

## Hong Kong (China - Special Administration Region)

June 2022

### Executive Summary

This snapshot provides key trade, investment, and tourism related statistics for Hong Kong. Specifically, it shows global trade and investment flows including an analysis of top markets and products for Hong Kong in relation to the Western Cape, highlighting the largest and fastest growing products and sub-sectors. The key highlights in the fact sheet are provided below:

### Economy

- Hong Kong's economy recovered strongly, with real economic activity increasing by 6.4% in 2021, as ample policy space allowed the enactment of swift and bold policy responses to address the unprecedented crisis emanating from multiple shocks, including the pandemic.
- In the first quarter of 2022, the economy contracted by 4.0% year-on-year in real terms, after an increase of 4.7% in the fourth quarter of 2021.
- Considering the support from the various Government's measures, Hong Kong's real GDP growth for 2022 is expected to be between 1% and 2%.

### Trade

- The value of South Africa's exports to Hong Kong was ZAR35.35bn in 2021, increasing by 42.00% y-o-y compared to the 2020 value of ZAR24.89bn. On the other hand, the country's imports from Hong Kong decreased by 20.77% y-o-y in 2021 to a value of ZAR2.09bn, relative to the ZAR2.64bn recorded in 2020.
- South Africa's leading exported product to Hong Kong in 2021 was natural or cultured pearls, valued at ZAR28.98bn.
- Western Cape export receipts from its trade with Hong Kong stood at ZAR2.32bn in 2021, increasing by 10.34% from the 2020 value of ZAR2.10bn. The province's imports from Hong Kong stood at ZAR550.94m in 2021, which represents a decrease of 28.07% compared to the previous year's value of ZAR765.92m.
- The Western Cape's leading exported products to Hong Kong in 2021 were edible fruit and nuts, valued at ZAR901.08m.

### Investment

- According to FDI Market statistics, a total of 16 FDI projects (valued at ZAR3.49bn) were recorded from Hong Kong into South Africa between January 2003 and April 2022, three of which were made into the Western Cape.
- On the other hand, 15 FDI projects, with a total capex value of ZAR3.80bn, were recorded from South Africa to Hong Kong over the same period, and 5 of these were from the Western Cape.

## Table of Contents

1.	Economic Overview.....	3
1.1	Major Companies in Hong Kong .....	5
1.2	Hong Kong's Sovereign Credit Rating .....	6
2.	Trade .....	8
2.1	Trade with South Africa.....	8
2.2	Western Cape's Trade with Hong Kong.....	10
2.3	Tariffs .....	14
2.4	Hong Kong Trade Policies.....	15
3.	Foreign Direct Investment .....	16
3.1	Hong Kong FDI into South Africa .....	16
3.2	South African FDI into Hong Kong .....	18
3.3	Inward FDI from Hong Kong into the Western Cape .....	20
3.4	Outward FDI from the Western Cape into Hong Kong.....	21
4.	Tourism Flows .....	21
4.1	Hong Kong Traveller to South Africa .....	21
4.2	Hong Traveller to the Western Cape .....	22
5.	Summary of Key Findings .....	22

## 1. Economic Overview<sup>1</sup>

Hong Kong Special Administrative Region (HKSAR) is a small and open economy, and a major international financial centre with extensive linkages to Mainland China. For the period, 2019-2020, Hong Kong's economy and financial sector were adversely impacted by domestic social unrest, US-China tensions, and the global COVID-19 pandemic, resulting in an unprecedented two consecutive years of negative economic growth.

In 2021, Hong Kong's economy recovered strongly, with real economic activity increasing by 6.4%, as ample policy space allowed the enactment of swift and bold policy responses to address the unprecedented crisis emanating from multiple shocks, including the pandemic. However, in the first quarter of 2022, the economy contracted by 4.0% year-on-year, in real terms, after an increase of 4.7% in the fourth quarter of 2021. Given the supports provided by the various Government's measures, Hong Kong's real GDP growth for 2022 is expected to be between 1% and 2%.

The region's financial system remains resilient, supported by significant policy buffers, a strong external position, and strong institutional frameworks. Hong Kong's financial system has continued to expand robustly even during the pandemic, maintaining its role as a major international financial centre. The Hong Kong dollar continues to trade in a smooth and orderly manner within the Convertibility Zone. Housing prices, which declined by less than 1% in 2020, in terms of average annual prices, have increased by about 4% as of November in 2021.

In terms of outlook, slower growth in global demand and epidemic-induced cross-boundary transportation disruptions posed significant drags to exports. The fifth wave of local epidemic and resultant restrictive measures weighed heavily on a wide range of economic activities as well as economic sentiment. Looking forward, the worsened global economic prospects may continue to weigh on Hong Kong's export performance. Nonetheless, cross-boundary transportation disruptions between the Mainland and Hong Kong may gradually ease, which coupled with the improving local epidemic situation could provide some relief to the region's external trade. Domestically, economic activities should show some revival going forward in tandem with the receding local epidemic and progressive relaxation of social distancing measures. The new round of Consumption Voucher Scheme, along with the 2022 Employment Support Scheme and Temporary Unemployment Relief Scheme, will render additional support to domestic demand. Considering the economic performance in the first quarter and the latest local and global economic situation, the real GDP growth forecast for 2022 is revised down to between 1% and 2%. The forecast rates of underlying and headline consumer price inflation for 2022 are maintained at 2% and 2.1% respectively.

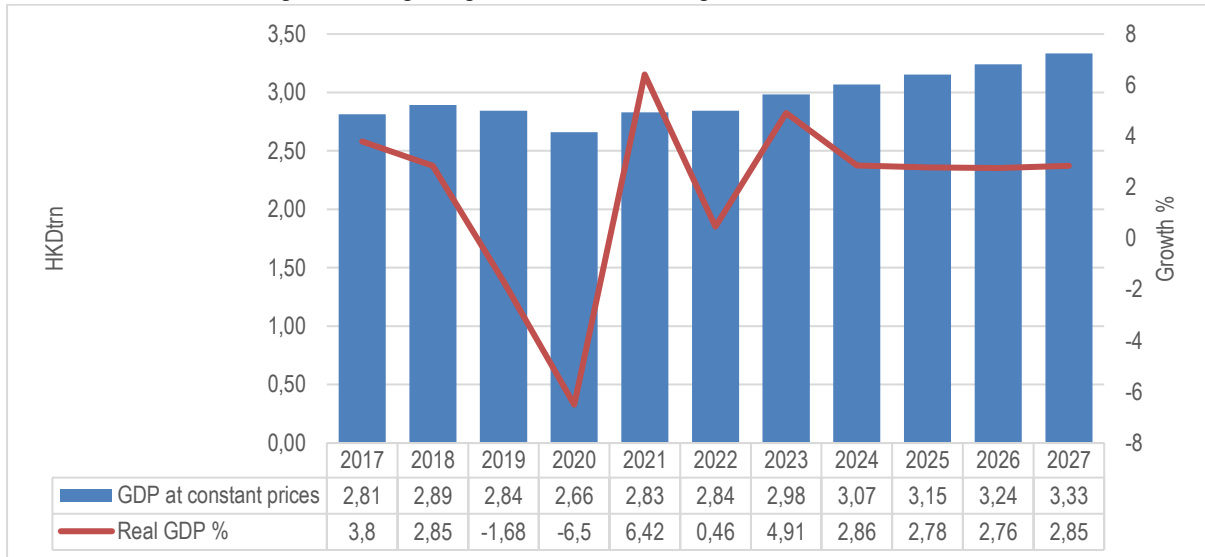
Table 1: Economic Information	
GDP, constant prices (national currency) (2022 est.)	HKD2, 843.87bn
Real GDP growth (2022 est.)	0.46%
GDP per capita, constant prices (2022 est.)	HKD383, 685.93
Inflation, consumer average prices (2022 est.)	1.9%
Base Rate (effective 16 June 2022)	2.00%
Unemployment rate (2022 est.)	5.7%
Total Exports (2021)	USD123,73bn
Total Imports (2021)	USD93,61bn

Sources: IMF, 2022; Hong Kong Monetary Authority, 2022; Trade Map, 2022

<sup>1</sup> IMF, 2022; HKTDC Research, 2022; The Government of Hong Kong SAR, 2022

The graph below depicts Hong Kong's gross domestic product (GDP) and medium-term growth forecast. The economy saw a marked deterioration in the first quarter of 2022, with real GDP contracting by 4.0% year-on-year. Slower growth in global demand and epidemic-induced cross-boundary transportation disruptions posed significant drags to exports. The fifth wave of local epidemic and resultant restrictive measures weighed heavily on a wide range of economic activities as well as economic sentiment. Looking forward and considering the economic performance in the first quarter and the latest local and global economic situation, the real GDP growth forecast for 2022 is revised down to 1% to 2%.<sup>2</sup>

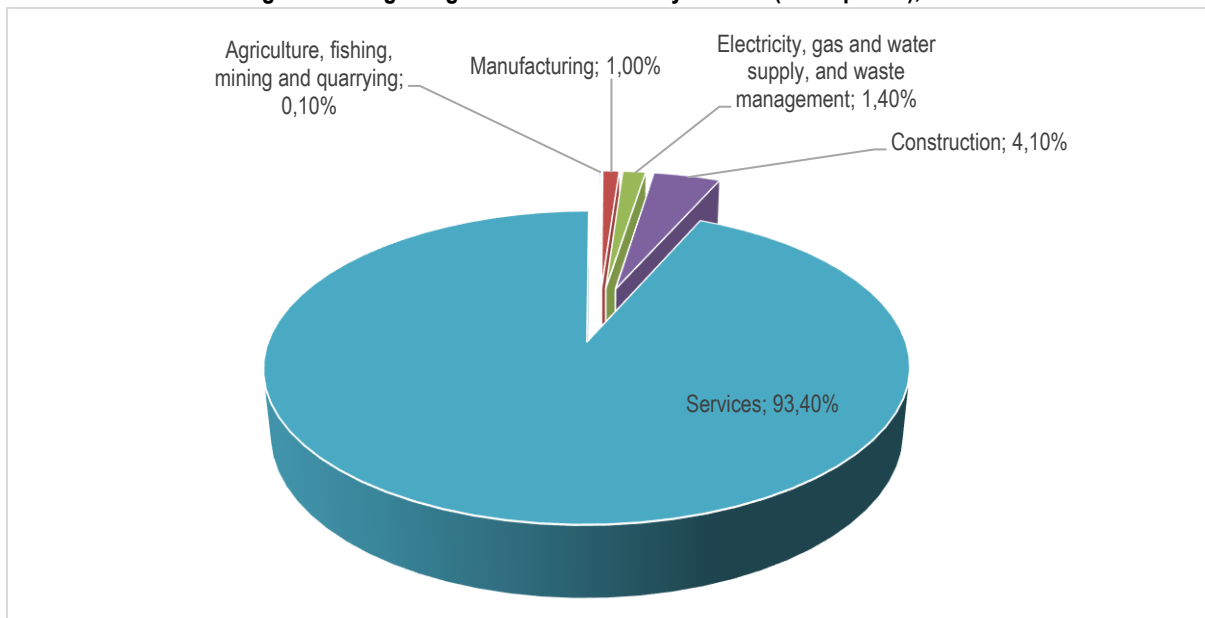
**Figure 1: Hong Kong's real GDP and GDP growth rate, 2017 – 2027f**



Source: IMF, 2022

Hong Kong is the world's freest economy. It is one of the most services-oriented economy in the world, with the services sector accounting for 93.4% of the GDP in 2020. The country's sectoral contribution to GDP is shown in Figure 2 below.

**Figure 2: Hong Kong's GDP breakdown by sectors (basic prices), 2020**



Source: Hong Kong Census & Statistics Department, 2022

Note: Gross Domestic Product (GDP) by major economic activity - percentage contribution to GDP at basic prices

<sup>2</sup> Sources: IMF, 2022

## 1.1 Major Companies in Hong Kong

The Forbes Global 2000 is an annual list of the world's 2000 largest publicly listed corporations. The largest publicly traded companies in Hong Kong as per the Forbes 2000 Global rankings in 2022 are tabled below:

Table 2: Largest Publicly Traded Hong Kong Companies as Per the Forbes 2000 Global Ranking, 2022						
Global Rank	Company	Sales (USDbn)	Profits	Assets (USDbn)	Market Value (USDbn)	Sector
31	China Mobile	131.49	17.97	283.37	147.05	Telecommunications Services
73	AIA Group	45.16	7.43	334.88	120.19	Insurance
96	CITIC	91.21	9.03	1,370.59	31.96	Trading Companies
134	CNOOC	37.77	10.91	123.42	62.6	Oil & Gas Operations
217	China Resources Land	33.61	5.03	149.03	32.45	Construction
233	CK Hutchison	36.13	4.31	155.65	27.91	Conglomerates
367	China Unicom	50.83	2.23	92.74	15.05	Telecommunications Services
392	Sun Hung Kai Properties	10.26	3.64	103.68	34.81	Construction
497	Lenovo Group	70.56	1.88	45.65	11.89	Technology Hardware & Equipment
528	CK Asset Holdings	8.32	2.73	71.41	25.13	Construction
637	Shimao Property Holdings	21.82	2.06	96.97	2.14	Construction
669	China Taiping Insurance	40.91	966.7m	174.92	4.36	Insurance
688	Hong Kong Exchanges	2.69	1.61	51.22	54.13	Diversified Financials
733	CLP Holdings	10.8	1.09	30.76	24.76	Utilities
769	Henderson Land	3.07	1.7	70.58	20.39	Construction
787	MTR	6.07	1.23	37.46	33.32	Transportation
893	Techtronic Industries	13.2	1.1	13.01	26.31	Consumer Durables
941	WH Group	27.29	1.07	19.41	8.86	Food, Drink & Tobacco
989	Geely Automobile Holdings	15.76	731.9m	21.08	14.82	Consumer Durables
993	Link REIT	1.47	1.49	27.99	18.28	Diversified Financials

Source: Forbes, 2022

Note: The Methodology

We compile our Global 2000 list using data from FactSet Research systems to screen for the biggest public companies in four metrics: sales, profits, assets and market value. Our market value calculation is as of April 18, 2019, closing prices and includes all common shares outstanding.

All figures are consolidated and in U.S. dollars. We use the latest-12-months' financial data available to us. We rely heavily on the databases for all data, as well as the latest financial period available for our rankings (the final database screen was run in early-April). Many factors play into which financial period of data is available for the companies and used in our rankings: the timeliness of our data collection/screening and company reporting policies, country-specific reporting policies and the lag time between when a company releases its financial data and when the databases capture it for screening/ranking. We quality-check the downloaded financial data to the best of our ability using other data sources, including Bloomberg and available company financial statements.

Publicly traded subsidiaries for which the parent company consolidates figures are excluded from our list. For most countries, the accounting rules for the consolidation of a subsidiary is when the parent's ownership (control) of the subsidiaries stock is more than 50%. Some countries accounting rules allow for the consolidation of a subsidiary at less than 50% ownership.

## 1.2 Hong Kong's Sovereign Credit Rating<sup>3</sup>

*“A sovereign credit rating is the credit rating of a country or sovereign entity. Sovereign credit ratings give investors insight into the level of risk associated with investing in a particular country and include political risks. At the request of the country, a credit rating agency will evaluate the country's economic and political environment to determine a representative credit rating” (Investopedia, 2020).*

While a number of credit agencies exist, the three most recognised credit ratings agencies globally are Fitch Ratings, Moody's Investors Services (Moody's) and Standard & Poor's (S&P). Reasons for a country/sovereign to seek a credit rating from one of these three agencies include not only to access funding in international bond markets via the issuance of bonds in external debt markets, but it is a means to attract foreign direct investment. Obtaining a good sovereign credit rating instils confidence in investors seeking to invest in that country, with the credit rating a means for the country to demonstrate financial transparency and credit standing. Two key rating 'standards' exist, with the highest possible rating category being “AAA” according to S&P, which indicates that the rated country has extremely strong capacity to meet its financial commitments. A wide range of rating categories exists below this, with the categories ranging all the way down to SD (i.e., defaulted), which means the rated country has failed to pay one or more of its financial obligations when it came due.

On 29 September 2021, S&P affirmed Hong Kong's upper-tier ranking, predicting stability on the back of a sustained economic recovery and the belief that the past year's sweeping political changes will have relatively little impact on the city's fiscal autonomy. Also mentioning that the city's long-term issuer credit ratings remained at investment grades of AA+ and A-1+, respectively.

On 8 March 2022, Moody's affirmed Hong Kong's long-term issuer and senior unsecured ratings at Aa3 and senior unsecured MTN programme ratings at (P)Aa3 and maintained the stable outlook. The affirmation of Hong Kong's Aa3 ratings, one notch above China (A1 stable), reflects Moody's assessment of tight political, institutional, economic and financial linkages with the mainland, and significant credit strengths. The linkages keep the rating gap between Hong Kong and China no wider than one notch. Meanwhile, Hong Kong's strengths, which include the SAR's significant fiscal and external buffers and highly effective economic institutions, continue to offer resilience to shocks and negative long-term trends, including a rapidly ageing population, a slowing in Mainland China's economy and uncertainty about the global trade and investment arrangements in the context of ongoing tensions between the United States (Aaa stable) and China. The stable outlook on Hong Kong's issuer rating at Aa3, reflects superior fiscal strength and consistent macroeconomic stability, which Moody's expects to persist through ongoing uncertainty around political autonomy and beyond the impact of the pandemic. Hong Kong's local currency ceiling remains unchanged at Aaa with the three-notch gap to the sovereign rating reflecting a modest government footprint in Hong Kong's economy, a predictable and conservative approach to fiscal policy, effective economic regulation and a strong external position, offsetting political risk. Hong Kong's foreign currency ceiling also remains unchanged at Aaa with no gap to the local currency ceiling reflecting a high degree of policy effectiveness and an open capital account.

Recently, on 7 April 2022, Fitch Ratings affirmed Hong Kong's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'AA-' with a stable outlook. Some of the key rating drivers included, **strong credit fundamentals**, with Hong Kong's ratings supported by large fiscal buffers, robust external finances and high per capita income. The ratings also reflect the closer alignment of governance and institutional management practices with mainland China (A+/Stable), trends that have advanced steadily since mid-2019. **Stalled growth recovery**: the agency forecasts that growth will slow to 1.0% in 2022, from 6.4% in 2021. Wide-ranging social restrictions to curb an ongoing Covid-19 outbreak are expected to recede only gradually from late April, which will likely result in a large economic contraction in 2022Q1. Going forward, the absence of a clear exit strategy from the government's "dynamic zero infection" approach may lead to future episodes of heightened social distancing measures, even after the current outbreak subsides. **Fiscal buffers cushion deficits**: the budget deficit is forecasted to widen to 3.0% of GDP during the 2022-2023 fiscal year starting April 2022 (FY22), excluding bond proceeds, from 0.6% in FY21, as the authorities implement relief measures to cushion the economic impact of pandemic-related restrictions. This will be the fourth consecutive deficit since FY19, though Fitch expects that the budget will revert to a small surplus in FY23. At the same time, Hong Kong's fiscal profile remains supported by a large fiscal reserve, equivalent to more than 30% of GDP, a key credit strength relative to 'AA' peers. In addition, explicit fiscal debt is low, at 8.5% of GDP per our calculations, as Fitch-reported

<sup>3</sup> Sources: South China Morning Post, 2022; Fitch Ratings, 2021; Moody's Investor Services, 2021

government debt of 49% is largely comprised of outstanding exchange fund instruments used to manage the currency board with the US dollar.

**Robust external finances:** Hong Kong's external finance profile has emerged unscathed from numerous shocks in recent decades, including the 1997 Asian financial crisis, the SARS epidemic of the early 2000s, and more recently, the US-China trade war and Covid-19 pandemic. The current account surplus has risen to new highs in recent years, having surpassed 11% of GDP in 2021, as strong global demand for manufactured goods during the pandemic has bolstered net exports due to Hong Kong's role as a major trade intermediary. The territory is also a large external creditor on both a sovereign and economy-wide basis, with sovereign net foreign assets of about 130% of GDP and a net international investment position of roughly 580% at end-2021, among the strongest of Fitch-rated sovereigns and territories. **Competitiveness challenges:** Robust capital market fundraising and stable banking sector deposit growth since 2019 highlight Hong Kong's continued role as a leading financial centre, particularly for mainland Chinese firms raising offshore capital. However, strict Covid-19 control measures, including limited cross-border travel connectivity, combined with shifts in governance practices that appear to have narrowed political pluralism and dented international confidence in the rule of law, are contributing to an exodus of the working age population. If sustained, these trends could diminish Hong Kong's attractiveness as a regional headquarters for foreign multinational enterprises and accelerate the long-term economic and fiscal policy challenges associated with an ageing population.

Hong Kong's credit ratings from the major agencies are as following:

Table 3: Hong Kong Sovereign Credit Ratings, 2022			
Credit Rating Agency	Standard & Poors	Moody's Investor Services	Fitch Ratings
Credit Rating	AA+	Aa3	AA-
Outlook	Stable	Stable	Negative
Date of Last Change	2021-09-29	2022-03-08	2022-04-07

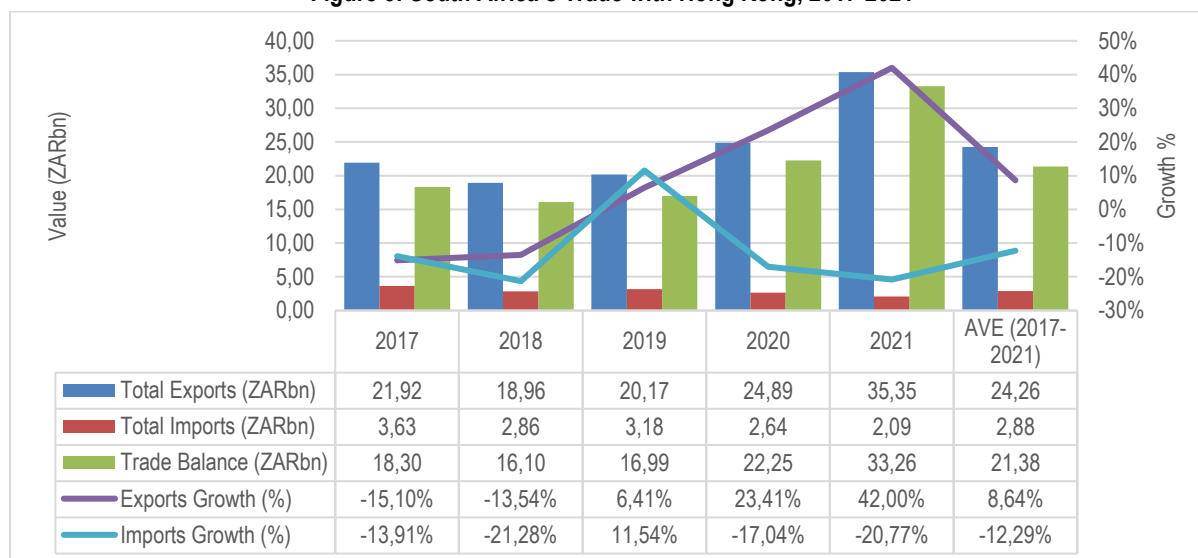
Sources: S&P Global Ratings; Fitch Ratings, 2021; Moody's Investor Services, 2021

## 2. Trade

### 2.1 Trade with South Africa

Bilateral trade between South Africa and Hong Kong remains strong, albeit skewed towards South African exports, with exports averaging close to ZAR24.00bn over the past 5 years (2017-2021). In 2021, South Africa's export receipts with Hong Kong increased by an impressive 42.00% y-o-y to a value of ZAR35.35bn, up from ZAR24.89bn in 2020. In contrast, South Africa's imports from the region decreased by 20.77% y-o-y to a value of ZAR2.09bn in 2021, from the ZAR2.64bn recorded in the previous year.

**Figure 3: South Africa's Trade with Hong Kong, 2017-2021**



Source: Quantec, 2022

In terms of key export markets for South Africa, China was the leading destination market for South Africa's exports in 2021, with a value of ZAR199.02bn. The United States followed closely in second place, with exports reaching a total value of ZAR193.00bn, while Germany came third, with exports to this nation reaching a total value of ZAR148.38bn.

Hong Kong was the 13<sup>th</sup> largest destination market for South Africa's exports in 2021, with exports valued at ZAR35.35bn.

**Table 4: South Africa: Top Goods Export Markets, 2021**

Rank	Country	Value 2021 (ZARbn)	Ave Growth (%), 2017 - 2021
1	China	199,02	14,87%
2	United States	193,00	21,54%
3	Germany	148,38	13,22%
4	Japan	121,57	23,33%
5	United Kingdom	120,82	24,42%
6	Botswana	64,46	3,87%
7	Mozambique	63,92	14,58%
8	India	61,55	6,02%
9	Netherlands	61,23	16,83%
10	Belgium	52,30	10,35%
13	Hong Kong	35,35	8,64%
<b>Total Exports</b>		<b>1812,93</b>	<b>10,59%</b>

Source: TradeMap, 2022



China was also the leading source market for South Africa's imports in 2021, with a value of ZAR283.93bn. Germany followed in second place, with imports reaching a total value of ZAR111.42bn. The United States came third, with imports reaching a total value of ZAR96.69bn.

Hong Kong was South Africa's 60<sup>th</sup> largest imports source market in 2021 at a value of ZAR2.09bn.

**Table 5: South Africa: Top Source Markets for Goods import, 2021**

Rank	Country	Value 2021 (ZARbn)	Ave Growth (%), 2017 - 2021
1	China	283,93	7,68%
2	Germany	111,42	-2,53%
3	United States	96,69	6,97%
4	India	78,97	12,64%
5	Saudi Arabia	60,61	11,54%
6	Thailand	43,92	7,39%
7	Japan	38,41	1,58%
8	Italy	37,99	8,08%
9	Nigeria	33,10	12,38%
10	France	29,02	-1,98%
60	Hong Kong	2,09	-12,29%
<b>Total Imports</b>		<b>1379,96</b>	<b>5,28%</b>

Source: TradeMap, 2022

Natural or cultured pearls were South Africa's top exported product to Hong Kong in 2021, valued at ZAR28979.82m (accounting for 81.98% of total exports to Hong Kong). Edible fruit and nuts followed in second place, reaching a value of ZAR1780.89m and accounting for 5.04% of total exports to Hong Kong in 2021. Fish and crustaceans, molluscs and other aquatic invertebrates, valued at ZAR920.46m (or 2.60%), came third. Clocks and watches and parts thereof registered the highest growth in exports, increasing at an average annual rate of 50.40% per annum from 2017 to 2021. This was followed by organic chemicals (26.83%) and natural or cultured pearls, precious or semi-precious stones (18.43%).

9

**Table 6: South Africa's Top 10 Exports to Hong Kong, 2021**

	Exported Value (ZARm), 2021	% Share 2021	Ave Growth (%), 2017-2021
Natural or cultured pearls, precious or semi-precious stones	28979,82	81,98%	18,43%
Edible fruit and nuts	1780,89	5,04%	-8,78%
Fish and crustaceans, molluscs and other aquatic invertebrates	920,46	2,60%	10,61%
Ores, slag and ash	918,79	2,60%	-9,49%
Aluminium	421,52	1,19%	6,63%
Electrical machinery and equipment and parts thereof	326,18	0,92%	-6,97%
Clocks and watches and parts thereof	322,59	0,91%	50,40%
Vehicles other than railway or tramway rolling stock, and parts	315,09	0,89%	2,56%
Organic chemicals	196,68	0,56%	26,83%
Preparations of meat, of fish or of crustaceans, molluscs	152,54	0,43%	-4,59%
<b>All Products</b>	<b>35349,49</b>	<b>100,00%</b>	<b>8,64%</b>

Source: Quantec, 2022

Turning to South Africa's import basket from Hong Kong, electrical machinery and equipment, valued at ZAR847.70m, dominated imports in 2021. This product category accounted for 40.50% of South Africa's imports from Hong Kong. The second highest imported products from Hong Kong were nuclear reactors, boilers, machinery and mechanical appliances (ZAR279.43 or 13.35% of total imports), followed by railway or tramway locomotives, rolling stock and parts (ZAR102.93m or 4.88% of total imports). Exceptional growth was seen in the import of mineral fuels, mineral oils and products of their distillation, increasing at an average rate of 857.61% between 2017 and 2021. Iron and steel (703.16%) and human and animal blood (60.95%) were the products with the second and third highest average growth rates.

**TABLE 7: South Africa's Top 10 Imports from Hong Kong, 2021**

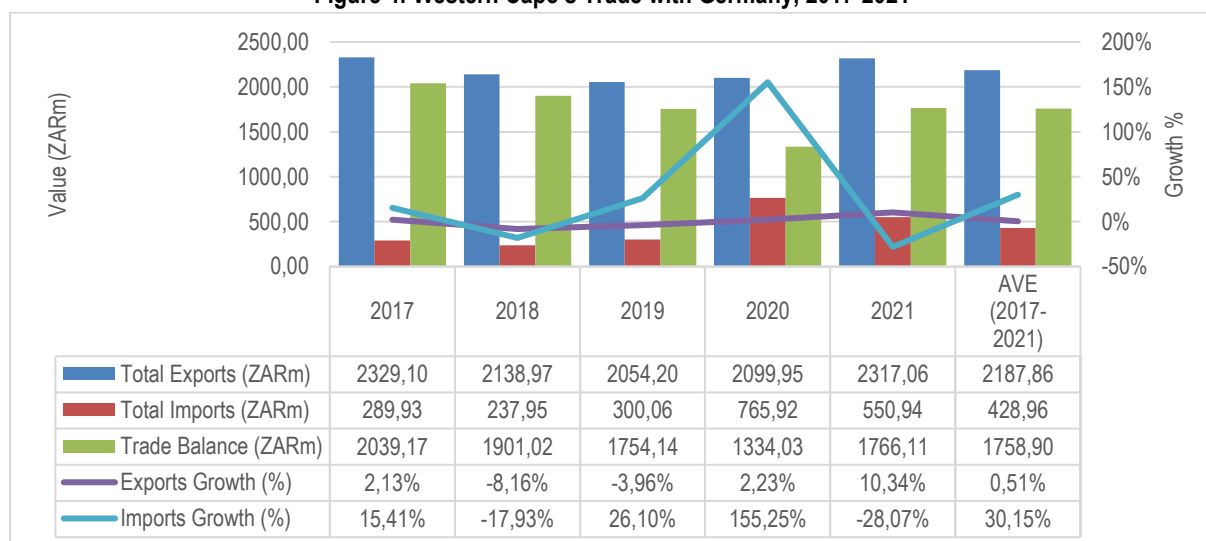
	Imported Value (ZARm), 2021	% Share 2021	Ave Growth (%), 2017 - 2021
Electrical machinery and equipment	847,70	40,50%	-15,17%
Nuclear reactors, boilers, machinery and mechanical appliances	279,43	13,35%	-10,17%
Railway or tramway locomotives, rolling stock and parts	102,93	4,92%	60,95%
Iron and steel	72,50	3,46%	703,16%
Mineral fuels, mineral oils and products of their distillation	56,79	2,71%	857,61%
Natural or cultured pearls, precious or semi-precious stones	54,64	2,61%	-18,16%
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments	50,75	2,42%	8,53%
Organic chemicals	45,46	2,17%	1,62%
Plastics and articles	43,89	2,10%	-15,27%
Clocks and watches and parts	43,35	2,07%	-11,70%
<b>All Products</b>	<b>2093,27</b>	<b>100,00%</b>	<b>-12,29%</b>

Source: Quantec, 2022

## 2.2 Western Cape's Trade with Hong Kong

The Western Cape is a net exporter in terms of its trade flows with Hong Kong, with exports averaging ZAR2.00bn over the past five years. In 2021, the province's exports to Hong Kong increased by 10.34% y-o-y, from a total receipt of ZAR2099.95m in 2020 to ZAR2317.06m in 2021. On the other hand, imports decreased by 10.34% y-o-y, from ZAR765.92m in 2020 to ZAR550.11m in 2021.

**Figure 4: Western Cape's Trade with Germany, 2017-2021**



Source: Quantec, 2022

In terms of key trade export markets, the United States (with a share of 10.17%) was the leading destination market for the Western Cape's exports in 2021. The Netherlands followed in second place, with exports reaching a total value of ZAR14.39bn. The United Kingdom came third, with exports to this nation reaching a total value of ZAR12.50bn.

Hong Kong was the Western Cape's 21<sup>st</sup> largest destination market in 2021, with exports to the region valued at ZAR2.32bn.

**Table 8: Western Cape: Top Export Markets for Goods, 2021**

Rank	Country	Export Value 2021 (ZARbn)	% Share Of Exports (2021)
1	United States	16,98	10,17%
2	Netherlands	14,39	8,62%
3	United Kingdom	12,50	7,49%
4	Namibia	11,10	6,65%
5	China	10,18	6,10%
6	Botswana	8,96	5,37%
7	Germany	5,18	3,11%
8	India	4,98	2,99%
9	United Arab Emirates	4,21	2,52%
10	Lesotho	3,69	2,21%
21	Hong Kong	2,32	0,51
<b>Total Exports</b>		<b>166,92</b>	<b>100,00%</b>

Source: Quantec, 2022

With a value of ZAR51.32bn, China was the leading source market for Western Cape's imports in 2021. Oman followed in second place, with imports reaching a total value of USD19.51bn, while India was third, with imports reaching a total value of ZAR17.91bn.

Hong Kong was the Western Cape's 53<sup>rd</sup> largest source market in 2021, with imports from the region valued at ZAR0.55bn.

**Table 9: Western Cape: Top Import Markets for Goods, 2021**

Rank	Country	Import Value 2021 (ZARbn)	% Share Of Imports (2021)
1	China	51,32	21,80%
2	Oman	19,51	8,29%
3	India	17,91	7,61%
4	Saudi Arabia	14,59	6,20%
5	United Arab Emirates	13,12	5,57%
6	Italy	11,05	4,69%
7	Germany	7,07	3,00%
8	Netherlands	6,92	2,94%
9	United States	6,61	2,81%
10	United Kingdom	5,16	2,19%
53	Hong Kong	0,55	30,15%
<b>Total Imports</b>		<b>235,41</b>	<b>100,00%</b>

Source: Quantec, 2022

The Western Cape's dominant exported product to Hong Kong in 2021 was edible fruits, with total export earnings of ZAR901.08m. This was equivalent to 38.89% of the province's total exports to Hong Kong in that year. Fish and crustaceans placed second, with a value of ZAR828.03m (35.74%), followed by preparations of meat, of fish or of crustaceans, molluscs, valued at ZAR151.55m (6.54%). There was significant growth in the export of prepared feathers and down and articles made of feathers (210.36%), meat and edible meat offal (38.75%), and fish and crustaceans, molluscs and other aquatic invertebrates (13.74%) between 2017 and 2021.

**Table 10: Western Cape Top 10 Exports to Hong Kong, 2021**

Rank	Product	Export Value (ZARm), 2021	% Share 2021	Ave Growth (%), 2017 - 2021
1	Edible fruit and nuts	901,08	38,89%	-2,66%
2	Fish and crustaceans, molluscs and other aquatic invertebrates	828,03	35,74%	13,74%
3	Preparations of meat, of fish or of crustaceans, molluscs	151,55	6,54%	-2,57%
4	Prepared feathers and down and articles made of feathers	77,77	3,36%	210,36%
5	Beverages, spirits and vinegar	54,44	2,35%	5,62%
6	Copper and articles thereof	44,91	1,94%	-
7	Preparations of vegetables, fruit, nuts or other parts of plants	42,15	1,82%	-17,08%
8	Inorganic chemicals; organic or inorganic compounds of precious metals	26,69	1,15%	-
9	Ships, boats and floating structures	19,42	0,84%	-
10	Meat and edible meat offal	18,11	0,78%	38,75%
	<b>All Products</b>	<b>2317,06</b>	<b>100,00%</b>	<b>0,51%</b>

Source: Quantec, 2022

Turning to imports, electrical machinery and equipment and parts thereof were the largest product category (as measured by rand value) imported by the Western Cape from Hong Kong in 2021 at a cost of ZAR411.53m. This was equivalent to 74.70% of the province's total imports from Hong Kong in 2021. Nuclear reactors, boilers, machinery and mechanical appliances placed second, valued at ZAR25.79m (4.68%), while Clocks and watches and parts thereof was the third largest imported product category, valued at ZAR16.48m (2.99%). Footwear, gaiters and the like were the fastest growing category of imported products over the five-year period (2017-2021), averaging an annual growth rate of 275.82% per annum. Clocks and watches and parts thereof came second at an average growth rate of 178.88% per annum, whereas electrical machinery and equipment and parts thereof followed in third place, growing at an average annual growth rate of 176.98%.

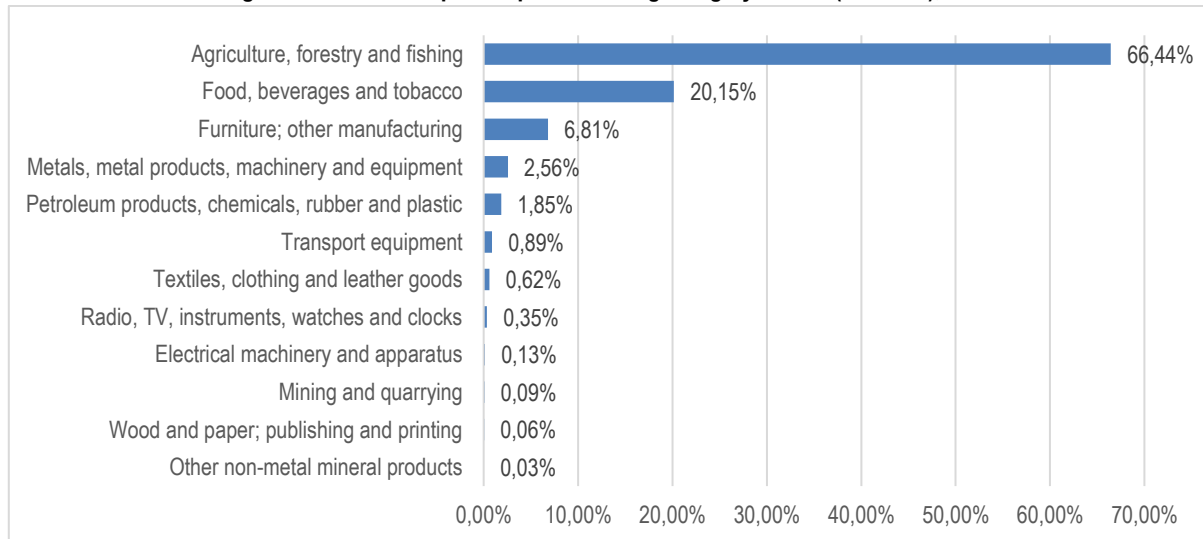
**Table 11: Western Cape Top 10 Imports from Hong Kong, 2021**

Rank	Product	Import Value (ZARm), 2021	% Share 2021	Ave Growth (%), 2017 - 2021
1	Electrical machinery and equipment and parts thereof	411,53	74,70%	176,98%
2	Nuclear reactors, boilers, machinery and mechanical appliances	25,79	4,68%	3,62%
3	Clocks and watches and parts thereof	16,48	2,99%	178,88%
4	Plastics and articles thereof	14,09	2,56%	0,62%
5	Natural or cultured pearls, precious or semi-precious stones	13,91	2,52%	-16,91%
6	Footwear, gaiters and the like	10,36	1,88%	275,82%
7	Articles of leather; saddlery and harness; travel goods, handbags	7,58	1,38%	33,89%
8	Toys, games and sports requisites	4,49	0,82%	-3,46%
9	Miscellaneous articles of base metal	4,29	0,78%	-1,81%
10	Articles of apparel and clothing accessories, knitted or crocheted	3,25	0,59%	27,18%
	<b>All Products</b>	<b>550,94</b>	<b>100,00%</b>	<b>30,15%</b>

Source: Quantec, 2022

The two diagrams below provide an overview of key trade flows between the Western Cape and Hong Kong on a *sector level*. As indicated in the graphs below, the agriculture, forestry and fishing sector was the Western Cape's top sector in terms of export receipts earned from trade with Hong Kong in 2021, accounting for 66.44% of total export earnings. Food, beverages and tobacco placed second, accounting for 20.15% of all Western Cape's export receipts with Hong Kong, while furniture; other manufacturing sector accounted for 6.81% in third position.

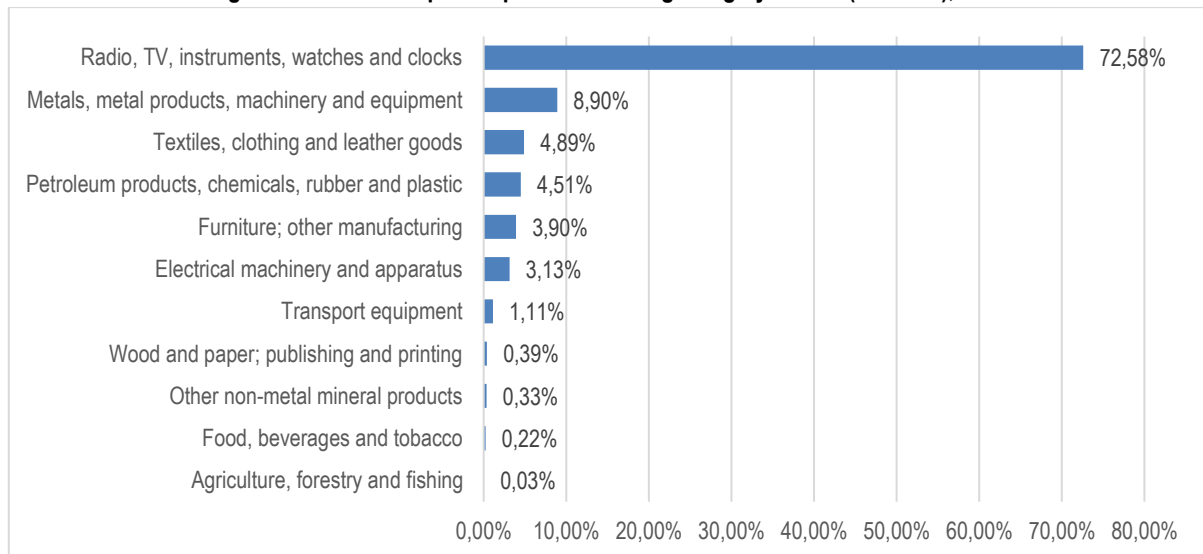
**Figure 5: Western Cape's Exports to Hong Kong by Sector (% Share), 2021**



Source: Quantec, 2022

In terms of the Western Cape's top imports by sectors (ranked by associated cost) with Hong Kong in 2021, the radio, TV, instruments, watches and clocks sector dominated, accounting for 72.58% of total import costs in 2021. The metals, metal products, machinery and equipment sector followed, accounting for 8.90% total imports from Hong Kong, while the textiles, clothing and leather goods sector ranked third, with a share of 4.89%.

**Figure 6: Western Cape's Imports from Hong Kong by Sector (% Share), 2020**



Source: Quantec 2022

## 2.3 Tariffs

The table below shows tariffs imposed by Hong on South Africa's exports in 2022.

Table 12: Tariffs Imposed on South African Exports by Hong Kong, 2022					
Hs Code and Product Description	Tariff, %	Hs Code and Product Description	Tariff, %	Hs Code and Product Description	Tariff, %
H01: Live animals	0	H33: Essential oils, perfumes, cosmetics, toiletries	0	H65: Headgear and parts thereof	0
H02: Meat and edible meat offal	0	H34: Soaps, lubricants, waxes, candles, modelling pastes	0	H66: Umbrellas, walking-sticks, seat-sticks, whips	0
H03: Fish, crustaceans, molluscs, aquatic invertebrates	0	H35: Al8.uminoids, modified starches, glues, enzymes	0	H67: Bird skin, feathers, artificial flowers, human hair	0
H04: Dairy products, eggs, honey, edible animal product	0	H36: Explosives, pyrotechnics, matches, pyrophorics	0	H68: Stone, plaster, cement, asbestos, mica, articles	0
H05: Products of animal origin	0	H37: Photographic or cinematographic goods	0	H69: Ceramic products	0
H06: Live trees, plants, bulbs, roots, cut flowers	0	H38: Miscellaneous chemical products	0	H70: Glass and glassware	0
H07: Edible vegetables and certain roots and tubers	0	H39: Plastics and articles thereof	0	H71: Pearls, precious stones, metals, coin	0
H08: Edible fruit, nuts, peel of citrus fruit, melons	0	H40: Rubber and articles thereof	0	H72: Iron and steel	0
H09: Coffee, tea, mate and spices	0	H41: Raw hides and skins (other than fur skins) and leather	0	H73: Articles of iron or steel	0
H10: Cereals	0	H42: Articles of leather, animal gut, harness, travel goods	0	H74: Copper and articles thereof	0
H11: Milling products, malt, starches, inulin, wheat gluten	0	H43: Fur skins and artificial fur, manufactures thereof	0	H75: Nickel and articles thereof	0
H12: Oil seed, oleagic fruits, grain, seed, fruit,	0	H44: Wood and articles of wood, wood charcoal	0	H76: Aluminium and articles thereof	0
H13: Lac, gums, resins, vegetable saps and extracts	0	H45: Cork and articles of cork	0	H78: Lead and articles thereof	0
H14: Vegetable plaiting materials, vegetable products	0	H46: Manufactures of plaiting material, basketwork, etc.	0	H79: Zinc and articles thereof	0
H15: Animal, vegetable fats and oils, cleavage products,	0	H47: Pulp of wood, fibrous cellulosic material, waste	0	H80: Tin and articles thereof	0
H16: Meat, fish and seafood food preparations	0	H48: Paper & paperboard, articles of pulp, paper and board	0	H81: Other base metals, cermet's, articles thereof	0
H17: Sugars and sugar confectionery	0	H49: Printed books, newspapers, pictures	0	H82: Tools, implements, cutlery, of base metal	0
H18: Cocoa and cocoa preparations	0	H50: Silk	0	H83: Miscellaneous articles of base metal	0
H19: Cereal, flour, starch, milk preparations and products	0	H51: Wool, animal hair, horsehair yarn and fabric thereof	0	H84: Nuclear reactors, boilers, machinery	0
H20: Vegetable, fruit, nut food preparations	0	H52: Cotton	0	H85: Electrical, electronic equipment	0
H21: Miscellaneous edible preparations	0	H53: Vegetable textile fibres paper yarn, woven fabric	0	H86: Railway, tramway locomotives, rolling stock, equipment	0
H22: Beverages, spirits and vinegar	0	H54: Manmade filaments	0	H87: Vehicles other than railway, tramway	0
H23: Residues, wastes of food industry, animal fodder	0	H55: Manmade staple fibres	0	H88: Aircraft, spacecraft, and parts thereof	0
H24: Tobacco and manufactured tobacco substitutes	0	H56: Wadding, felt, nonwovens, yarns, twine, cordage	0	H89: Ships, boats and other floating structures	0

H25: Salt, sulphur, earth, stone, plaster, lime and cement	0	H57: Carpets and other textile floor coverings	0	H90: Optical, photo, technical, medical apparatus	0
H26: Ores, slag and ash	0	H58: Special woven or tufted fabric, lace, tapestry	0	H91: Clocks and watches and parts thereof	0
H27: Mineral fuels, oils, distillation products,	0	H59: Impregnated, coated or laminated textile fabric	0	H92: Musical instruments, parts and accessories	0
HS28: Inorganic chemicals	0		0	H94: Furniture, lighting, signs, prefabricated buildings	0
H29: Organic chemicals	0	H61: Articles of apparel, accessories, knit or crochet	0	H95: Toys, games, sports requisites	0
H30: Pharmaceutical products	0	H62: Articles of apparel, accessories, not knit or crochet	0	H96: Miscellaneous manufactured articles	0
H31: Fertilizers	0	H63: Other made textile articles, sets, worn clothing	0	H97: Works of art, collectors pieces and antiques	0
H32: Tanning, dyeing extracts, tannins, derivatives, pigments	0	H64: Footwear, gaiters and the like, parts thereof	0	H99: Commodities not elsewhere specified	0

Source: TradeMap, 2022

NOTE: Exporters should not take the HS2 tariff as conclusive and as the actual tariff that will be applied to the exported product. The tariffs indicated above are average tariffs and for products within the category it may be higher or lower than indicated. Where the tariff is zero it can be assumed that there is zero tariff applicable to all products within that HS code. Tariffs are determined according to the importing country's national tariff line from the HS6 level and upwards. Exporters are advised to visit to determine the exact tariff applicable to the product at HS6.

## 2.4 Hong Kong Trade Policies<sup>4</sup>

- Hong Kong is a free port and does not levy any customs tariff on imports or exports, except there are four types of dutiable commodities which are liquors, tobacco, hydrocarbon oil and methyl alcohol.
- The certification system in Hong Kong is to facilitate local products to be exported outside Hong Kong by certifying their origins. Imports do not require origin certification.
- Any persons who import or export any goods (other than exempted articles) are required to lodge accurate and complete import/export declarations to Hong Kong Customs within 14 days after the import/export of goods.
- Subject to certain conditions, shipping companies, airlines and freight companies which have registered with the Trade and Industry Department are exempted from the import/export licensing requirements for their transshipment cargoes.

<sup>4</sup> HKTDC Research, 2022

### 3. Foreign Direct Investment

#### 3.1 Hong Kong FDI into South Africa

A total of 16 foreign direct investment (FDI) projects were recorded into South Africa by 13 Hong Kong-based companies between January 2003 and April 2022. These projects represented a total capital investment of ZAR3.49bn and created 499 jobs.

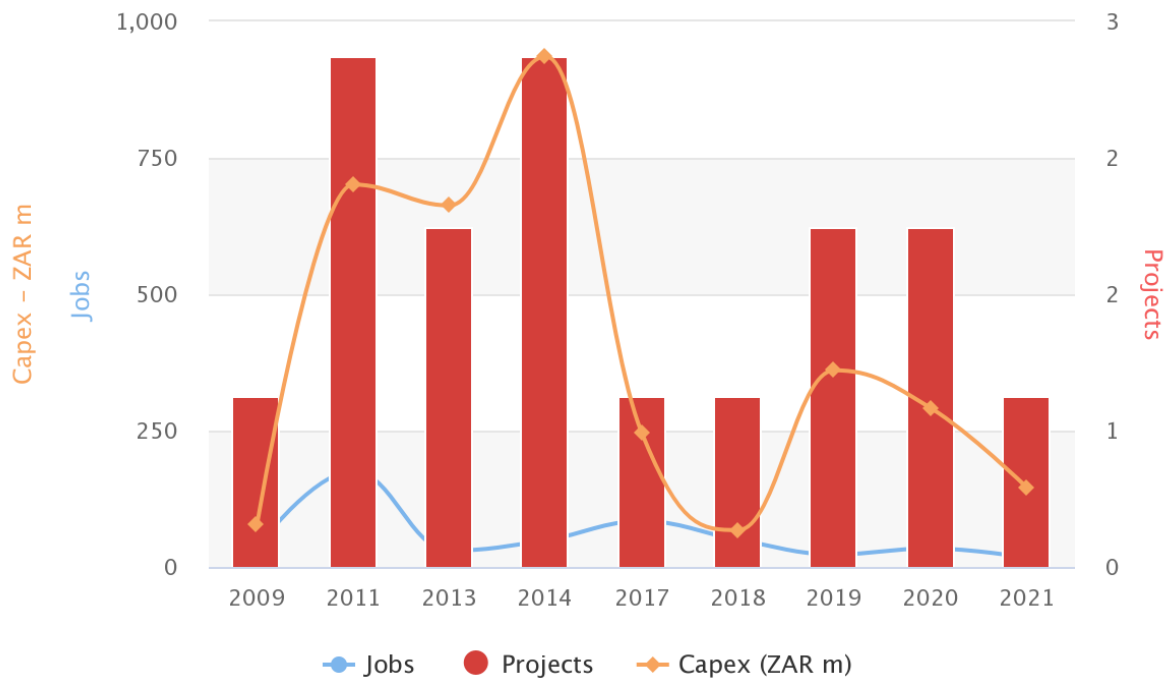
**Figure 7: FDI from Hong Kong into South Africa (By Year, Projects and Capex), Jan 2003 – Apr 2022**



Source: FDI Markets, 2022

Figure 8 below shows outward FDI by Hong Kong-based companies into South Africa from January 2003 to April 2022.

**Figure 8: FDI by Hong Kong-based Companies into South Africa (By Year, Projects, and Capex), Jan 2003 - Apr 2022**

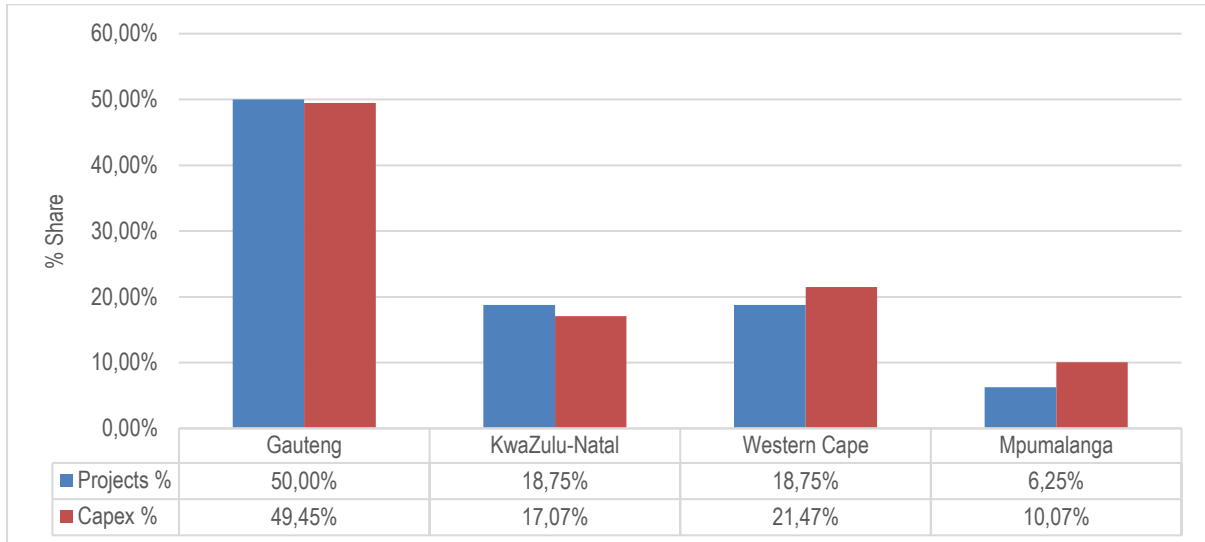


Source: FDI Markets, 2022



From a **provincial perspective**, as represented below, Gauteng was the largest recipient of Hong Kong's FDI into South Africa over the review period, both in terms of the number of projects (50.00%) and capex (49.45%). KwaZulu Natal and the Western Cape each recorded three FDI projects from Hong Kong, each accounted for 18.75% of all projects made by Hong Kong into South Africa.

**Figure 9: FDI from Hong Kong into South Africa (By Year, Projects and Capex), Jan 2003 – Apr 2022**

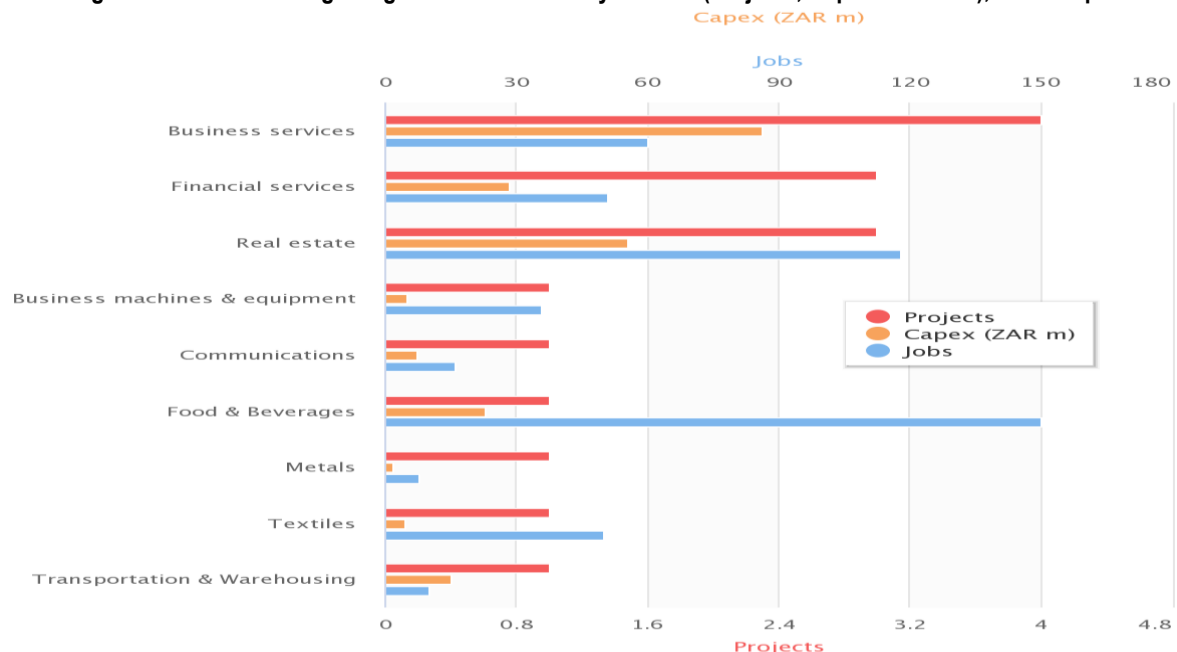


Source: FDI Markets, 2022

In terms of the sector classification of outward FDI by Hong Kong into South Africa as measured primarily by the number of projects (with the CAPEX value as the secondary value), the following South African sectors were the key recipients of FDI from Hong Kong over the period, January 2003 – April 2022:

- Business services sector, with 4 projects accounted for 25.00% of total outward FDI projects by Hong Kong into South Africa. The relative share of capex stood at 38.01%.
- Financial services, with 3 projects (18.75%) and 12.54% of capex.
- Real estate, with 3 projects (18.75%) and a relative capex share of 24.37%.

**Figure 10: FDI from Hong Kong into South Africa by Sectors (Projects, Capex and Jobs), 2003 – Apr 2022**



Source: FDI Markets, 2022

The table below shows the top companies from Hong Kong investing in South Africa over the period, January 2003 - April 2022.

**Table 13: Top 10 Companies: FDI from Hong Kong into South Africa (By Projects), Jan 2003 – Apr 2022**

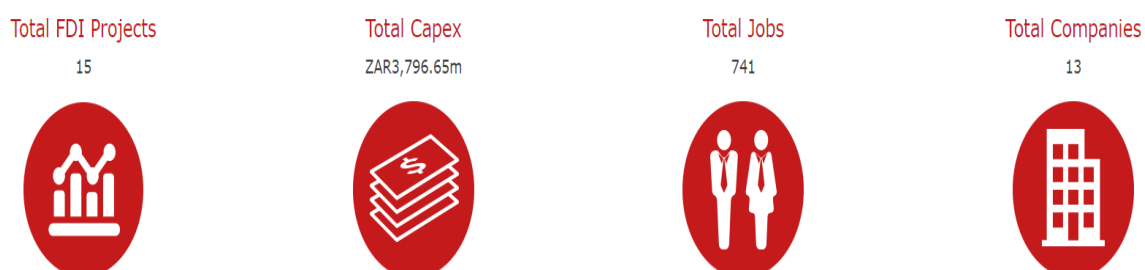
	Investing company	Projects	Capex	Jobs created	Sector
1	GRMSearch	2	663	30	Business services
2	IP Global	2	604	34	Real Estate
3	Wallem Group	2	663	30	Business services
4	Artificial Life	1	115	16	Communications
5	Astrum Holdings Ltd	1	77	36	Business machines & equipment
6	Bernet International	1	146	17	Financial services
7	China Overseas Infrastructure Development and Investment Corporation	1	245	84	Real Estate
8	Giordano	1	67	50	Textiles
9	Global Metals Network	1	29	8	Metals
10	HKD Group	1	146	17	Financial services

Source: FDI Markets, 2022

### 3.2 South African FDI into Hong Kong

A total of 15 FDI projects were undertaken by 13 South African-based companies into Hong Kong between January 2003 and April 2022. These projects represented a total capital investment of ZAR3.80bn and created 741 jobs.

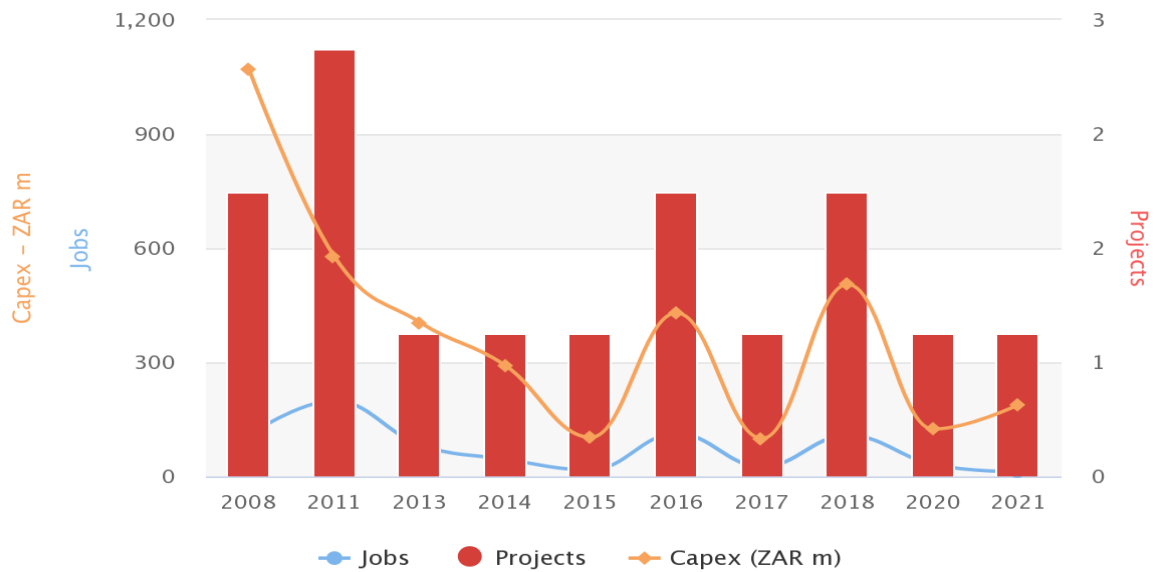
**FIGURE 11: FDI FROM SOUTH AFRICA INTO HONG KONG (BY YEAR, PROJECTS AND CAPEX), 2003 – APR 2022**



Source: FDI Markets, 2022

Figure 12 below shows inward FDI by South African-based companies into Hong Kong from January 2003 to April 2022.

**Figure 12: FDI by South African Companies into Hong Kong (By Year, Projects, and Capex), Jan 2003 - Apr 2022**



Source: FDI Markets, 2022

In terms of the sector classification of outward FDI by South African companies into Hong Kong, as measured primarily by the number of projects (with the CAPEX value as the secondary value), the following Hong Kong sectors were the key recipients FDI from of South Africa during the review period:

- Consumer products, with 4 projects accounted for 26.67% of total outward FDI projects by South Africa into Hong Kong. The relative share of capex stood at 36.36%.
- Food and beverages, with 2 projects (13.33%) and 21.86% of capex.
- Textiles, with 2 projects (13.33%) and a relative capex share of 5.25%.

**Figure 13: FDI from South Africa to Hong Kong by Sectors (Projects, Capex and Jobs), Jan 2003 – Apr 2022**



Source: FDI Markets, 2022

The top 10 South African companies investing in Hong Kong from January 2003 to April 2022 are listed in the table below:

**Table 14: Top 10 Companies: FDI from South Africa into Hong Kong (By Projects), Jan 2003 – Apr 2022**

	Investing company	Projects	Capex	Jobs created	Sector
1	De Beers Diamond Jewellers	3	1,256	315	Consumer products
2	Analysys Mason	1	84	22	Communications
3	Bright World	1	538	92	Food & Beverages
4	Cartrack	1	103	17	Software & IT services
5	Denel	1	345	91	Space & defence
6	Diamdel	1	32	42	Minerals
7	Hobbs	1	100	25	Textiles
8	IBIS Consulting	1	189	12	Business services
9	LontohCoal	1	100	8	Coal, oil & gas
10	Sasfin Holdings	1	534	16	Financial services

Source: FDI Markets, 2022

### 3.3 Inward FDI from Hong Kong into the Western Cape

A total of 3 FDI projects were recorded into the Western Cape by 3 Hong Kong-based companies between 2003 and April 2022. These projects represented a total capital investment of ZAR748.59m and created 48 jobs.

**Table 15: Inward FDI from Hong Kong into the Western Cape, Jan 2003 – Apr 2022**

DATE	INVESTING COMPANY	INDUSTRY SECTOR	BUSINESS ACTIVITY	CAPEX (ZARm)	JOBS
Mar 2014	IP Global	Real estate	Sales, Marketing & Support	302,20	17
May 2013	Wallem Group	Business services	Business Services	331,34	15
Apr 2011	Artificial Life	Communications	Sales, Marketing & Support	115,05	16
<b>TOTAL</b>				<b>748,59</b>	<b>48</b>

Source: FDI Markets, 2022

### 3.4 Outward FDI from the Western Cape into Hong Kong

A total of 5 outward FDI projects were undertaken by seven Western Cape-based companies into Hong Kong over the period, January 2003 – April 2022. These projects represented a total capital investment of ZAR1153.57m and created 218 jobs.

**Table 16: FDI from the Western Cape into Hong Kong, Jan 2003 – Apr 2022**

Date	Investing Company	Source City	Industry Sector	Business Activity	Capex (ZARm)	Jobs
Dec 2020	Topwatch	Paarl	Consumer products	Sales, Marketing & Support	124,254	31
Oct 2018	Hobbs	Cape Town	Textiles	Retail	99,71	25
Jan 2017	Whistles	Cape Town	Textiles	Retail	99,71	25
Oct 2014	Wines of South Africa	Stellenbosch	Food & Beverages	Sales, Marketing & Support	291,46	45
Jul 2008	Bright World	Cape Town	Food & Beverages	Logistics, Distribution & Transportation	538,434	92
<b>TOTAL</b>					<b>1153,57</b>	<b>218</b>

Source: FDI Markets, 2022

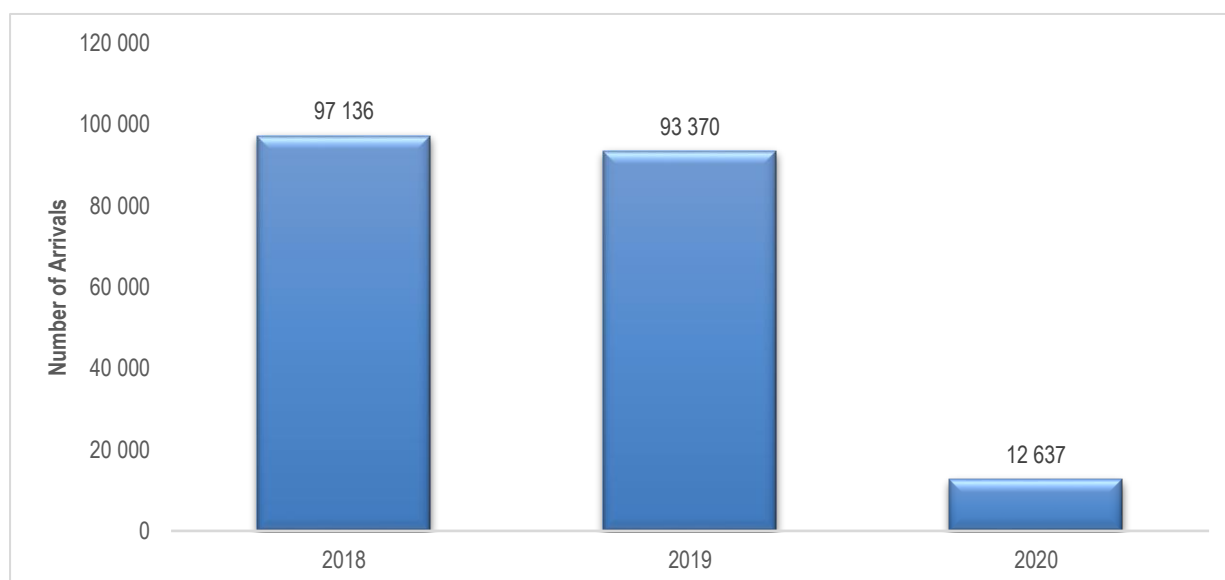
## 4. Tourism Flows

### 4.1 Hong Kong Traveller to South Africa

Over the period 2018-2020, South Africa welcomed the largest share of Chinese (Incl. Hong Kong) tourist arrivals in 2018, followed by a decline in 2019 and a significant decrease in 2020 due to the impact of the global pandemic.

In spite of the declining trend, South Africa saw a 11.9% increase in the average spend among Chinese tourists. In addition, the share of tourists visiting for holiday and VFR (visiting friends & relatives) recorded a year-on-year increase when compared to 2019.

**Figure 14: China incl. Hong Kong arrivals into South Africa, 2018 - 2020**

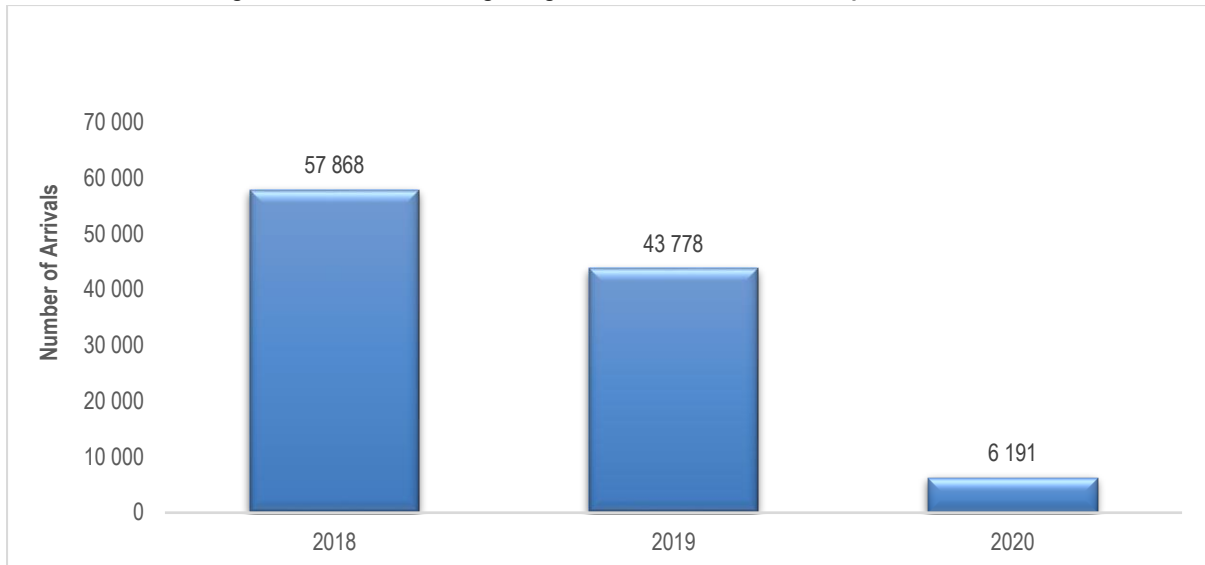


Source: South Africa Tourism, 2020

## 4.2 Hong Traveller to the Western Cape

Into the Western Cape travellers from China (Incl. Hong Kong) have been on a downward trend since 2019, followed by a 86% decrease in 2020 due to Covid-19.

Figure 15: China incl. Hong Kong arrivals into the Western Cape, 2018 - 2020



Source: South Africa Tourism, 2020

## 5. Summary of Key Findings

Hong Kong is an important trade partner for South Africa and the Western Cape. Both are net exporters in terms of trade flows with Hong Kong. Moreover, in 2020, both the country's and the province's exports to Hong Kong increased despite the negative impact of COVID-19 on trade. In 2021, Hong Kong was South Africa's 13th largest destination market and the Western Cape's 21st largest destination market for exports.

Trade between the Western Cape and Hong Kong is also relatively well diversified, with the province exporting mainly agricultural and fishing products to Hong Kong. The agricultural sector accounts for more than 60% of the Western Cape's exports to the region. The Western Cape's main exports to Hong Kong include edible fruit, fish and crustaceans, copper, ships, boats and floating structures.

Bilateral investment relations also remain very strong. According to FDI Intelligence, between 2003 and April 2022, a total of 31 FDI projects were recorded between South Africa and Hong Kong, with an estimated 1340 jobs created.

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