[Speech by FS at Citi’s Pan-Asia Regional Investor Conference (English only)]

Following is the speech by the Financial Secretary, Mr Paul Chan, at Citi's Pan-Asia Regional Investor Conference today (May 19):

Distinguished Guests, Ladies and Gentlemen,

Good morning.

It’s a great pleasure to be here today – if not with you in person, then certainly in spirit. Also with us all today is our shared commitment to overcoming the immense challenges the COVID-19 pandemic presents to all of us – to our economies, industries and businesses, our communities, institutions and way of life.

I’m grateful to Citigroup Global Markets Asia, the Hong Kong-based subsidiary of Citigroup, for organising this three-day virtual gathering, for bringing together some 1,600 institutional investors and corporate leaders from 16 countries on four continents. And for giving me this welcome opportunity to address fund managers, investors and corporate executives from Hong Kong, throughout Asia and around the world.

2019 was an unsettling and unforgettable year for Hong Kong. Our economy was fraught with uncertainties due to the US-China trade tension. However, no one could have predicted that social unrest and turbulence would break out in the middle of the year, hitting our already slowing economy and even dragging it into recession.

Going through a rather difficult year, it is perhaps natural that we hear international investors asking every now and then whether Hong Kong remains an ideal destination for investment. I am here to tell you that, despite all the challenges, Hong Kong's institutional strengths and our underlying fundamentals and competitiveness remain strong and intact. A telling example of that is the stability and orderly operation of our financial market. As a matter of fact, if you look at our stock market, banking system, fund flow, the HKD to USD peg, you might not get an inkling that we went through such a testing time, both as a society and as an economy.

This notwithstanding, the social unrest and turbulence have indeed revealed some deep divisions in our society, which could only be mended by engaging people of different political stances and backgrounds in the community with the aim of rebuilding mutual trust. Meanwhile, reviving our economy is no less important.

While these were made the primary tasks of the Government stepping into 2020, before we could embark on the conciliatory and rebuilding work ahead, we already found ourselves faced with the serious threat of the coronavirus epidemic. The rapid transformation of the epidemic into a pandemic on a worldwide scale caught many off-guard. And more unpredictable is the devastating and far-reaching impact of the pandemic brought on to the regional and global economy.

On the coronavirus situation in Hong Kong. I'm pleased to say that our multi-pronged strategy has been among the most effective in the region, and around the world, to date. Our efforts have been spotlighted by the global media. Earlier this month, CNN noted that Hong Kong's success provides, and I quote, "hard-earned lessons to other cities around the world now looking to relax restrictions."

Mandatory home quarantine is an integral part of our overall strategy. And innovation and technology have played a key role in this. We have developed a monitoring system using Bluetooth low energy wristbands paired with a dedicated mobile app and geo-fencing technology. The app has enabled the monitoring of close to 90,000 individuals under home quarantine in Hong Kong.

Governmental agencies in more than 10 countries and regions have made reference to our experience in designing and implementing a similar system.

We have also created an interactive digital map and dashboard to keep the public informed of the pandemic situation. Open data in machine-readable format and application programming interfaces are also available for those looking to conduct their own analysis or develop websites, mobile apps and other programmes.

We have also initiated local mask production. 20 production lines run by 15 Hong Kong companies will soon begin supplying the Government with nearly 34 million made-in-Hong Kong masks a month. They will also make available more than seven million masks a month to the local consumer market.

It is also encouraging to see researchers at six local public hospitals, together with the University of Hong Kong, announcing the results of their research into a three-drug cocktail for treating the coronavirus. The encouraging results were published earlier this month in The Lancet medical journal and picked up by news media around the world.

The above achievements are in fact important testament to Hong Kong's commitment to promote innovation and technology development as the growth engine of our economy. We have introduced a number of policies and allocated over US$ 13 billion dollars over the years to support a series of measures for I&T development.

Meanwhile, the Guangdong-Hong Kong-Macao Greater Bay Area development provides a unique opportunity for Hong Kong to work with neighbouring cities to develop the Area into an international I&T hub, each leveraging on their respective advantages. With our top-notch universities, technological research and development (R&D), a robust intellectual property regime, extensive international connection as well as our status as an international financial centre, Hong Kong can play its part by pooling together the innovation resources from around the world to support I&T development in the Greater Bay Area.

Right now, we need all the good news we can get. That's certainly the case with the world economy. Just last month, the International Monetary Fund forecast a global contraction of three per cent this year.

Even assuming the pandemic peaks in this second quarter, we would still be faced with the worst recession since the Great Depression of the 1930s.

The United States and the euro area are expected to see particularly painful contractions: 5.9 per cent and 7.5 per cent, respectively.

As for Hong Kong, with our small and open economy, we can hardly emerge unscathed. With both external and domestic demand taking a big hit in the first quarter of the year, Hong Kong is facing its most severe economic recession in decades.

Real GDP in the first quarter contracted 8.9 per cent, year on year. That's worse than we experienced in the aftermaths of the 1997-98 Asian financial crisis and the 2008-09 global financial crisis.

Reflecting serious disruptions to regional supply chains and related trading, Hong Kong's goods exports fell 9.9 per cent, year on year.

Travel restrictions brought inbound tourism to a standstill, partly contributing to a record decline of 37.8 per cent in exports of services for the first quarter.

Our private consumption also collapsed, dropping more than 10 per cent, a single-quarter record.

As for investment, I think you know the answer. It plunged 14.3 per cent, amid grim business sentiment and sluggish construction activity.

It seems inevitable that the global economy will remain weak in the near term.

Which means that the three locomotives of the Hong Kong economy – exports, consumption and investment – are unlikely to show much improvement for the time being.

We're now expecting a contraction for the year, anywhere from 4 per cent to 7 per cent. And that's a situation we have not seen in decades.

What is indeed worth-noting is that the few global market turbulences in the past, including the 2008 Global Financial Crisis, were mostly triggered by financial turmoil, which subsequently dealt a blow to the real economy. The severe situation we are now facing is different. In response to the rapid spread of the COVID-19, countries have adopted stringent social distancing measures to reduce people contacts, restrict international and domestic travel, and even resort to city lockdowns. These measures took a heavy toll on consumption, reduced demand for goods and services, and disrupted production, trade and supply chains etc. In other words, for this time the COVID-19 has hard hit the real economy, weighing subsequently on the financial sector.

The impact of the pandemic on our real economy are in fact distressingly visible. Companies across a wide spectrum of sectors are suffering, with cash flow a severe concern; many are even facing pressure to shut down. Workers are losing their jobs. Those that are not are being forced to take no-pay leaves or pay cuts.

Thankfully, Hong Kong can turn to our fiscal reserve, prudently built and managed over the years, to finance essential expenditures. We have adopted an expansionary fiscal stance and have made the optimal use of our reserves to implement counter-cyclical measures.

Our objective is to support enterprises, safeguard jobs, stimulate the economy and relieve some of the burden weighing down on the people of Hong Kong.

To date, we have announced relief measures all designed to achieve the above objectives, worth more than US$37 billion through the two rounds of Anti-epidemic Fund and my 2020-21 Budget. That’s equivalent to about 10 per cent of our GDP.

Adding in the four rounds of support measures introduced in the second half of 2019, the cushioning effect on the Hong Kong economy works out to about five per cent of our GDP. That’s essential assistance for both companies and the people of Hong Kong.

On supporting enterprises, the measures we have put in place primarily aim at lowering their operation costs and easing their cash flow problems by leveraging on the capital, professional knowledge and experience of the banking industry to provide SMEs with loans with Government guarantee of different sizes.

Under the Anti-epidemic Fund, we have made substantial adjustments to our SME Financing Guarantee Scheme (SFGS): first, increasing the maximum facility amount under the 80 per cent, 90 per cent and 100 per cent guarantee products; second, relaxing the application eligibility so that more affected enterprises could apply; thirdly, providing concessionary interest rate to relieve the burden of enterprises.

As for specific sectors hardest hit by the pandemic and the stringent social distancing measures put in place by the Government, such as retail, catering and tourism, we have provided enterprises in these sectors with targeted assistance with a view to tiding them over the difficulties and keeping their businesses going.

On safeguarding jobs, we have made this the key element in our second round of Anti-epidemic Fund announced in early April. It is particularly crucial that in the current economic situation measures are to be implemented to avoid large-scale unemployment, for the occurrence of which could in turn further weaken the gross demand and trigger a downward spiral for the economy.

There are a number of wide-ranging initiatives in the Anti-epidemic Fund designed to preserve employment and assist the self-employed. But central to the Fund is the US$10.4 billion Employment Support Scheme, which provides wage subsidy to eligible employers such that job retention can be achieved and redundancy can be avoided within the shortest timeframe.

Some 220,000 self-employed people will also be granted a one-off lump sum subsidy of US$1,000.

On relieving peoples' burden, there are various measures in my Budget seeing to that, most notably the Cash Payout Scheme. To ease a bit of the financial stress afflicting so many in Hong Kong, and to boost local consumption, I have pledged US$1,300 to every Hong Kong permanent resident, 18 and over. Incurring an expenditure of about US$9 billion, the initiative will benefit about 7 million people.

There are, let me add, many other support and subsidy measures available beyond the Anti-epidemic Fund and Budget initiatives.

And we will continue to closely monitor the social and economic situation in Hong Kong, responding quickly and comprehensively, to issues and needs as they arise.

Of course, such all-consuming commitment comes with a price. The consolidated deficit for our 2020-21 financial year may exceed US$36 billion.

This will reduce our fiscal reserves from some US$141 billion to somewhere between U$100 billion and US$116 billion. That's still equivalent to 14 to 15 months of government expenditure.

It's a huge sum of public money. But these are exceptional measures taken under unique circumstances. And they will not imperil our long-term fiscal position. Ladies and gentlemen, we are, and we will remain, fiscally healthy.

Apart from the above-mentioned fiscal policies and measures rolled out in response to the COVID-19, our Hong Kong Monetary Authority has also introduced a number of measures on the monetary side. First, they have lowered the Countercyclical Capital Buffer (CCyB) ratio and the level of regulatory reserves, further releasing around $700 to $800 billion of lending capacity in total.

Second, the HKMA also announced the reduction in the issuance size of Exchange Fund paper in order to increase the overall Hong Kong dollar liquidity of an amount of $20 billion in the interbank market. HKMA has also arranged repo transactions with the US Federal Reserve to provide additional liquidity of US dollars for the local market, thus reducing the cost of capitals.

Thirdly, we have taken good advantage of our unique position as regulators to coordinate how banks can best support the local economy.

The Banking Sector SME Lending Coordination Mechanism – a coalition comprising banks, the Monetary Authority and our Mortgage Corporation – has rolled out four rounds of measures to relieve the cash-flow pressure on tens of thousands of businesses and personal customers.

The measures include principal payment holidays for residential mortgages and corporate loans, Government-backed SME loan guarantee schemes, and emergency loans for customers most affected by the outbreak, just to name a few.

As for banking stability, our capital and liquidity buffers, built up over the past decade, have kept Hong Kong’s banks resilient during this testing time.

Indeed, our banks are among the most well-capitalised and liquid in the world. The average capital adequacy ratio of banks incorporated in Hong Kong exceeds 20 per cent, while the average liquidity coverage ratios of major banks are above 160 per cent.

Stress tests done by the Hong Kong Monetary Authority demonstrate that the ample capital and liquidity positions of our banks can withstand extreme economic scenarios.

Despite the coronavirus epidemic, total loans and deposits in our banking system still register modest increases this year to date. That, ladies and gentlemen, is a mark of confidence in Hong Kong banking.

We will continue to work closely with banks to ensure that they are in the best position to support our economy.

For more than 100 days now, Hong Kong – its businesses, its people and its government – have been united in a fierce fight against the virus. I have no doubt that our innovation, resilience and profound commitment to Hong Kong will prevail.

Looking ahead, I also remain confident in Hong Kong economic prospects. With the epidemic in Mainland gradually coming under control, its economy is expected to bounce back relatively quickly. The Mainland will still be the most important engine of global economic growth. Asia, though also affected by the pandemic but to a lesser extent, may continue to see higher growth than that of other regions.

As we have all witnessed, although the US-China trade tension has disrupted the global supply chain, Asia as an emerging region has benefitted as a whole from this changing pattern. Therefore, even if the demand in Europe and US may become weaker in future due to the impact of the pandemic, trade in Asia would remain strong. In fact, over the past decade, the shift of the world economic gravity from West to East has been an obvious and unstoppable trend, with the Mainland and developing Asia contributing more than 60 per cent of the global growth. As income in these Asian economies gradually increase and the middle-class population expands, Asia has presented itself as a huge consumer market.

And where does Hong Kong stand in this? With our unique position as the international trade and financial centre, logistics centre and aviation hub in the region, alongside with our professional services and high-quality service industries, we stand to benefit from the enormous opportunities Asia has to offer. In addition, the Guangdong-Hong Kong-Macao Greater Bay Area also provides Hong Kong with abundant opportunities for development, especially in the areas of financial services and innovation technology.

Ladies and Gentlemen, we are all deeply invested in Hong Kong, as I know you are. Each and everyone of you. I know you will enjoy Citi’s Pan-Asia Regional Investor Conference, and I wish you the best of health and business in this year of challenge and opportunity.

Thank you.

Government announces mechanism for The University of Hong Kong – Shenzhen Hospital and Hong Kong enterprises providing medical or dental services in the Mainland to apply for exemption from compulsory quarantine arrangement

The Government announced today (May 18) the mechanism for The University of Hong Kong – Shenzhen Hospital (HKUSZH) and Hong Kong enterprises providing medical or dental services in the Mainland to apply for exemption from the compulsory quarantine arrangement under our local regime.

The Compulsory Quarantine of Certain Persons Arriving at Hong Kong (Amendment) (No.2) Regulation 2020 commenced on April 29, 2020, amending the Compulsory Quarantine of Certain Persons Arriving at Hong Kong Regulation (Cap. 599C) (amended Regulation). The expiry date of the amended Regulation is June 7, 2020. In accordance with section 4(1)(b) in the amended Regulation, the Chief Secretary for Administration may designate any person or category of persons for exemption from the compulsory quarantine arrangement if he is satisfied that the person's or category of persons' travelling is necessary for purposes relating to the provision of professional services in the interest of Hong Kong's economic development.

In accordance with the above-mentioned provision, the Chief Secretary for Administration has exempted the following categories of persons from the compulsory quarantine arrangement:

1. up to 50 persons employed and so authorised by HKUSZH; and

2. (i) either the owner of a Hong Kong enterprise with a valid Hong Kong Service Supplier Certificate in relation to the provision of medical and dental services in the Mainland under the Mainland and Hong Kong Closer Economic Partnership Arrangement, and up to one person employed and so authorised by the enterprise; or

   (ii) up to two persons employed and so authorised by such an enterprise as described in (i).

Each exempted person must take a COVID-19 nucleic acid test at HKUSZH within seven days before entry to Hong Kong (starting from the date of collection of sample) and present a valid certificate of negative test result to authorised officers at the control points.

An exempted person must only travel to and stay in the areas/cities where the services are provided for the purpose of provision of the intended services as approved, and must take every precautionary measure to ensure personal hygiene and avoid unnecessary social contact. After returning to Hong Kong, the exempted person will be subject to medical surveillance arranged by the Department of Health for a period of 14 days. The person will be required to wear masks and check body temperature daily, and report to the Department of Health on any discomfort.

All exempted persons should note that currently travellers to the Mainland would still be subject to the 14-day compulsory quarantine requirement imposed by the Mainland authorities. The Government of the Hong Kong Special Administrative Region is discussing with authorities in the Mainland on mutual recognition of COVID-19 testing results conducted by recognised medical laboratories, with a view to exempting the quarantine requirement for Hong Kong travellers to the Mainland. Details of the arrangement will be announced when available.

The details of the exemption arrangement and the application forms are available for download from the website of the Food and Health Bureau (FHB): (www.fhb.gov.hk/en/download_forms/index.html).

Applicants should submit the completed application form with all required supporting documents to FHB by email (exempt_med599C@fhb.gov.hk) or by fax (2905 1165). In processing the applications, FHB may consult the relevant bureaux/departments when necessary. FHB will issue authorisation letters to the exempted persons, setting out the conditions for exemption.

For enquiries, please call FHB's hotline at 3509 8953.

Statement by Chairman of The Legislative Council Commission

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

The Chairman of The Legislative Council (LegCo) Commission (The Commission), Mr Andrew Leung, today (May 18) issued the following statement through the LegCo Secretariat:

I note with much regret that chaos erupted at the meeting of the LegCo House Committee held today for the election of its Chairman, during which some Members, for several times, rushed towards the Secretariat staff who were discharging duties and the confrontations resulted in the injury of security staff. Since the Secretariat staff were obstructed in the discharge of their duties and sustained injuries as a result, the Secretariat has reported the case to the Police in accordance with the mechanism endorsed by The Commission.

I notice that recently there have been serious and unfounded accusations made by some Members against the Secretariat in the performance of its duties, which are grossly unjust and unfair to the Secretariat. The Secretariat has all along been upholding the principle of political neutrality, providing professional administrative support and services to the Council in an impartial manner, and facilitating the efficient and smooth conduct of LegCo meetings.

Political neutrality is the Secretariat's core value and guiding principle. I have no doubt that staff of the Secretariat will continue to serve the LegCo professionally. I also call on Members to demonstrate mutual respect by expressing their views in a lawful and reasonable manner.

Two offenders sentenced for breaching compulsory quarantine order

Two persons were sentenced to immediate imprisonment for up to four weeks by the Kwun Tong Magistrates' Court today (May 18) for violating the Compulsory Quarantine of Certain Persons Arriving at Hong Kong Regulation (Cap. 599C) (the Regulation).

The two cases involve a man aged 68 and a woman aged 48 respectively. They were issued compulsory quarantine orders stating that they must conduct quarantine at home for 14 days. Before the expiry of the quarantine orders, they left the place of quarantine without reasonable excuse nor permission given by an authorized officer and were stopped by staff of the Immigration Department at border control points. They were charged with contravening sections 8(1) and 8(5) of the Regulation and were sentenced today to immediate imprisonment for four weeks and 10 days respectively.

A spokesman for the Department of Health said the sentence sends a clear message to the community that breaching quarantine orders is a criminal offence and that the Government will not tolerate such actions. The spokesman reiterated that compliance with quarantine orders is of paramount importance in Hong Kong's fight against COVID-19.

Pursuant to the Regulation, save for exempted persons, all persons who have stayed in the Mainland, Macau or Taiwan in the 14 days preceding arrival at Hong Kong, regardless of their nationality or travel documents, will be subject to compulsory quarantine for 14 days. Moreover, pursuant to the Compulsory Quarantine of Persons Arriving at Hong Kong from Foreign Places Regulation (Cap. 599E), starting from 19 March, all persons arriving from countries or territories outside China would also be subject to compulsory quarantine for 14 days. Breaching quarantine orders is a criminal offence and offenders are subject to a maximum fine of $25,000 and imprisonment for six months. The Department of Health solemnly reminds persons under quarantine to comply with the statutory requirements and conduct quarantine for 14 days.

Youth Development Commission convenes

sixth meeting

â€‹The Chief Secretary for Administration, Mr Matthew Cheung Kin-chung, chaired the sixth meeting of the Youth Development Commission (YDC) today (May 18). At the meeting, members were briefed on the job creation measures on supporting youth employment introduced under the Anti-epidemic Fund (AEF), and discussed the progress and outlook of the YDC's work.

Members noted that the Government would create about 30 000 time-limited jobs under the AEF in the public and private sectors in the coming two years for people with different skills and academic qualifications. Each job placement would last for up to 12 months. The jobs will include positions suitable for youth, such as those for fresh graduates, including positions requiring professional or general skills (e.g. graduate programmes in building surveying, town planning, estate surveying, land surveying and engineering; IT executives; and researchers), positions for experienced professionals (e.g. legal, accounting, financial services, engineering and architecture), positions for technicians and supporting staff, and positions to promote arts and culture and a green lifestyle (e.g. jobs in museums, green ambassadors and eco-tour guides).

Besides time-limited positions, the Government will create more than 10 000 civil service job openings for replacing retirees and filling new posts to be created in the 2020-21 Estimates. The job openings will cover a wide range of grades and many of them will be very suitable for application by youth. In addition, the Government will hire about 5 000 short-term interns, including inviting public bodies to provide internship placements.

Members generally welcomed the above job creation measures. They suggested that the Government should, when designing the relevant job positions, give due consideration to young people's needs in their career development, with a view to assisting them to enter different industries and continue to develop and progress therein. Furthermore, members suggested strengthening publicity of the relevant positions and on-the-job training, and recommended that the Government encourage private organisations to hire fresh graduates. To further drive forward youth employment work, the YDC agreed to, subject to maintaining adequate social distancing, arrange the first policy thematic meeting through webcasting within June and adopt youth employment as the theme, with a view to further listening to young people's views on employment prospects and, through making use of the YDC as a platform to foster cross-bureau collaboration, implementing the above-mentioned job creation measures related to youth more effectively.

Members also took note of the progress of the YDC's various youth development programmes. To protect young people's health, minimise social contact and implement anti-infection measures, and in view of the development of the COVID-19 epidemic and work requirements, the YDC has, since January, implemented various special arrangements and enhancement measures for its youth development programmes.

In particular, in view of school suspension and the impact on young people's well-being brought about by the epidemic, the YDC introduced in March enhancement measures to the Funding Scheme for Youth Life Planning Activities (2019-22). The existing 24 funded organisations were invited to organise no fewer than five additional activities within the current school year, including making use of technology to organise life planning activities and organise activities that would enhance young people's well-being and stress management, thus providing life planning support and training to students during the epidemic. The enhancement measures have received a positive response. A total of 23 funded organisations participated in the new enhancement measures and received an additional grant equivalent to 10 per cent of the grant receivable for the 2019/20 school year to organise relevant activities. A total of more than 200 e-learning activities have been organised so far.

Furthermore, the YDC has collaborated with the Home Affairs Bureau (HAB) to produce a video series entitled "Together, We Fight the Disease with Youth". Members from different backgrounds were invited to answer young people's questions about fighting the disease and to show support to young people. A total of five episodes have been released through social media platforms and have accumulated close to 200 000 views in total so far. The public may visit the Facebook pages of the YDC and the HAB to watch the relevant videos.