

# Budget: Accelerating Development through Reform and Innovation

The Financial Secretary, Mr Paul Chan, unveiled today (February 26) his 2025-26 Budget. He noted that while geopolitical situation might bring risks, technology reform and artificial intelligence (AI) development are remoulding the global landscape, leading to the emergence of new industries, new forms of business, new products and new services. He stressed that Hong Kong must seize the opportunity to make the most out of this critical window to speed up development, establishing the new before abolishing the old. He also emphasised that transformation and innovation will lead the way into the future, and the Government is poised to fast-track the high-quality development of Hong Kong's economy.

The Budget presents a series of measures aimed at accelerating the cultivation of new quality productive forces. On innovation and technology (I&T), the Government will promote Hong Kong into an international exchange and co-operation hub for the AI industry. Through frontier research and real-world application, the Government will endeavour to develop AI as a core industry and empower traditional industries in their upgrading and transformation. To spearhead and support Hong Kong's innovative research and development as well as industrial application of AI, the Government will establish the Hong Kong AI Research and Development Institute and launch the Pilot Manufacturing and Production Line Upgrade Support Scheme (Manufacturing+). On finance, the Government will continue to take forward reforms to the listing regime, host the Hong Kong Global Financial and Industry Summit, and formulate a plan this year on promoting gold market development.

To seize the opportunities brought about by the rapid advancement of innovation and technology, the Budget highlights the need to accelerate the development of the Northern Metropolis, which is an investment in Hong Kong's future. The Government will continue to accord priority to providing resources for this initiative, which primarily includes providing large tracts of I&T land at the Hong Kong Park of the Hetao Shenzhen-Hong Kong Science and Technology Innovation Co-operation Zone, together with San Tin Technopole; adopting an innovative mindset in piloting "large-scale land disposal"; developing a data facility cluster at Sandy Ridge; as well as identifying suitable sites in the Northern Metropolis for the construction of conference and exhibition facilities.

On the promotion of tourism, funding will be allocated to pursue the concept of "tourism is everywhere" and implement the Development Blueprint for Hong Kong's Tourism Industry 2.0. A study will be conducted on the development of the waterfront and former sites to the south of the Hung Hom Station into a new harbourfront landmark, including a yacht club.

Regarding land supply, Mr Chan announced that the Government will not

roll out any commercial site for sale in the coming year in view of the high vacancy rates of offices in recent years to allow the market to absorb the existing supply. The Government will also consider rezoning some of the commercial sites into residential use and allowing greater flexibility of land use. To tie in with the relevant work, the deadline for completing in-situ land exchange for commercial sites in the town centre of the Hung Shui Kiu/Ha Tsuen New Development Area will be extended.

Mr Chan proposed a reinforced version of the fiscal consolidation programme to focus on strictly controlling government expenditure, supplemented by increasing revenue, to restore fiscal balance in the Operating Account, in a planned and progressive manner, within the current term of the Government. For 2025-26, the executive authorities, the legislature, the judiciary and members of the District Councils, including members of the civil service, take a pay freeze. The Government will step up the Productivity Enhancement Programme; compared with 2023-24, the recurrent expenditure in 2027-28 will record a cumulative reduction by 7 per cent and deliver a saving of \$27.3 billion. By April 2027, about 10 000 posts of the civil service establishment are expected to be deleted within this term of Government. The Government will also deliver more efficient public services to citizens through leveraging technology, streamlining processes and driving the digital transformation of public services. In the Budget, it is proposed to adjust two transport subsidy schemes, namely putting forward the "\$2 flat rate cum 80 per cent discount" in the Government Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities (\$2 Scheme), and raising the threshold for receiving the subsidy under the Public Transport Fare Subsidy Scheme from \$400 to \$500, with the prevailing subsidy cap at \$400 per month remaining unchanged. He will uphold the "user pays" and the "affordable users pay" principles as far as practicable while increasing revenue, including increasing the air passenger departure tax, and reviewing the tolls of government tunnels and trunk roads. The Government will suitably expand the size of bond issuance on the premise of maintaining healthy public finances and use the funds raised on infrastructure works in a proper and flexible manner to invest in Hong Kong's future and create value for society.

Mr Chan concluded that he has full confidence in and high expectations for the future of Hong Kong, because Hong Kong people are intelligent, creative and tireless in contributing to the economic development. More importantly, he is confident due to the staunch and unwavering support received from the country and Hong Kong people's profound insight into the major development trends of the future, as well as the city's enviable and advantageous position.

For more details on the 2025-26 Budget, click [here](#).