



恒生銀行

HANG SENG BANK

# Press Release

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## MAINLAND CHINA CRUCIAL TO DEVELOPMENT OF HONG KONG'S FINANCIAL SERVICES INDUSTRY

Capturing a bigger share of mainland China's demand for financial services is central to the growth of Hong Kong's financial services industry, states the latest issue of *Hang Seng Economic Monthly*.

Hong Kong is already an important regional and international financial centre, boasting a heavy concentration of the world's largest banks, an efficient financial infrastructure and a financial market that attracts international investors.

The importance of the financial services industry has been recognised by the Hong Kong government which considers it one of four 'pillar industries' that will drive economic growth.

The key to achieving continued growth in the financial services sector lies in ensuring that Hong Kong is equipped to handle an increasing level of international financial transactions, particularly those involving a Mainland element, says the report.

Although the trading and logistics sector still dominates Hong Kong's economy, the financial services industry has expanded rapidly since the late 1970s. Value-added attributable to the industry grew almost 15-fold between 1980 and 2003 from HK\$9.4 billion to HK\$14.7 billion. The relative share of the industry in the economy with respect to employment and GDP has also risen significantly.

The FSI now accounts for about 5.2% of total employment, compared with only 2.2% 30 years ago, while its share of GDP was 12.3% in 2003, up from only 6.9% in 1980.

The report notes that the increasing internationalisation of Hong Kong's financial markets has contributed to this growth. Hong Kong is no longer only serving the financial needs of its own residents and companies, but also those of individuals and entities outside its territory.

However, the importance Hong Kong's financial services industry should not just be evaluated by absolute figures for employment or value added, but also by growth potential and competitive advantages, the report adds.

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The financial services industry in London and New York employed 725,000 and 326,000 individuals in 2004, accounting for 20% and 11% of total employment respectively. If the financial services industry in Hong Kong could bring its employment share up to similar levels, this would likely create significant economic growth.

Given Hong Kong's geographic and demographic realities, the further expansion of its financial services industry depends on how well it can sell its financial services outside its territorial boundary. The report notes that the vast and rapidly growing Mainland market represents a massive opportunity.

Key in capitalising on this opportunity is the extension of the national concept to enable services rendered by Hong Kong's financial services industry to serve the Mainland and capturing a large share of the international financial transactions that include a Mainland element, states the report.

Many Mainland enterprises looking to list already view Hong Kong as the market of first choice, and the number of bond issue, loan syndication and project financing deals involving Mainland enterprises is also beginning to grow. Hong Kong also has a head-start in the provision of renminbi services and is strategically placed to act as a financial gateway between the Mainland and the rest of the world.

As the Mainland deepens its financial reforms and further liberalises its markets, the opportunities for Hong Kong's financial services industry will continue to grow. However, Hong Kong will only capture these opportunities if it pays considerable attention to retaining its edge by providing efficient services and innovative products. Hong Kong must continue to upgrade its financial infrastructure and enhance financial links with the Mainland.

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