

Budget Speech by the Financial Secretary (1)

Following is the full text of the Speech on the 2025-26 Budget delivered by the Financial Secretary, Mr Paul Chan, to the Legislative Council today (February 26):

Mr President, Honourable Members and fellow citizens,

I move that the Appropriation Bill 2025 be read a second time.

Introduction

2. The Budget is presented at the halfway stage of the current-term Government.

3. Over the past year, we have seen a number of positive developments in Hong Kong. Our economy has grown for two consecutive years. The employment market has been stable, while inflation remains moderate. Our efforts to attract talent and enterprises have been remarkably successful. The successive staging of large scale international mega events has been coupled with a notable increase in visitor arrivals. And sentiment in the stock market continues to improve alongside a generally buoyant atmosphere across the city.

4. Nevertheless, Hong Kong has also experienced a lot of challenges. The international geopolitical landscape has caused disruptions to trade, supply chain, cash flow and sentiment in the investment market. Local asset prices are contained under a relatively high interest rate environment, whereas the retail and catering markets are still troubled by changes in the consumption pattern of visitors and our residents.

5. While putting Hong Kong's economic resilience to the test, these challenges signify to us the necessity to reform, innovate and relentlessly improve in the process of economic development. Although the large-scale, counter-cyclical measures launched over the last few years in response to the pandemic have helped us achieve our goal of "supporting enterprises, safeguarding jobs, stabilising the economy and easing the burden on people", we have experienced fiscal deficits these few years as a result. Last year, revenue related to the asset market was far lower than expected due to a host of internal and external factors, and we continue to record a higher deficit this year.

6. In this Budget, I propose a "reinforced version" of the fiscal consolidation programme, including a cumulative reduction of government recurrent expenditure by seven per cent from now through 2027-28. Strictly containing public expenditure is a must, but we should proceed in a steady and prudent manner and be careful to find a balance among the various impacts

that may arise in the process. While laying a sustainable fiscal foundation for future development, this approach represents our all-out effort to minimise the impact on public services and people's livelihood. It gives us a clear pathway towards the goal of restoring fiscal balance in the Operating Account, in a planned and progressive manner, within the current term of the Government.

7. To seize the opportunities brought about by the rapid advancement of innovation and technology, we must accelerate the development of the Northern Metropolis (NM). It is an investment in our future. Given our prerequisites and capabilities, we can suitably expand the size of bond issuance on the premise of maintaining healthy public finances and use the funds raised in a proper and flexible manner to invest in Hong Kong's future and create value for our society.

8. In the midst of global changes, technological innovation is our core engine. We must expedite our economic development, in particular boosting new economic driving forces while enhancing the competitive edge of traditional industries at an accelerated pace. Technology reform and artificial intelligence (AI) development are remolding the global landscape, leading to the emergence of new industries, new forms of business, new products and new services. We have to seize the opportunity to make the most out of this critical window to speed up our development, establishing the new before abolishing the old. Transformation and innovation will lead our way into the future, and we are poised to fast-track the high quality development of Hong Kong's economy. I will elaborate on this a little later.

Economic Situation in 2024

9. Last year, Hong Kong's economy progressed steadily amid a complicated and changing environment. The unstable international geopolitical situation, escalated trade conflicts and elevated global interest rates exerted adverse impact on local economic activities and confidence. Nevertheless, our country's economy is making steady progress and has rolled out measures benefitting Hong Kong one by one. Together with the Government's initiatives to boost the economy and interest rate cuts by the US since mid-September, they all provided support to different economic segments in Hong Kong. Hong Kong's economy recorded moderate growth of 2.5 per cent last year.

10. The International Monetary Fund (IMF) estimated that the global economy grew by 3.2 per cent last year. Supported by the continuing expansion of external demand, Hong Kong's total exports of goods grew by 4.7 per cent in real terms.

11. As a result of our country's various measures benefitting Hong Kong, together with a large number of mega events organised throughout the year and the recovery of our air traffic capacity, the number of visitors increased by about 30 per cent to approximately 45 million last year, boosting the travel and transport services. Other cross-boundary economic activities also improved. Total exports of services grew by 4.8 per cent for the year.

12. As the economy grew and the Government took forward infrastructure projects, overall investment expenditure rose by 2.4 per cent. Private consumption expenditure, however, slightly declined by 0.6 per cent for the year, as a result of changes in the consumption pattern of local residents.

13. The labour market remained tight. The latest unemployment rate stayed low at 3.1 per cent. The median monthly employment earnings of full-time employees grew by a solid 4.8 per cent, year-on-year, in the fourth quarter of last year.

14. Inflation was mild in overall terms. Netting out the effects of the Government's one-off measures, the underlying consumer price inflation rate was 1.1 per cent last year.

15. Sentiment in the asset markets improved during the year, benefitting from a series of measures of the Central Government to support Hong Kong's capital market, as well as the rate-cut cycle of the US. The stock market saw increases in both prices and turnover volume. The Hang Seng Index rose by 18 per cent for the year, and the average daily turnover increased by 26 per cent. Funds raised by new listings increased to \$88 billion.

16. The residential property market continued to adjust in the first three quarters of last year. But it stabilised after the interest rate cuts. For the year, the number of transactions increased by 23 per cent to about 53 000, while property prices fell by seven per cent. The non-residential property market remained stagnant.

Economic Outlook for 2025 and the Medium Term

17. The Hong Kong economy still faces a very challenging external environment, but there are quite a few positive factors at the same time.

18. Trade protectionism affects global trade and capital flows, dampens investment and consumer confidence, and weighs on global economic growth. It is encouraging that the Mainland economy continues to grow steadily. Our country's domestic and international circulation, expansion of high-standard opening-up, global setup of industry chains and supply chains by Mainland enterprises, etc. benefit the steady development of external trade. In addition, the Mainland economy is resilient and has a solid foundation. The Central Government's implementation of a more proactive fiscal policy and a moderately accommodative monetary policy, along with its efforts to expand domestic demand, add momentum to economic growth.

19. The gradual easing of monetary policies by major central banks should support their economic growth. However, the economic and trade policies of the US have brought uncertainties to the pace of rate cuts this year. The European Central Bank also indicated that it would lower interest rates further if inflation broadly trends towards its target level. According to the IMF's latest projections, the global economy will grow by 3.3 per cent this year, slightly higher than last year.

20. Against the above backdrop, Hong Kong's exports are expected to see steady performance this year. Moreover, riding on various policies and good momentum of last year, visitor arrivals should continue to increase. Together with the recovery of other cross-boundary economic activities, these should drive continuing growth in services exports.

21. On domestic demand, investors may be more cautious due to uncertainties in the external environment. However, the expected relaxing of the global financial conditions will bode well for fixed asset investment. After last year's adjustment, private consumption showed stabilising signs towards the end of the year. A sustained increase in residents' income and steady development of the asset markets would boost consumption further.

22. Based on the above considerations, we forecast that Hong Kong's economy will continue to grow moderately this year, rising by two to three per cent in real terms for the year.

23. As for prices, it is expected that domestic cost pressures might increase as the economy continues to grow. External price pressures should remain broadly in check, though geopolitical situation might bring risks. We forecast the underlying inflation rate and headline inflation rate this year to be 1.5 per cent and 1.8 per cent respectively.

24. In the medium term, monetary policy normalisation will help sustain solid growth in the global economy. The "Global South", in particular the Mainland, will continue to be an important driver of global economic growth.

25. Geopolitics will still bring challenges to Hong Kong's economy. However, the Mainland is promoting high-quality development through scientific and technological innovation, comprehensively deepening reform, and expanding high-standard opening-up. Hong Kong is also making every effort to promote market diversification and open up new growth areas, and the economy is expected to grow steadily.

26. Under "one country, two systems", Hong Kong is the only place in the world that combines the global advantage and the China advantage. The current term Government has been vigorously expanding economic capacity and enhancing competitiveness, and achieved considerable results. As long as we actively integrate into our country's development and proactively align with national development strategies, we will definitely continue to seize new opportunities arising from the economic development of our country and the world, creating a bright future.

27. We forecast that Hong Kong's economy will grow, on average, by 2.9 per cent a year in real terms from 2026 to 2029. The underlying inflation rate is forecast to be on average 2.5 per cent a year.

Special traffic arrangements for race meeting in Happy Valley

Special traffic arrangements will be implemented in Happy Valley today (February 26). The arrangements will last until the crowds have dispersed after the race meeting.

A. Traffic arrangements before the commencement of the first race

The following road closure and traffic diversions will be implemented from 50 minutes before the start of the first race for day racing, or from 6pm onwards for night racing:

1. Road closure

Southbound Wong Nai Chung Road between Queen's Road East and the up-ramp outside the Hong Kong Jockey Club (HKJC) will be closed, except for vehicles heading for Aberdeen Tunnel.

2. Traffic diversions

- Southbound Wong Nai Chung Road between Village Road and the up-ramp outside the HKJC will be re-routed one way northbound;
- Traffic along eastbound Queen's Road East heading for Wan Chai and Happy Valley will be diverted to turn left to Morrison Hill Road;
- Traffic along southbound Morrison Hill Road heading for Happy Valley will be diverted via Sports Road and Wong Nai Chung Road;
- Traffic along Queen's Road East cannot turn right to Wong Nai Chung Road, except for vehicles heading for Aberdeen Tunnel;
- Traffic from Cross Harbour Tunnel heading for Queen's Road East will be diverted via the down-ramp leading from southbound Canal Road flyover to Morrison Hill Road to turn right at the junction of Wong Nai Chung Road and Queen's Road East; and
- Traffic from Cross Harbour Tunnel heading for Happy Valley or Racecourse will be diverted via the down-ramp leading from southbound Canal Road flyover to Canal Road East, southbound Morrison Hill Road, Sports Road and Wong Nai Chung Road.

B. Traffic arrangements before the conclusion of race meeting

The following road closure and traffic diversions will be implemented from about 35 minutes before the start of the last race:

1. Road closure

- The up-ramp on Wong Nai Chung Road outside the HKJC leading to Aberdeen Tunnel;
- Southbound Wong Nai Chung Road between Queen's Road East and the up-ramp leading to Aberdeen Tunnel;
- Southbound Wong Nai Chung Road between Village Road and the Public Stands

of the HKJC;

- Westbound Leighton Road between Wong Nai Chung Road and Canal Road East;
- and
- Southbound Morrison Hill Road between Leighton Road and Queen's Road East.

Â Â Â Â In addition, southbound Wong Nai Chung Road between the up-ramp leading to Aberdeen Tunnel and the Public Stands of the HKJC will be closed from about 10 minutes before the start of the last race.

2. Traffic diversions

- Eastbound Queen's Road East at its junction with Morrison Hill Road will be reduced to one-lane traffic heading for northbound Canal Road flyover;
- Traffic from Cross Harbour Tunnel heading for Wan Chai will be diverted via the down-ramp leading from southbound Canal Road flyover to Canal Road East, U-turn slip road beneath Canal Road flyover, Canal Road West and Hennessy Road;
- Traffic from Cross Harbour Tunnel heading for Happy Valley will be diverted via the down-ramp leading from southbound Canal Road flyover to Canal Road East, eastbound Leighton Road and Wong Nai Chung Road;
- Traffic along southbound Morrison Hill Road will be diverted to turn left to eastbound Leighton Road;
- Traffic along southbound Morrison Hill Road heading for Happy Valley will be diverted via eastbound Leighton Road and Wong Nai Chung Road; and
- Traffic along westbound Leighton Road will be diverted to Wong Nai Chung Road.

C. Learner drivers prohibition

Â Â Â Â Learner drivers will be prohibited to turn left from Caroline Hill Road to Leighton Road between one and a half hours before the start of the first race and one hour after the last race. In addition, learner drivers will be prohibited from accessing the following roads within the above period of time:

- Shan Kwong Road between Yik Yam Street and Wong Nai Chung Road;
- Village Road between its upper and lower junctions with Shan Kwong Road;
- Percival Street between Hennessy Road and Leighton Road;
- Canal Road East; and
- The service road leading from Gloucester Road to Canal Road flyover.

D. Suspension of parking spaces

Â Â Â Â Parking spaces on southbound Wong Nai Chung Road between Sports Road and Blue Pool Road will be suspended from 11am to 7pm for day racing, and from 5pm to 11.59pm for night racing respectively.

Â Â Â Â All vehicles parked illegally during the implementation of the above special traffic arrangements will be towed away without prior warning, and may be subject to multiple ticketing.

Â Â Â Â Actual implementation of road closure and traffic diversion will be made by the Police at the time depending on traffic conditions in the areas.

Motorists should exercise tolerance and patience, and follow the instructions of Police on site.

[Outgoing passenger convicted and jailed for trafficking in a dangerous drug \(with photo\)](#)

An outgoing male passenger was sentenced to fourteen months' imprisonment at the Fanling Magistrates' Courts today (February 25) for trafficking in a dangerous drug, in contravention of the Dangerous Drugs Ordinance (DDO).

Customs officers intercepted the outgoing 24-year-old male passenger at the Lok Ma Chau Spur Line Control Point on November 14, 2024 and seized about 0.3 gram of cocaine under an insole of his sneaker. He was subsequently arrested.

Customs welcomes the sentence. The custodial sentence has imposed a considerable deterrent effect and reflects the seriousness of the offences. Customs reminds members of the public that under the DDO, any person who traffics any dangerous drug commits an offence and the maximum penalty upon conviction is a fine of \$5 million and life imprisonment.

Members of the public may report any suspected drug trafficking activities to Customs' 24-hour hotline 182 8080 or its dedicated crime-reporting email account (crimereport@customs.gov.hk) or online form (eform.cefs.gov.hk/form/ced002/en).



[HKETO Jakarta celebrates Year of Snake in Penang \(with photos\)](#)

â€‹The Hong Kong Economic and Trade Office, Jakarta (HKETO Jakarta) hosted a Chinese New Year dinner in Penang, Malaysia, today (February 25) to celebrate the Year of the Snake. Some 220 guests from the local government, business, academic, cultural and media sectors attended the event.

In her welcome speech, the Director-General of the HKETO Jakarta, Miss Libera Cheng, said that Hong Kong and Penang share a similar historic and cultural background. The HKETO Jakarta worked closely with the Penang State Government last year to strengthen bilateral exchanges, working together to facilitate numerous Hong Kong teams' participation at the Penang International Dragon Boat Regatta and the Penang International Lion Dance-on-Stilts Competition, as well as the inaugural performances by the Hong Kong Chinese Orchestra and the Hong Kong Dance Company in Penang.

"Over the past year, Hong Kong-based airlines have significantly expanded passenger services according to the direction set under the Policy Address. Hong Kong has now become one of Penang International Airport's most frequent routes beyond the Southeast Asia region," said Miss Cheng.

She added that visitor arrivals from Malaysia increased by 50 per cent year-on-year in 2024, fully reflecting Hong Kong's glamour. With the grand opening of Kai Tak Sports Park on March 1, a host of sports and entertainment events are set to take place at this iconic venue. Meanwhile, Hong Kong is also committed to enriching visitors' travel experience, including products related to the panda economy. The Hong Kong Special Administrative Region Government will take forward the relevant measures in the Development Blueprint for Hong Kong's Tourism Industry 2.0 promulgated in December 2024 to attract more tourists from Malaysia and beyond.

"The robust air connectivity of our two cities will also enable Penang enterprises to export a diverse range of products to the world seamlessly via Hong Kong, leveraging Hong Kong International Airport's advantages as the world's busiest cargo airport and the various high value-added logistics facilities therein."

Dignitaries attending the dinner included the Chief Minister of Penang, Mr Chow Kon Yeow; the Chinese Consul-General in Penang, Mr Zhou Youbin; the Director of Malaysia of the Hong Kong Trade Development Council, Ms Hoh Jee Eng; the President of the Hong Kong-Malaysia Business Association, Dato' Dixon Chew, and senior representatives from other major local business chambers.

Also joining the event were the Penang State Executive Councillor for

Tourism and Creative Economy, Mr Wong Hon Wai, the Penang State Executive Councillor for Youth, Sports and Health, Mr Daniel Gooi Zi Sen, and other key local officials.



[Legislative Council Members visit Sha Tau Kok \(with photos\)](#)

The following is issued on behalf of the Legislative Council Secretariat:

Legislative Council (LegCo) Members, together with North District Council (DC) members, conducted a site visit to Sha Tau Kok today (February 25) to follow up on the concerns and proposals raised during a meeting held at the LegCo between the two parties in November 2024 regarding the tourism development in Sha Tau Kok.

LegCo Members first visited Luk Keng Road near Sha Tau Kok, and learnt from representatives of the Government about the current restrictions on large vehicles due to the narrow road width and the numerous turns. LegCo Members and North DC Members also discussed about the feasibility of widening Luk Keng Road and relaxing the restrictions on coach access.

LegCo Members then visited Sha Tau Kok, including Chung Ying Street Checkpoint, San Lau Street which was the largest remaining Guangzhou-style arcade complex, and Sha Tau Kok Pier which was the longest pier in Hong Kong,

to gain a better understanding of the latest development and tourism supporting facilities therein. LegCo Members noted that the Culture, Sports and Tourism Bureau (CSTB) published the Action Plan on Sha Tau Kok Cultural Tourism Zone in December 2024, in tandem with the promulgation of the Development Blueprint for Hong Kong's Tourism Industry 2.0. The CSTB would continue to promote the tourism development in Sha Tau Kok under the overall principle of "low density, high quality" and through enriching its historical and cultural elements.

During the visit, LegCo Members also exchanged views with representatives of the Government on how to give full play to the cultural and tourism resources of Sha Tau Kok, to make good use of the opportunities and challenges brought by the gradual opening up of the Sha Tau Kok Frontier Closed Area, and to explore feasible measures for further facilitation to tourists visiting Sha Tau Kok.

LegCo Members who participated in the visit were Mr Lau Kwok-fan, Dr Wendy Hong and Mr Lai Tung-kwok.

