

LCQ21: Residential mortgage rates

Following is a question by the Hon Edmund Wong and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (February 23):

Question:

There are comments that with the United States Federal Reserve expecting the interest rates of the United States to enter an up cycle this year, the interest rates of Hong Kong will inevitably be affected. Once residential mortgage rates rise, it will, to a certain extent, affect or even deal a blow to millions of homeowners in Hong Kong. In this connection, will the Government inform this Council:

(1) whether it knows the highest, lowest and average monthly interest rates for new residential mortgage loans approved by banks and authorized financial institutions from 2007 to 2021; and

(2) whether it has projected the changes in interest rates for new residential mortgage loans to be approved by banks and authorized financial institutions in the coming three years; if so, of the details; if not, the reasons for that?

Reply:

President,

Having consulted the Hong Kong Monetary Authority (HKMA), my reply to the question is as follows:

(1) and (2) The HKMA estimates the average interest rate on new mortgage loans approved in a certain month using data concerning authorized institutions covered in the monthly Residential Mortgage Survey. The table below sets out the average interest rates on new mortgage loans approved between 2007 and 2021:

Year	Average Mortgage Interest Rate (%)
2007	5.08
2008	3.03
2009	1.92
2010	1.18
2011	1.83
2012	2.36
2013	2.27
2014	2.00

2015	1.95
2016	1.89
2017	1.92
2018	2.27
2019	2.45
2020	2.08
2021	1.51

Note: The HKMA does not collect information on the highest and lowest mortgage interest rates.

Under the Linked Exchange Rate System, the levels of the Hong Kong dollar interest rates will generally follow those of their US dollar counterparts, alongside the US interest rate hike-cycle. However, considering that the pace of monetary policy tightening by the US Federal Reserve and the outlook for the US interest rates are still subject to uncertainties, and the fact that the levels of domestic interest rates are subject to changes in the supply of and demand for Hong Kong dollar in the local markets, the HKMA does not have specific estimates of the local mortgage interest rates for the coming three years. At a macro level, a large proportion of the residential mortgage loans are currently priced with reference to the Hong Kong dollar interbank interest rates. In view of the ample liquidity of the Hong Kong banking system with the Aggregate Balance of around HK\$350 billion, it is expected that the Hong Kong dollar interbank rates will not increase at a rapid pace.

Budget Speech by the Financial Secretary (3)

Enhancing Economic Resilience and Enriching Industrial Development

42. When formulating long-term economic policies, first we must be clear about the purpose of economic development, so that policy implementation will not deviate from its original intention. It is also necessary to have a full understanding of our country's development plans and strategies, as well as Hong Kong's roles and functions therein, and to take into account demand in the international market, in order to identify the right positioning and seize opportunities. Furthermore, we need to keep carefully assessing the international politico-economic landscapes, clearly identify long-term trends, grasp economic patterns, and prudently control risks to avoid disruptions to development.

People-centric Development

43. First of all, it is necessary to know whom and what purpose economic development is for. Hong Kong's per capita GDP reached US\$49,000 last year, and the latest seasonally adjusted unemployment rate has fallen to 3.9%, which look good. However, these figures do not allow us to see clearly many issues, such as unbalanced economic development and that many young people cannot fulfil their aspirations. For example, financial services accounted for 23% of GDP in 2020, but only 7% of total employment. This reflects that although people in the industry have high incomes, the beneficiaries are not broad enough. In fact, employment earnings of youths in the younger-generation with post-secondary education are generally significantly lower than those of the older-generation with similar educational attainment, indicating that the pace of economic upgrading falls short of creating sufficient high-quality jobs for young people.

44. Economic development is meant to raise the living standards of all citizens and to let all of us share the fruits of development. This is also the foundation of social harmony. As such, we must enrich industrial development, and move towards high-quality and inclusive economic growth, thereby creating more high-quality and diverse employment opportunities. This will not only benefit the citizens better, but also create conditions and provide resources to solve deep-seated problems such as housing and poverty.

A New Starting Point in History

45. The implementation of the Hong Kong National Security Law, coupled with the improvement of the electoral system, is to implement the fundamental principle of "patriots administering Hong Kong" and establish Hong Kong's political order from a legal and institutional perspective. As a result, the practice of "One Country, Two Systems" in Hong Kong can be brought back to the right track for steadfast and successful implementation, so that Hong Kong can consolidate and strengthen its uniqueness and advantages under this system.

46. At present, the "executive-led" political system has been strengthened, and there is healthy interaction between the executive and the legislature. The administration's governance efficiency has been enhanced as a result. The HKSAR Government, the LegCo and all sectors of society can work together to address social, economic and people's livelihood issues, and gradually resolve some of the deep-seated contradictions that have hindered Hong Kong's development for a long time. Year 2022 marks the 25th anniversary of the re-unification of the Hong Kong SAR with our Motherland, which will mark a new historical starting point for Hong Kong, and a new milestone towards governance and prosperity.

Integrate into the National Development

47. Hong Kong has unique advantages, including institutional advantages under "One Country, Two Systems", a fine tradition of rule of law, and a market-oriented and internationalised business environment. We have always been leveraging the support from our Motherland while engaging with the world, serving our country's needs with our strengths, and achieving great

development in return. Under the 14th Five-Year Plan, our country continues to reform and open up, moves towards high-quality development, and progress according to the strategy of domestic and international dual circulation. It also makes clear the positioning and direction of Hong Kong's economic development and supports the development of Hong Kong in eight areas. Integrating into the national development is an inevitable path for the Hong Kong economy. The Government will make good use of national policies and our own advantages and take the GBA as an entry point, proactively exploring the vast Mainland market and participating in the domestic circulation of the national economy. At the same time, Hong Kong will play its bridging and platform role at the intersection of domestic and international circulations well, connecting domestic and foreign markets and investors, and assisting Mainland enterprises to explore the international market.

Seeking Progress While Maintaining Stability

48. The world is undergoing a change unseen in a century. In recent years, Western countries have been trying to suppress our country's development. The COVID-19 pandemic has dealt a severe blow to the global supply chains, further heightening protectionism. In the past two years, governments of many countries have raised debts of massive scale, and central banks have implemented extremely accommodative monetary policies, greatly increasing macroeconomic and financial market vulnerabilities. We need to stay highly vigilant at all times, better connect with the international market under the premise that risks are well managed, thereby striving for progress while maintaining stability. We also have to use development to enhance our ability to cope with risks, so as to promote stability with progress.

Innovation and Technology as well as Digital Economy

49. Innovation and technology (I&T) development is a global trend and a reflection of core competitiveness of different economies. The I&T industry is not only a new economic growth spot, but can also enhance the productivity of other industries. For Hong Kong, whether it is the development of new industries with advantages or the transformation and upgrading of traditional industries, the contribution of I&T is required. Therefore, we must focus on promoting I&T development.

50. Digitalisation is an inevitable trend as the economy moves towards high-quality development. Through the collection of various data in the economic system, followed by digitalisation, organisation and analysis of these data, we can better understand the operation of the whole economy and the individual segments, and enhance efficiency and promote innovation. For enterprises, digitalisation can help on transformation and empowerment, quality and quantity improvement, and innovation stimulation. In order to accelerate the progress of digital economy, I will set up a "Digital Economy Development Committee", with members comprising experts and scholars, industry elites, and relevant government officials.

51. Next, I will elaborate on the key points of injecting new fields and elements into Hong Kong's economic development.

Innovation and Technology Development

52. Continuous promotion of I&T development is an important strategy to foster a more vibrant and diversified economy. The 14th Five-Year Plan supports Hong Kong's development into an international I&T hub. Apart from fostering economic growth and job creation, I&T development can also promote re-industrialisation and enhance the competitiveness of our manufacturing sector as well as enable digital transformation across various trades. The current-term Government has invested over \$130 billion in I&T development, which has seen results trending up gradually in recent years. I will allocate additional resources in the Budget to keep reinforcing the entire value chain and the I&T ecosystem.

Support Start-ups and Technology Investments

53. The I&T ecosystem in Hong Kong has become increasingly vibrant. The number of start-ups surged from around 1 000 in 2014 to around 4 000 last year; and the amount of venture capital investment surged from \$1.24 billion to about \$41.7 billion in the same period. Currently, Hong Kong is Asia's largest and the world's second-largest fundraising hub for biotechnology.

54. In recent years, the Government and local universities have allocated considerable resources to nurture start-ups and assist research teams comprising students and professors in commercialising their research and development (R&D) results. The Hong Kong Science and Technology Parks Corporation (HKSTPC) and the Cyberport, our two I&T flagships, provide one-stop support services for start-ups. So far, we have witnessed the birth and development of over 10 unicorns.

55. Over the past few years, apart from the \$2 billion Innovation and Technology Venture Fund, we have also set up the Corporate Venture Fund and the Cyberport Macro Fund through the HKSTPC and the Cyberport respectively. Each of these funds has its own specific key areas of investment, which has significantly broadened the fundraising channel for start-ups in Hong Kong.

56. Nevertheless, as the funds mentioned above are mainly targeted at early-stage start-ups, they may not be suitable for expanding enterprises with considerable scale. Some such type of enterprises often have huge development potential. Indeed, we are not short of examples of success in nurturing these enterprises in Hong Kong.

57. I announced in my Budget two years ago the setting up of an investment portfolio named the Hong Kong Growth Portfolio using part of the Future Fund for investment in projects with a "Hong Kong nexus". The aim is to consolidate Hong Kong's status as a financial, commercial and I&T centre as well as to raise our productivity and competitiveness in the long run. Last year, the Government appointed eight fund managers as general partners to make strategic investment. To nurture enterprises that are relatively more mature and have good potential for contribution to our economy, I will further increase the funding allocated to the Hong Kong Growth Portfolio under the Future Fund by \$10 billion, of which \$5 billion will be used to set up a new investment fund, namely the Strategic Tech Fund. I will invite the

HKSTPC and the Cyberport to identify technology enterprises which are of strategic value to Hong Kong as well as investment opportunities conducive to enriching the I&T ecosystem.

58. On the other hand, the Technology Start-up Support Scheme for Universities under the Innovation and Technology Fund (ITF) has been supporting universities in setting up their own start-ups and commercialising their R&D results, with a view to creating economic value. To help universities realise their R&D outcomes, I will double the amount of subsidy to \$16 million. The increased subsidy will be provided to start-ups of universities with private investments on a matching basis of one to one. Each start-up may receive an annual subsidy of up to \$1.5 million for a maximum of three years. The initiative will incur an additional expenditure of \$48 million per year.

Promote Life and Health Scientific Research

59. The impact of the COVID-19 pandemic for more than two years has roused much global interest in R&D in life and health disciplines. In fact, the National 14th Five-Year Plan has also called for focusing on issues like human health as well as the enhancement of technological strengths in specialist fields such as life and health.

60. Hong Kong has strong research capabilities in life and health sciences. There are a number of renowned scholars in local universities whose R&D teams display great originality and have the ability to create breakthroughs out of the blue, generating fruitful outcomes in scientific research. With clinical trial centres recognised by the National Medical Products Administration, Hong Kong enjoys clear advantages in promoting research and fostering development of industries in life and health disciplines. In 2018, I allocated \$10 billion to launch the flagship project of "InnoHK Research Clusters", under which 28 laboratories have so far been established by local universities in collaboration with over 30 top-notch universities/research institutions around the world. Among these laboratories, 16 are related to life and health sciences. On the back of our robust strength in scientific research, we can deliver more revolutionary R&D outcomes.

61. To further promote the development of life and health technology in Hong Kong, I will earmark \$10 billion to provide more comprehensive support in the long run, including hardware, research talent, clinical trials and data application, with the aim of enabling institutions, including universities, to enhance their capacity and capability in this area, as well as strengthening the industrial chain. We will set up the InnoLife Healthtech Hub in the Hong Kong-Shenzhen Innovation and Technology Park. With the above 16 laboratories and the eight relevant State Key Laboratories as the basis, we can pool together top-notch research teams from all over the world and focus our efforts on R&D work as well as global research collaboration in the field of life and health sciences. This includes biomedicine, big data and artificial intelligence, which can be applied in various areas, such as prevention, diagnosis, drug discovery, advanced treatment and rehabilitation. The HA will assist more institutions in exploring how to make better use of their hospitals for conducting research and clinical

trials as well as the valuable clinical data they have accumulated for R&D purposes. Our aim is to promote multi-faceted collaboration in scientific research and development of industries, develop Hong Kong into a major R&D hub in life and health disciplines, and link up related industrial clusters.

Promote Research and Development

62. We have been actively promoting R&D in the past few years. There are 16 State Key Laboratories and six Hong Kong Branches of Chinese National Engineering Research Centres in Hong Kong. They all possess high-level scientific research teams and equipment, and many of them enjoy global leading positions in their areas of expertise. Currently, these institutions are receiving an annual subsidy under the ITF. I announce that the amount of subsidy be doubled to HK\$440 million so that they can have more resources to conduct R&D activities, nurture local talent as well as attract more local and overseas I&T talent, and further their co-operation and exchanges with institutions in the Mainland.

Technology Application

63. We have been encouraging the public and private sectors to proactively apply technologies in their operations for the benefits and convenience of the public. To promote further digitalisation in government operations, I have reserved \$600 million to conduct a comprehensive e-government audit in the coming three years with the aim of reviewing the progress made by government departments in using technologies, as well as assisting them in enhancing the efficiency of public service provision through the adoption of I&T solutions.

Strengthen the Intellectual Property Regime

64. Intellectual property (IP) protection is in line with the direction of developing Hong Kong into a knowledge-based economy and an international I&T hub. The Government will strengthen the IP regime in Hong Kong. With regard to patents, we will further promote and develop Hong Kong's "original grant patent" (OGP) system. In the next three financial years, I will allocate a total of about \$85 million to the Intellectual Property Department (IPD) for enhancing Hong Kong's capacity to conduct substantive examination in processing OGP applications. On trademarks, we are pressing ahead with the preparatory work for implementing the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks in Hong Kong. It is expected that an international trademark registration system will be put in place in Hong Kong next year at the earliest. As for copyrights, to tie in with the development of digital environment, the Commerce and Economic Development Bureau launched a public consultation exercise on updating Hong Kong's copyright regime at the end of last year. The consultation period ends today. The Government will carefully consider the views collected before introducing a bill to amend the Copyright Ordinance into the LegCo in the first half of this year.

65. The IPD will also actively explore with the Mainland authorities facilitation measures for cross-boundary IP protection; enhance its free IP

Consultation Service, IP Manager Scheme PLUS and other training programmes; and collaborate with the Department of Justice to promote IP mediation and arbitration services. Besides, we will work with the Hong Kong Trade Development Council (TDC) and relevant stakeholders to promote Hong Kong's IP professional services through different channels.

(To be continued.)

Budget Speech by the Financial Secretary (2)

Fighting the Virus Together

23. The COVID-19 epidemic starting from early 2020 has affected people's livelihood and the economy. In response to this, the Government promptly set up the Anti-epidemic Fund (AEF) to provide appropriate financial assistance for the affected individuals and businesses.

24. I am deeply grateful to the Finance Committee of the Legislative Council (LegCo) for promptly approving a further injection of \$27 billion into the AEF last Tuesday, so that the sixth round of measures can be introduced under the AEF. These measures include providing support for the first time for the temporarily unemployed, with \$3 billion earmarked for granting a subsidy of \$10,000 to each eligible person. I believe that the latest round of relief measures can help the public meet their imminent needs. Counter-cyclical measures were also launched in my previous two Budgets. These measures, together with the relief measures under the AEF, involved a total financial commitment of over \$460 billion.

25. Besides, government departments have also devoted substantial resources to fighting the epidemic, including providing isolation facilities at Penny's Bay and other appropriate locations, setting up a temporary hospital at the AsiaWorld-Expo, launching the vaccination programme, providing testing services and increasing the supply of medications, medical equipment etc., involving a total of over \$24 billion.

Stepping up Anti-epidemic Efforts

26. Fighting the epidemic is our overriding mission at present. The Government will mobilise all available manpower and resources to contain and stabilise the epidemic. I will once again allocate substantial additional resources in the new financial year, including:

(a) an additional funding of about \$22 billion for the Food and Health Bureau (FHB) to strengthen testing work, procure rapid antigen test kits and relevant services, and provide additional support for the Hospital Authority

(HA);

(b) an additional funding of \$6 billion for the Department of Health to procure more vaccines as booster doses for the general public;

(c) an additional funding amounting to about \$7 billion in total for relevant departments to procure anti-epidemic items and services, implement anti-epidemic measures, etc.;

(d) a total additional funding of \$500 million to be allocated within two years for the Food and Environmental Hygiene Department (FEHD) to enhance environmental hygiene services, particularly strengthening the street cleansing and refuse collection services, stepping up measures on rodent control and improving the hygiene of public markets in response to the epidemic. Meanwhile, the FEHD will strengthen inspections and enforcement actions to raise the community's awareness about hygiene; and

(e) a further injection of \$12 billion into the AEF for the construction of various anti-epidemic related facilities.

27. Besides, I have earmarked \$20 billion for other potential anti-epidemic needs. We will provide full support to fight the epidemic should more resources be required.

Relieving People's Hardship

28. To provide support for members of the public who have been affected by the epidemic, I will introduce the following one-off measures:

(a) reducing salaries tax and tax under personal assessment for the year of assessment 2021/22 by 100 per cent, subject to a ceiling of \$10,000. The reduction will be reflected in the final tax payable for the year of assessment 2021/22. This measure will benefit 2.01 million taxpayers and reduce government revenue by \$13.1 billion;

(b) providing rates concession for domestic properties for four quarters of 2022-23, subject to a ceiling of \$1,500 per quarter in the first two quarters and a ceiling of \$1,000 per quarter in the remaining two quarters for each rateable property. This measure is estimated to involve 2.99 million domestic properties and reduce government revenue by \$11.7 billion;

(c) granting each eligible residential electricity account a subsidy of \$1,000. This measure will involve an expenditure of about \$2.8 billion and benefit around 2.8 million residential households;

(d) providing an allowance to eligible social security recipients, equal to one half of a month of the standard rate Comprehensive Social Security Assistance payments, Old Age Allowance, Old Age Living Allowance or Disability Allowance. This measure will involve additional expenditure of about \$2,384 million. Similar arrangements will apply to recipients of the Working Family Allowance, involving additional expenditure of about \$117 million; and

(e) paying the examination fees for school candidates sitting for the 2023 Hong Kong Diploma of Secondary Education Examination, incurring \$149 million.

29. We will also lower the threshold for the Public Transport Fare Subsidy Scheme from \$400 to \$200 from May to October this year. The Government will provide commuters with a subsidy amounting to one-third of their actual monthly public transport expenses in excess of \$200, subject to a maximum of

\$500 per month. With an increase of \$1.08 billion in the subsidy amount, it is estimated that the scheme will benefit about 3.8 million commuters per month.

30. Moreover, I propose to provide a tax deduction for domestic rental expenses starting from the year of assessment 2022/23 so as to ease the burden of renting a private property on taxpayers liable to salaries tax and tax under personal assessment who are not owners of domestic properties, subject to a deduction ceiling of \$100,000 for a year of assessment. It is expected that government revenue will be reduced by \$3.3 billion. We plan to introduce a bill into the LegCo for scrutiny in the second quarter of this year.

31. The 100% Personal Loan Guarantee Scheme rolled out last year has helped a lot of people. I will extend the scheme for one year until the end of April next year. The maximum loan amount per applicant will increase from six times to nine times of his/her average monthly income during employment, and the ceiling will increase from \$80,000 to \$100,000. In addition, the maximum repayment period under the scheme will be extended from six years to 10 years, whereas the maximum duration of principal moratorium will be extended from 12 months to 18 months. The Hong Kong Monetary Authority (HKMA) and the lending institutions will also enhance the flexibility of the scheme to assist those with income substantially reduced under the epidemic.

32. To strengthen support for e-learning, the Quality Education Fund has set aside \$2 billion to launch a three-year programme starting from this school year, under which subsidies will be provided to schools to purchase mobile computer devices and portable Wi-Fi devices for loan to needy students. This initiative will facilitate the learning of students from grassroots families during the epidemic.

Supporting Enterprises

33. During this critical juncture of fighting the epidemic, we must take all necessary measures to preserve the vitality of the economy, in particular the survival of SMEs, and strive to safeguard jobs. I will take measures to ease the operating pressure of businesses and enhance the cash flow support for them.

34. For easing the operating pressure of businesses, I propose:

- (a) reducing profits tax for the year of assessment 2021/22 by 100 per cent, subject to a ceiling of \$10,000. The reduction will be reflected in the final tax payable for the year of assessment 2021/22. This measure will benefit 151 000 businesses and reduce government revenue by \$1.2 billion;
- (b) providing rates concession for non-domestic properties for four quarters of 2022-23, subject to a ceiling of \$5,000 per quarter in the first two quarters and a ceiling of \$2,000 per quarter in the remaining two quarters for each rateable property. This measure is estimated to involve 430 000 non-domestic properties and reduce government revenue by \$3.4 billion;
- (c) waiving the business registration fees for 2022-23. This measure will

benefit 1.5 million business operators and reduce government revenue by \$3 billion;

(d) continuing to waive 75 per cent of water and sewage charges payable by non-domestic households for eight months until 30 November 2022, subject to a monthly ceiling of \$20,000 and \$12,500 respectively per household. This measure will benefit 250 000 non-domestic households and reduce government revenue by \$680 million;

(e) extending the waivers/concessions of the existing 34 groups of government fees and charges for 12 months starting from October this year. This measure will benefit a wide range of sectors (such as aviation, maritime, logistics, retail, catering, agriculture and fisheries, construction, tourism and entertainment) and will reduce government revenue by about \$1.7 billion; and

(f) continuing to grant the 75 per cent rental or fee concession currently applicable to eligible tenants of government premises and eligible short-term tenancies and waivers under the Lands Department for six months until 30 September 2022. During the period, tenants who have to close their properties at the request of the Government will continue to receive full rental waiver for the duration of the closure. This will reduce government revenue by \$1.4 billion.

35. As regards enhancing the cash flow support for businesses, I will extend the application period of all guarantee products under the SME Financing Guarantee Scheme (SFGS) for one year to the end of June next year. The Special 100% Loan Guarantee under the SFGS will also be further enhanced by increasing the maximum loan amount per enterprise from the total amount of employee wages and rents for 18 months to that for 27 months with the loan ceiling raised from \$6 million to \$9 million, and by extending the maximum repayment period from eight years to 10 years.

36. Besides, I have requested the HKMA to extend the Pre-approved Principal Payment Holiday Scheme through the Banking Sector SME Lending Coordination Mechanism for six months to the end of October this year. At the same time, the HKMA and the banking sector will offer enterprises the option of making partial repayment of principal over a longer period of time. This arrangement will also apply to the loans granted under the SFGS.

37. To help small and medium-sized exporters secure export financing from banks more easily, the Hong Kong Export Credit Insurance Corporation (ECIC) plans to launch the Export Credit Guarantee Programme on a pilot basis in March this year, under which the ECIC will guarantee up to 70 per cent of the export financing of their policyholders, subject to a maximum limit of \$50 million. In addition, to encourage exporters to take larger orders from overseas buyers, the ECIC will introduce the "Flexible Indemnity Ratio" arrangement in the second half of this year to enhance insurance coverage for exporters. This measure is expected to benefit about 2 400 policyholders.

Job Creation

38. To ease the unemployment situation due to the epidemic and the anti-epidemic measures, the Government has earmarked total funding of \$13.2 billion under the AEF to create time-limited jobs in the public and private sectors. As at end-2021, some 60 000 jobs were created under the

two rounds of the Job Creation Scheme, of which about 45 000 jobs were filled. We have earmarked an additional funding of \$6.6 billion in the latest round of AEF injection for the creation of another 30 000 timeâ€‘limited jobs.

Issuing Consumption Vouchers

39. Last year, we implemented the consumption voucher scheme for the first time. With the help and concerted efforts of various parties, the scheme was effective in boosting the market sentiment, stimulating local consumption, and speeding up economic recovery. It has also promoted the extensive use of electronic payment. The new wave of epidemic has disrupted the pace of economic recovery. With last year's experience, I will implement a new round of consumption voucher scheme, under which electronic consumption vouchers with a total value of \$10,000 will be disbursed by instalment to each eligible Hong Kong permanent resident and new arrival aged 18 or above through suitable stored value facilities. The scheme is expected to benefit about 6.6 million people.

40. I fully understand that this wave of epidemic has seriously affected various sectors and the public. In order to relieve the burden of the people and different merchants, I will make a special arrangement, under which consumption vouchers valued at \$5,000 will be disbursed in April to over 6.3 million successful registrants first by making use of the registration data collected through last year's consumption voucher scheme. They will get the remaining vouchers by instalments together with the new eligible persons in the middle of the year. In this regard, the Government will, in moving the Vote on Account Resolution, inform the LegCo that the funding allocation for the consumption voucher scheme may be used upon passage of the Resolution. I hope that the scheme will inject impetus to the market when the epidemic is stabilised so as to accelerate economic recovery, and further encourage the public and merchants to use electronic payment which will promote the development of digital economy.

41. The entire scheme will incur about \$66.4 billion of financial commitment. We will announce the details as soon as possible.

(To be continued.)

LCQ22: 15th National Games in 2025

Following is a question by the Hon Vincent Cheng and a written reply by the Acting Secretary for Home Affairs, Mr Jack Chan, in the Legislative Council today (February 23):

Question:

The Guangdong Province, Hong Kong and Macao will co-host the 15th National Games (National Games) in 2025. It has been reported that the General Administration of Sport of China indicated earlier that it was pressing ahead at full steam with the relevant early-stage preparatory work, and would let Hong Kong and Macao have the priority to choose the competition events that they intend to host. In this connection, will the Government inform this Council:

(1) whether it has commenced discussions with the authorities of Guangdong and Macao on the preparatory work for the National Games, including the arrangements for the opening and closing ceremonies, division of work in respect of competition events and the financial arrangements; if so, of the details; if not, whether it has drawn up the relevant timetable;

(2) whether it will set up a working group on the National Games to specifically take charge of the preparatory work for the National Games and co-ordinate the co-operation among the authorities of the three places;

(3) as it has been reported that the Commissioner for Sports indicated earlier that the Government would strive to host competition events of the National Games such as badminton, fencing, table tennis, windsurfing and football, and it would consider making use of the Hong Kong Velodrome located in Tseung Kwan O as the venue for cycling competition events, of the progress of the relevant work; and

(4) whether it has consulted the sports sector on the details of hosting the National Games (e.g. the competition events that Hong Kong intends to host, venue facilities and the relevant support arrangements); if so, of the details; if not, the reasons for that and whether it will consider doing so?

Reply:

President,

The National Games, held once every four years, is the nation's highest level and largest national multi-sports event. The Hong Kong Special Administrative Region (SAR) Government is grateful for the trust and support of the Central Government in announcing on August 26, 2021 its agreement for the 15th National Games to be hosted by Guangdong Province, Hong Kong and Macao in 2025. This is a significant initiative to promote Hong Kong's sports development after the distinguished achievements of the Hong Kong, China Delegation at the Tokyo Olympic Games and Paralympic Games. We will spare no effort to work closely with the relevant ministries of the Central Government, the Guangdong Province and the Macao SAR Government and conduct the preparatory work for the 15th National Games in 2025 according to the Central Government's requirement of organising a "simple, safe and wonderful" event.

Since the announcement of the hosting of the 15th National Games by Guangdong, Hong Kong and Macao, the Hong Kong SAR Government has been in close liaison with the General Administration of Sport of China (GASC), the People's Government of Guangdong Province and the Macao SAR Government. A

meeting by video conference was held before the end of last year to commence the preparatory work. It was agreed by all parties involved that a preparatory working group should be formed in 2022 to discuss the various work arrangements for the 15th National Games.

More than 30 competitive events are expected to be featured at the National Games, including all Olympic sports events and Wushu. We will apply to host a number of competitive events in Hong Kong, taking into account various factors such as the existing sports facilities in Hong Kong and the soon-to-be-commissioned Kai Tak Sports Park, the experience and capability of Hong Kong in hosting the relevant events, the events' popularity in the community and the competitiveness of Hong Kong athletes. While the GASC and the governments of Guangdong, Hong Kong and Macao have exchanged preliminary views, the division of work on the events is yet to be decided at this stage. Meanwhile, a number of local national sports associations have expressed interests in hosting their relevant events in Hong Kong. We will continue to communicate closely with the sports community and disseminate news on the preparatory work in a timely manner.

Budget Speech by the Financial Secretary (1)

Following is the full text of the Speech on the 2022-23 Budget delivered by the Financial Secretary, Mr Paul Chan, to the Legislative Council today (February 23):

Mr President, Honourable Members and fellow citizens,

I move that the Appropriation Bill 2022 be read a second time.

Introduction

2. The COVID-19 pandemic has plagued the entire world for two years, taking a heavy toll on economic activities and people's way of life. Since the middle of last year, the epidemic situation in Hong Kong had been brought under control, with economic activities and daily life gradually getting back to normal. Nevertheless, with the emergence of a virus variant in the past month or so, the epidemic situation in Hong Kong has taken a drastic turn for the worse. The rapid spread of the virus and its profound impact have dealt a heavy blow to many people, disrupting both their life and work, and seriously affected the operations of small and medium-sized enterprises (SMEs), thus undermining confidence in the future. A gloomy atmosphere enveloped the Hong Kong community.

3. Taking prompt action to stabilise the epidemic situation is crucial for safeguarding the health and lives of our people. It is also the key to

maintaining people's confidence and stabilising our economy. The care and guidance of the Central Government, together with the selfless support from the relevant departments and municipal governments, have bolstered the solidarity, confidence and indomitable spirit of the Hong Kong Special Administrative Region (HKSAR) Government and all sectors of the community. By making a concerted effort to fight the epidemic on all fronts and at full speed, we will surely win this battle against the virus. We will deploy all available resources and take all necessary measures to fully support the anti-epidemic work. The resources allocated for this cause in this Budget alone involve more than \$54 billion.

4. At this critical time, we need to direct more resources to relieve people's hardship and provide SMEs with some breathing space so as to stabilise the economy and maintain public confidence. This is also what the general public expect of the Government. With this in mind, this year's Budget will continue to adopt an expansionary fiscal policy with initiatives mainly focusing on four areas:

- (a) supporting an all-out effort to win the fight against the epidemic;
- (b) relieving the hardship of our people and SMEs;
- (c) rendering support to the struggling economy and fostering post-epidemic economic revival; and
- (d) investing for the future by planning ahead for the medium- and long-term development of our economy.

5. It is estimated that the counter-cyclical measures (costing a total of over \$170 billion) mentioned in the Budget, together with the spending in infrastructure projects and other items, will have a fiscal stimulus effect of boosting the economy by around three percentage points. I will elaborate the details afterwards.

Economic Situation in 2021

6. In 2021, with the roll-out of vaccination schemes around the world as well as the strong fiscal and monetary support, global economic activities revived remarkably. The International Monetary Fund (IMF) estimated that the global economy staged a strong rebound by 5.9 per cent last year.

7. Given the sharp rebound in demand from major economies, production and trading activities in Asia were vibrant. Hong Kong's total exports of goods continued to register strong growth, with a notable increase of 19 per cent in real terms for the year as a whole and surpassing the high in 2018 by 10.9 per cent.

8. As regional trade flows remained active, exports of transport services reverted to growth. Exports of financial services also showed further growth. Consequently, Hong Kong's total exports of services registered a mild growth of 1.1 per cent for the year, but was still far below the pre-recession level with inbound tourism virtually at a standstill.

9. The local epidemic situation remained stable during the period from May 2021 to end-2021 and the employment and income conditions continued to

improve. These, coupled with the boost from the consumption voucher scheme, contributed to a rebound of private consumption expenditure by 5.6 per cent for the year as a whole. As business outlook turned positive, investment expenditure rose by 10.1 per cent.

10. Hong Kong's overall economy saw a visible recovery in 2021 with a growth of 6.4 per cent, reversing the declining trend in the past two consecutive years. The seasonally adjusted unemployment rate dropped substantially from a high of 7.2 per cent early last year to 3.9 per cent in the latest period (November 2021 to January 2022).

11. Given the continued recovery of the local economy and the accelerated rise in import prices, consumer price inflation increased progressively in 2021. However, owing to the fall in private housing rentals earlier on, the increase of the Consumer Price Index remained mild. Netting out the effect of the Government's one-off measures, the underlying inflation rate was 0.6 per cent for last year as a whole, down 0.7 percentage point from the year before.

12. Dampened by factors including the monetary policy stance in the US, the regulatory requirements in the Mainland, and the emergence of COVID-19's variants and supply bottlenecks worldwide, the local stock market underwent a sharp adjustment in 2021.

13. As supported by the low interest rate environment and firm end-user demand, the residential property market was active in the first half of last year. Although the market sentiment weakened in the fourth quarter of last year due to local stock market adjustment and concerns about the US interest rate hikes, flat prices still saw a moderate increase of three per cent for the whole year.

14. As for the non-residential property market, with the recovery of the local economy, coupled with the abolition of the Double Stamp Duty imposed on non-residential property transactions in November 2020, there was a visible rebound in transaction activities last year. Yet, prices and rentals of office space were relatively soft, while those of industrial buildings rebounded significantly.

15. The Government will continue to spare no efforts in increasing land supply and closely monitor the property market development.

Economic Outlook for 2022 and Medium-term Outlook

16. The market generally expects a further revival of the global economy this year, but the rampant Omicron variant has slowed the pace of global economic recovery recently. As affected by the impact of high energy prices and supply bottlenecks, global inflation has been pushed up significantly, and many central banks will have to tighten their monetary policies. Besides, the geopolitical situation is complex and volatile. All these factors have cast uncertainties over the global economic outlook. Last month, the IMF lowered its global economic growth forecast for this year to 4.4 per cent.

17. In the Mainland, the epidemic was contained effectively last year. Production activities have revived and the external trade has put up a strong performance. Last year, the growth rate of the Mainland economy was 8.1 per cent, which was faster than that of most economies. Looking ahead, although the Mainland economy is facing some downward pressure, its sound fundamentals along with ample policy room will support the steady economic growth in the Mainland, and will continue to be the growth engine of the global economy.

18. Last year, the US economy rebounded visibly. The market generally predicts that it will see further growth this year. However, in response to rising inflation, the Federal Reserve Board will likely raise interest rates several times and start to reduce the size of its balance sheet progressively within the year. Besides, fiscal policy support is expected to reduce from last year. These may affect the momentum of economic growth. The eurozone economy slowed again in the latter part of last year due to the resurgence of the pandemic. However, with the still accommodative monetary policy and supportive fiscal measures, it will likely continue to recover this year. The economic growth outlook for Japan and other Asian economies this year will hinge on the pandemic developments and the restrictive measures imposed by their respective governments.

19. Although further recovery of the global economy will lend support to Hong Kong's export performance this year, our economy and people's livelihood have been under immense pressure in recent months as the rapid worsening of the fifth wave of the epidemic, coupled with further tightening of various restrictive measures, led to drastic fall in people flow and seriously dampened consumer and economic sentiments. To win the fight against the epidemic, the Government will devote all-out efforts in stepping up testing and anti-epidemic work. Inevitably, economic activities, particularly the consumption-related sectors, will continue to be under intense pressure in the short term. Unemployment and underemployment situation will also deteriorate. The economic performance in the first quarter is not optimistic.

20. The successful control of the epidemic is the key to safeguarding our economy and people's livelihood. With the staunch support and unfailing assistance from our country, the Government and the whole community must join hands to fight the virus and win the battle promptly. As long as the recent wave of the epidemic can be gradually put under control, and the status of "dynamic zero infection" can be maintained down the road, consumption and investment demand will likely gather steam again. A stabilised epidemic situation will also create favourable conditions for the gradual and orderly resumption of quarantine-free travel between the Mainland and Hong Kong, thereby injecting greater impetus into the economy. Having regard to the latest local and external situations as well as the stimulus effect of the fiscal measures, I forecast that Hong Kong's economy will put up a better performance in the second half of this year and achieve growth of 2 to 3.5 per cent in real terms for the year as a whole.

21. On inflation, external price pressures are expected to remain high and persist for some time, while domestic cost pressures will also increase

gradually alongside the economic recovery. On the other hand, the upward pressure on residential rentals remains mild. Taking all factors into account, I forecast that the headline inflation rate and the underlying inflation rate will be 2.1 per cent and 2 per cent respectively this year. Although inflation pressure in Hong Kong remains moderate in overall terms, given that the supply of many daily necessities relies on imports, we should keep in view the impact brought by external inflation on people's livelihood if such inflation leads to an increase in the prices of imported goods.

22. In the medium term, the economic outlook for Hong Kong is positive. The sustained high-quality development of our country's economy will serve as the key driver of global economic growth, and provide the most solid foundation for Hong Kong to prosper and develop. The 14th Five-Year Plan establishes a clear positioning and direction for Hong Kong's economic development and supports Hong Kong for the development of the eight international centres and emerging industries. We may, by leveraging our advantages under "One Country, Two Systems", achieve co-ordinated development with our neighbouring cities in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), thereby creating enormous business opportunities and ample room for Hong Kong's development. Besides, the Government has been committed to nurturing emerging industries over the past few years. Among them, the ecosystem of the innovation and technology (I&T) industry has become increasingly mature and is ready to contribute more to Hong Kong's economy and competitiveness in the coming few years. Regarding our traditional industries, financial services have been developing rapidly with a promising outlook, and will remain a driving force for our economic growth in future. To make the best of the opportunities, we must continue to build capacity and overcome the constraints on our workforce and land supply, and make concerted efforts to scale new heights in our economic development. Considering all these factors and taking into account the catch-up growth after the epidemic, I forecast that Hong Kong's economy will grow by an average of three per cent per annum in real terms from 2023 to 2026, slightly higher than the trend growth of 2.8 per cent during the decade before the pandemic. The underlying inflation rate is forecast to average 2.5 per cent.

(To be continued.)