HONG KONG SAR AND MACAU SAR

What’s happening in these economies

Australia and Hong Kong launched Free Trade Agreement (FTA) negotiations in May 2017. According to the Hong Kong government, in the first half of 2018 its economy grew by four per cent year-on-year. Real GDP growth for 2018 as a whole is forecast to be maintained at three to four per cent. Exports of goods grew at a solid 5.9 per cent, exports of services stood at 3.5 per cent, and inflation remained steady at 2.7 per cent.

Strong economic growth spurred a gradual increase in employment in 2018—the unemployment rate was 2.8 per cent, a 20-year low.

Hong Kong continues to deepen its economic relationship with mainland China through its Closer Economic Partnership Arrangement and related agreements.

Hong Kong is also seeking to position itself as the financial centre for the Belt and Road Initiative and Greater Bay Area.

Hong Kong’s 2018–19 budget and the chief executive’s policy address both prioritised liveability issues along with innovation and technology, including biotechnology, artificial intelligence, smart cities and financial technology—areas that provide opportunities for Australian investment and trade.

The Hong Kong government’s policy agenda is closely aligned to and complements key priorities for Australia’s economic, trade and innovation agenda. It builds on our long established partnerships and understanding in this market.

The bulk of mainland Chinese investment into Australia continues to come via Hong Kong.

Macau is a service-orientated economy, with services accounting for nearly 90 per cent of GDP in 2017. After a brief slowing from 2014 to 2016, Macau’s gambling sector has resumed its role underpinning the territory's economic growth, with 5.8 per cent economic growth expected for 2018. This is predicted to slow again in 2019 as growth from gambling revenue cools.

The Macau Government’s long-term objective is to diversify the economy away from gambling, a goal strongly encouraged by the Chinese central government.

Macau’s five-year development plan prioritises major infrastructure projects and envisages Macau becoming a world-class tourism and leisure centre.

Key facts and figures

- GDP growth: 3.6% (2018)
- GDP per capita: USD 48,829.2 (2018)
- Australian investment in Hong Kong: AUD 47,407 million (2017)
- Hong Kong investment in Australia: AUD 116,602 million (2017)
- Total merchandise trade with Hong Kong: AUD 12,790 million (2017)
- Total services trade with Hong Kong: AUD 5,969 million (2017)

Key facts and figures: Macau

- Population: 0.64 million (2017)
- GDP growth: 7% (2018)
- GDP per capita: USD 83,843.8 (2018)
- Macau investment in Australia: AUD 8,189 (2017)
- Total merchandise trade with Macau: AUD 90 million (2017)
- Total services trade with Macau: AUD 176 (2017)
Along with Hong Kong and nine cities in Guangdong Province in China, Macau forms part of the China’s Greater Bay Area initiative.

Trade, investment, and commercial opportunities and activities

- Hong Kong has the second highest concentration of Australians overseas and around 100,000 Australians live there:
  - the city is a regional hub for Australian businesses in north-east Asia, which have a presence across various industry sectors including banking and finance, construction and engineering, food and beverage, education, consumer and retail, logistics and transport, and professional services.
- There is strong demand for traditional Australian exports to Hong Kong in sectors such as food and beverage and consumer products (including cosmetics, vitamins and nutraceuticals):
  - financial services will continue to grow
  - new opportunities are expected to emerge out of Hong Kong’s role in initiatives such as the Greater Bay Area, and
  - Hong Kong will continue to be a priority market for investment across sectors including infrastructure, tourism, resources, energy and health.
- As the world’s most visited city, Hong Kong is a key platform market for premium goods and services internationally, particularly across Asia. It is also:
  - a source of considerable investment in tourism infrastructure in Australia, and
  - a key source market for tourism and short stays (including family visits associated with international students).
- New economic opportunities are arising driven by the innovation and technology/smart city agenda:
  - Australian companies with capabilities in these areas can tap into interest from customers and investors across these industries.
- As the world’s infrastructure financial hub, Hong Kong provides opportunities for Australia to promote its infrastructure capabilities across Asia and attract infrastructure investment.
- Mainland enterprises and funds continue to establish in Hong Kong with about 65 per cent of outbound investment flowing through the city:
  - mainland investment offices as well as decision makers from international enterprises with regional headquarters in Hong Kong ensures the city will remain a priority market for Australia’s efforts to attract foreign direct investment, and
  - in 2017, Hong Kong was the fifth largest source of investment into Australia by total investment stock (AUD 116.6 billion).
- Australia has strong business interests in Macau including in the design, construction, project management and fit-out of casinos, marinas and entertainment projects.
- Trade statistics may understate the true level of exports from Australia to Macau because there are few direct shipping services:
  - many products—especially food and beverages—which are repacked and trans-shipped via Hong Kong, are not recorded as being of Australian origin.
Macau attracts a large number of Australian tourists, estimated at 120,000 a year.

Trade policy and negotiations

Australia and Hong Kong launched FTA negotiations on 16 May 2017. An FTA would complement the China–Australia Free Trade Agreement and further integrate the Australian economy with Asia.

Hong Kong has made the negotiation and agreement of FTAs and double taxation agreements a major priority in the 2018 government policy platform. Already Hong Kong has signed seven FTAs with:

- mainland China (June 2003)
- New Zealand (March 2010)
- EFTA (June 2011)
- Chile (September 2012)
- Macau (October 2017)
- ASEAN (November 2017)
- Georgia (June 2018)

Hong Kong is a member of the World Trade Organization, Asia–Pacific Economic Cooperation (APEC), the Organisation for Economic Cooperation and Development (OECD) Trade Committee, and the Pacific Economic Cooperation Council.

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