% of the value of total exports of services in 2022. This was followed by financial services (31.0%) and other business services (17.1%). On the other hand, manufacturing services imported by Hong Kong in outward processing were substantial, resulting in a deficit of USD11.7 billion in 2022. This was followed by travel (USD2.4 billion) and charges for the use of intellectual property (USD1.4 billion).

The USA and China were the top two main destinations of exports of services of Hong Kong, accounting for 23.7% and 19.0% respectively of the value of total exports of services in 2022. They were followed by the United Kingdom (11.8%), Germany (5.4%) and Taiwan (5.2%).

China and the USA were also the top two main sources of imports of services, accounting for 39.8% and 15.3% respectively of the value of total imports of services in 2022. They were followed by the UK (7.0%), Singapore (7.0%) and Japan (4.6%)[42].

4.2 Bilateral trade

Despite small in terms of population, Hong Kong remains an important trading partner of Switzerland. According to the Hong Kong Trade and Industry Department, in 2023, Switzerland ranked 15th among Hong Kong's trading partners in the world[43]. According to the Swiss statistics department, Hong Kong was Switzerland's 19th largest supplier and 14th largest export market in 2022. It is Switzerland's fifth largest trading partner in Asia after China, India, Japan and Singapore[44].

Hong Kong often serves as a gateway for Swiss exports to China and Macau. According to Hong Kong statistics department, about USD4'551.9 million of the total import from Switzerland was routed through Hong Kong in 2023. The re-export of Swiss-origin consignments to China and Macau was 25.9% of all imports from Switzerland (USD1'203.21 million to China, respectively USD976 million to Macau). And about 0.5% (USD1'429.2 million) of Chinese-origin consignments are re-exported to Switzerland[45]. The total trade between the two places amounted to CHF17.7 billion in 2023[46].

4.2.1 Bilateral trade in goods

Total Swiss export in goods ***including gold bars and precious metals*** substantially increased by CHF6.6 billion (93.5%) and amounts now to CHF13.7 billion, while total Swiss import increased by CHF0.3 billion (3.2%) and amounts now to CHF4 billion. As a result, the total trade volume increased by 64.4% (from CHF10.8 billion to CHF17.7 billion). The difference is mainly due to gold bars and other precious metals, as Switzerland exported and imported more of these goods from and to Hong Kong in 2023. 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 CHF6.8 billion. **Swiss exports** to Hong Kong saw a notable increase to CHF5.6 billion in 2023 (from CHF4.2 billion in 2022), while **imports** increased by 14.4% from CHF1 billion in 2022 to CHF1.2 billion in 2023[47].

In 2023, Switzerland **exported** mainly *gold* (CHF7.4 billion), *watches and clocks* (CHF2.2 billion) and *jewelry, goldsmiths' and silversmith' wares, and other articles of precious and semi-precious*

[40] https://www.wto.org/english/res_e/booksp_e/wtsr_2023_e.pdf, consulted on 09.05.2024

[41] https://www.budget.gov.hk/2024/eng/budget02.html, consulted on 28.03.2024

[42] https://www.censtatd.gov.hk/en/press_release_detail.html?id=5516, consulted 02.05.2024

[43] https://www.tid.gov.hk/english/trade_relations/mainland/trade.html, consulted on 13.05.2024

[44] https://www.bazg.admin.ch/bazg/en/home/topics/swiss-foreign-trade-statistics/daten/handelspartner.html, consulted 13.05.2024

[45] HKSAR Census and Statistics Department

[46] https://www.gate.ezv.admin.ch/swissimpex/index.xhtml, consulted on 13.05.2024

[47] See Annex 4

materials (CHF2 billion) to Hong Kong. The main products that Switzerland **imported** from Hong Kong were *gold* (CHF1.8 billion), *watches and clocks* (CHF219 million), and *machinery, electrical & non-electrical (*CHF85.9 million).

Gold dominates the bilateral trade: According to Hong Kong statistics, the total gold export to Switzerland for the whole of 2023 was about the same compared to 2022 (9'722 kg/USD472.1 million in 2022, 8'430kg/CHF498.5 million in 2023), while the import to Hong Kong went up by 216.5% (from 54'417kg/USD3.16 billion in 2022 to 161'570kg/USD10.01 billion in 2023).

According to data from the Swiss Federal Statistical Office (SFSO), bilateral trade figures deviate from those reported by Hong Kong authorities. In 2022, exports to Switzerland totaled 41'732 kilograms valued at CHF2.3 billion, compared to 37'184 kilograms valued at CHF 1.9 billion in 2023. On the import side, Hong Kong received 45'482 kilograms valued at CHF2.5 billion in 2022, surging to 131'822 kilograms valued at CHF7.4 billion in 2023. Despite discrepancies in data collection methods, gold remains the primary commodity exchanged between the two regions. Swiss gold exports to Hong Kong reached a five-year high, albeit slightly over half the volume of 2018 (222'470 kilograms). However, in monetary terms, the exports hit a record high, reaching 84% of the 2018 amount (CHF8.9 billion), driven by historically high gold prices. 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 (96.6% of all gold re-exports of Swiss origin went to China in 2023). Indirectly, Hong Kong has also become one of the driving forces of the gold price. Demands from China may remain solid as the abandonment of COVID-19-restrictions revives economic growth48. Furthermore, imported gold is also used for investments (gold as safe haven), manufacturing and for the local jewellery industry. The increase of gold imports in Hong Kong while the price went up during this period could be due to the Chinese central bank (PBoC) buying gold in Hong Kong, affluent Asian citizens buying and storing gold in the city, or bullion banks storing gold in Hong Kong in anticipation of strong demand in the east. According to gold bilateral trade figure between China and Hong Kong, China's gold import from Hong Kong has increased 151.6% in 2023 compared to 2022.

Watches and clocks: Swiss watch making continued to grow sharply in 2023. Watch exports achieved record value (+7.6%), following strong performance the previous year (from CHF24.9 billion in 2022 to CHF26.7 billion in 2023), while the corresponding number of watches also increased significantly. Operating mainly in the upmarket sector, Swiss watchmaking benefited from steady demand in the luxury goods market. It also achieved excellent performance in the entry-level segment, illustrating the still significant interest in Swiss-made products. Swiss watch export to Hong Kong for the year as a whole exceeded their 2022 result by 23.4%. After the market disruption in Asia in 2022, exports to China and Hong Kong experienced a strong recovery following the lifting of COVID-19-restrictions, which lasted three years and caused the market to fall to historical low level. Asia as a whole absorbed almost half (49%) of Swiss watch exports in 2023, while Hong Kong takes 8.8% of the market share and remains the third biggest export market for Swiss watches after USA (15.6%) and China (10.3%)[49].

4.2.2 Bilateral trade in services

Hong Kong's import of services from Switzerland reached USD441.9 million (0.7% of total imports of services) in 2022. Switzerland ranked 18th largest supplier in this category. It consisted of financial services (46.4%), charges for the use of intellectual property (14.7%), transport (14.2%), travel (7.2%), telecommunications, computer and information services (5.6%), insurance and pension services (3.2%) and 'other business services' (7.2%).

Hong Kong's exports of services to Switzerland amounted to USD1'012.8 million (1.2% of total exports of services) in 2022. Switzerland ranked 13th largest market for Hong Kong's exports of services. It consisted of other business services (56.3%), financial services (24.9%), and transport (9.6%), as well as telecommunications, computer and information services (7.3%) and others[50].

[48] https://www.kitco.com/news/article/2024-03-22/massive-covert-gold-purchases-mean-china-now-controls-price-action, consulted on 21.05.2024

[49] Federation of the Swiss Watch Industry FH: https://www.fhs.swiss/pdf/communique_230112_a.pdf, consulted on 10.04.2024

[50] HKSAR Census and Statistics Department

5 DIRECT INVESTMENTS

5.1 Developments and general outlook

The total stock of Hong Kong's inward direct investment (DI) increased by 2.7% over the year to USD2’010.2 billion at the end of 2022, which is 614% of its GDP. The two largest immediate sources for Hong Kong's inward DI were the British Virgin Islands, with a 30.9% share, and China, with a 30.0% share. The sectors that received the largest share of inward DI were investment and holding, real estate, and professional and business services at 65.4%, followed by banking at 13.0% and import/export, wholesale and retail trades at 10.9%. In contrast, the total stock of Hong Kong's outward direct investment decreased by 0.6% over 2022 to USD2’286.1 billion, a ratio of 605% to GDP. The decrease was mainly attributable to the positive direct investment outflow to enterprises outside Hong Kong during the year. The two largest destinations for Hong Kong's outward DI were China with a 49.4% share and the British Virgin Islands with a 30.3% share. The sectors that received the largest share of outward DI were investment and holding, real estate, and professional and business services at 78.7%, followed by import/export, wholesale and retail trades at 8.3%.

In 2022, Hong Kong recorded a total direct investment (DI) inflow of USD122.9 billion, down from USD136.7 billion in 2021. The total DI outflow, on the other hand, increased from USD93.1 billion in 2021 to USD119.4 billion in 2022, resulting in a net DI inflow of USD3.5 billion. The major sources of Hong Kong's DI inflow were China, accounting for USD40.5 billion, and the British Virgin Islands, accounting for USD24.3 billion. Investments were concentrated in the sectors of investment and holding, real estate, and professional and business services. For Hong Kong's DI outflow, the major destinations were China, amounting to USD63.3 billion, and the British Virgin Islands, amounting to USD32 billion. The investment and holding, real estate, and professional and business services sectors also received the largest outflows. Hong Kong's substantial stocks of inward and outward DI, amounting to 614% and 605% of GDP respectively, demonstrate its status as a prominent international financial center and commercial hub. Looking ahead, the Hong Kong government plans to attract more foreign investment. They have identified eight key areas they want to focus on developing: international financial center, international innovation and technology center, East-meets-West center for international cultural exchange, international trade center, international shipping center, international aviation hub, center for international legal and dispute resolution services in the Asia-Pacific region, and regional intellectual property trading center. These eight areas were laid out in China's 14th Five-Year-Plan, which is a national strategy for Hong Kong's development[51]. In addition to investing in these eight areas, the government also wants to make it easier for companies to re-domicile (move their headquarters) to Hong Kong. The goal is to strengthen Hong Kong's position as a leading global business and investment hub, across a range of key industries and services. This is part of the government's broader strategy to maintain Hong Kong's competitiveness and attractiveness for foreign firms.

In Hong Kong, there is no restriction on inward and outward investments nor is there nationality restrictions on corporate or sectorial ownership. Due to its low-tax environment, Hong Kong remains among the top direct investors and investee economies. It continues to be attractive destination for different types of investments, including those channelled through special purpose entities (subsidiaries created by parent companies).

5.2 Bilateral investment

Traditionally, Switzerland has a strong presence in Hong Kong. As per 1 June 2023, there are 260 companies in the city with parent companies located in Switzerland, including 51 regional headquarters (RHQs), 81 regional offices (ROs) and 128 local offices (LOs), engaging a total of about 19’000 persons in Hong Kong. A share of 3.6% of all companies in Hong Kong have a parent company in Switzerland. 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. The decrease of employment in recent years 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 strategy. In accordance

[51] https://www.info.gov.hk/gia/general/202211/09/P2022110900215.htm#:~:text=The%2014th%20Five-Year%20Plan%20has%20supported%20the%20development,as%20well%20as%20regional%20intellectual%20property%20trading%20centre., consulted on 24.06.2024

to the decrease of population due to the exodus, the number of registered Swiss nationals has decreased as well since 2019 from 2,150 to 1577, or more than -26%.

According to the latest HKSAR figures available, Swiss direct investments in Hong Kong reached USD12.8 billion in 2022. The Swiss share in foreign direct investments is historically rather stable although after an increase in two consecutive years (by 8.5% in 2021, respectively 9.1% in 2020), it saw a decrease of -9.1% in 2022. The Swiss DI accounts for about 0.6% of Hong Kong total foreign direct investments (USD110.1 billion)[52].

6 ECONOMIC AND TOURISM PROMOTION

6.1 Swiss foreign economic promotion instruments

- **Swiss Chamber of Commerce in Hong Kong (SwissCham)[53]**: 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[54]**: Non-profit associations based in Switzerland providing 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 (FH)[55]**: Professional and non-profit, private association which defends the watch industry's interests and contributes to its development and represents the sector as a whole, both in Switzerland and abroad, such as in Hong Kong, and Japan. FH currently represents around 500 members, or more than 90% of Swiss firms active in the production and sale of watches, clocks and components.
- **Switzerland Tourism[56]:** Has an office in Hong Kong promoting travel to Switzerland**.**
- **Switzerland Global Enterprise (S-GE)[57]:** Since end of 2022, the Trade Point of the S-GE is integrated into the Swiss Consulate General in Hong Kong.

In 2023, the Consulate General, in collaboration with Switzerland Tourism, participated in the annual **Hong Kong Book fair** and will continue to promote Swiss tourism to a diverse and engaged audience again in 2024. Furthermore, a notable **Swiss-Hong Kong collaboration** has emerged in the domains of web3, blockchain, and fintech. This collaborative endeavour involved the **Financial Services Development Council**, with the support from Swisscham and government related organizations. The Consulate General hosted the Swiss pavilion at the **HK Fintech Week 2023**, showcasing ten innovative Swiss start-ups. Additionally, S-GE successfully spearheaded the Swiss pavilion at the **Cosmoprof Asia 2023**, highlighting Switzerland's expertise in the beauty and cosmetics industry. These collaborative initiatives have not only facilitated knowledge transfer and innovation but have also nurtured economic growth and prosperity for both places.

6.2 Hong Kong’s interest in Switzerland

- **Tourism, education and other services:** In 2023, the Swiss hotel sector generated a record 41.8 million overnight stays, an increase of 9.2% (+3.5 million) compared with 2022. Despite the unstable international situation and a strong Swiss franc, foreign demand increased by 3.7 million overnight stays (+21.8%) compared with 2022, reaching 20.9 million overnight stays in 2023. This increase in foreign demand was driven mainly by tourists from Asia, registering a total of 4.1 million overnight stays (+1.5 million/+56.4%)[58] of which 118’304 overnight stays (up from 48’393 in 2022) in total

[52] HKSAR Census & Statistics Department

[53] https://www.swisscham.org/hongkong/

[54] https://www.sccc.ch/

[55] https://www.fhs.swiss/eng/homepage.html

[56] https://www.myswitzerland.com/en

[57] https://www.s-ge.com/en/offices-around-world?ct=

[58] https://www.bfs.admin.ch/bfs/en/home/statistics/catalogues-databases.assetdetail.30865382.html, consulted on 08.04.2024

are from Hong Kong[59]. This is due to the overall eased outbound travel situation post-pandemic. Hong Kong's tourism industry rebounded with remarkable resilience in 2023 (over 2.5 times the number of outbound travel compared to the previous year as a whole[60]). It showed a significant revival in both outbound and inbound travel[61]. Furthermore, around 300-350 Hong Kongers study in Switzerland every year.

- **Investments**: There are 32 Hong Kong companies[62] based in Switzerland ranging from logistics, jewellery & watch retail, manufacturing, as well as consulting & infrastructure asset management.

Official Visits:

- Additionally, Mr. Clement Woo, Under Secretary for Constitutional and Mainland Affairs, Ms. Gracie Foo, Permanent Secretary for Constitutional and Mainland Affairs, Mr. Horace Cheung, Deputy Secretary for Justice, and Mr. Victor Liu, Director-General of Civil Aviation, undertook duty visits to Switzerland. In April 2023, Secretary for Innovation, Technology and Industry, Prof. Sun Dong, visited Switzerland to explore opportunities and engage in discussions aimed at attracting enterprises and investments, particularly in the field of Innovation and Technology (I&T).

[59] https://www.bfs.admin.ch/bfs/de/home/statistiken/tourismus/beherbergung.assetdetail.31686448.html, consulted on 09.04.2024

[60] https://finance.yahoo.com/news/outbound-strong-sustainable-ite-hong-022500102.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuYmluZy5jb20v&guce_referrer_sig=AQAAANVladj-6-YIVpR2fUv0C44Uek4d5KauACg68P65rlgGV5Z6S0HUBf6vn_rSUGzYg9a9jSG-amEzXOsOT2aNB4FJeqstxijUM5myGDXMuvsTDkZ52vfACExuW-T3Vnr2wMN-sfTCePkXMIaRABfDsydQxtDqzPE6yj2X_j6BBMEp, consulted on 09.04.2024

[61] https://www.scmp.com/magazines/post-magazine/travel/article/3247140/tripcoms-2023-hong-kong-travel-trends-where-people-went-number-flights-they-took-and-more-and-how, consulted on 09.04.2024

[62] Source: HKSAR government (HK Trade Office): 22 branch companies/offices with HQ in Hong Kong, 10 Swiss companies registered in Switzerland as independent companies and either us the same or related name as the Hong Kong Parent Company or not, e.g. merge or acquired by a Hong Kong company, 18.05.2024

ANNEX 1 – Economic structure

Economic structure of Hong Kong

	2018	2019	2020	2021	2022*
Distribution of GDP					
Primary sector	0.1%	0.1%	0.1%	0.1%	0.1%
Secondary sector	6.8%	6.5%	6.5%	6.3%	6.4%
Services	93.1%	93.4%	93.4%	93.7%	93.5%
-of which import/export, wholesale and retail trades	21.3%	19.5%	18.4%	19.4%	18.1%
- of which public administration, social and personal services	18.5%	19.6%	20.7%	20.5%	21.3%
- of which financing and insurance	19.8%	21.2%	23.4%	21.3%	22.4%

Distribution of employment	**2019**	**2020**	**2021**	**2022**	**2023**
Primary sector	0.1%	0.1%	0.1%	0.1%	0.1%
Secondary sector	11.3%	10.8%	11.4%	11.5%	11.6%
Tertiary	88.6%	89.1%	88.5%	88.4%	88.3%
- of which public administration, social and personal services	28.2%	27.8%	27.9%	28.1%	28.3%
- of which financing and insurance	7.1%	7.6%	7.6%	7.4%	7.3%

Source(s):
*This set of figure for 2023 will only be available by Nov. 2024, Table 310-34101: https://www.censtatd.gov.hk/en/web_table.html?id=36#, consulted on 09.04.2024
** Estimates released end of April 2024:
https://www.censtatd.gov.hk/en/data/stat_report/product/B1010006/att/B10100062024AN24B0100.pdf, consulted 02.05.2024

ANNEX 2 – Main economic data

Hong Kong's economic data

	2022	2023	2024***
GDP (USD billion)*	389	384	430
GDP per capita (USD)*	50’950	50’888	55’615
GDP Growth rate (%)*	-3.7%	3.2%	2.9%*
Inflation rate (%)*	1.7	1.7	2.3*
Unemployment rate (% of total labour force)*	4	2.9	3.9
Fiscal balance (% of GDP)*	10.7	8	6.5
Current account balance (% of GDP)**	4.4	4	4
General government external debt (% of GDP)	1.5	3.6	n/a
Total external debt (% of GDP)**	500	480	n/a
Reserves (months of imports)****	40.4	39.2	n/a

* Source: IMF, World Economic Outlook (April 2024)
www.imf.org/external/pubs/ft/weo

** Source: IMF, Article IV Consultation (or host country statistics) [indicate the date of the Art. IV Consultation report]
www.imf.org/external/country/index.htm

*** estimates

**** HKSAR Census & Statistics Department, consulted on 29.04.2024

ANNEX 3 – Trade partners

Trade partners of Hong Kong Year: 2023

Rank	Country	Exports *from Hong Kong* (USD million)	Share	Change	Rank	Country	Imports *to Hong Kong* (USD million)	Share	Change
1	China	297’483	55.5%	-9.7%	1	China	259’271	43.5%	-2.7%
2	USA	34’933	6.5%	-6.9%	2	Taiwan	67’424	11.3%	-10.5%
3	India	21’413	4%	-2.7%	3	Singapore	42’251	7.1%	-17.3%
4	Taiwan	17’800	3.3%	-9.9%	4	Korea	28’671	4.8%	-22.8%
5	Vietnam	14’434	2.7%	-0.5%	5	Japan	28’397	4.8%	-8.8%
6	UAE	13’265	2.5%	-8.9%	6	USA	25’604	4.3%	-4.6%
7	Japan	10’820	2%	-17.7%	7	Malaysia	19’199	3.2%	-15.3%
…	EU	273’729	6.6%	-12.4%	…	EU	30’341	5.1%	12%
17	***Switzerland***	**4’327.7**	***0.8%***	***26.3%***	**13**	***Switzerland***	**8’412**	**1.4%**	**28.9%**
	Total	**535’565**	**100%**	**-7.8%**		**Total**	**595’512**	**100%**	**-5.7%**

* 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 million)	Change** %	Imports (CHF million)	Change** %	Balance (CHF million)	Volume (CHF million)
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
2023 (total 2)* **	**13'675**	**93.5%**	**4'033**	**3.2%**	**9'641**	**17'708**
2023 (total 1)* **	**5'594**	**33.7%**	**1'197**	**14.4%**	**4'396**	**6'791**

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

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

Exports	**2022** (% of total)	**2023** (% of total)
1. Jewellery, precious stones and precious metals	55.6%	73.5%
2. Watches & clocks	27%	17.2%
3. Chemical and pharmaceutical products	3.4	3.3%
4. Machinery (electrical and non-electrical)	5.2	2.2%

Imports	**2022** (% of total)	**2023** (% of total)
1. Jewellery, precious stones and precious metals	85.4%	89.2%
2. Watches & clocks	8%	5.4%
3. Machinery (electrical and non-electrical)	4	2.1%
4. Works of arts and antiques	0.3	1.7%

Source: Federal Office for Customs and Border Security

ANNEX 5 – Main investing countries

Main investing countries in the Hong Kong Year: 2022 (latest available information)

Rank	Country	Direct investment (USD billion, stock)	Share	Variation (stock)	Inflows over past year (USD billion)
1	British Virgin Islands	621.6	30.9%	2.8%	24.3
2	China	603.2	30.0%	11.3%	40.5
3	United Kingdom	201.3	10.0%	4.7%	10.4
4	Cayman Islands	200.0	9.9%	-4.9%	8.1
5	Bermuda	89.2	4.4%	-20.8%	7.2
6	United States of America	45.1	2.2%	-1.2%	5.9
7	Singapore	44.8	2.2%	-0.8%	4.2
8	Canada	32.9	1.6%	-13.0%	0.2
9	Japan	31.2	1.6%	13.4%	1.0
10	Taiwan	23.5	1.2%	12.7%	1.2
*	EU*”*	34	1.6%	+ 7.9%	21.1
*	***Switzerland***	**12.8**	***0.6%***	**-9.1%**	**-9.1**
	Total	**2’010.2**	**100%**	**+2.7%**	**110.1**

*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.

Source(s):HKSAR Census & Statistics Department:
https://www.censtatd.gov.hk/en/wbr.html?ecode=B10400032022AN22&scode=260#

- Selected major investor country/territory are selected based on the position of Hong Kong's inward DI from individual investor countries/territories in recent years.
- Figures may not add up to the total due to rounding.
- Country/Territory here refers to the immediate source economy. It does not necessarily reflect the country/territory from which the funds are initially mobilised.
- Negative inflow does not necessarily relate to equity withdrawal. It may be the result of repayment of loans owed to non-resident affiliates.