

LCQ1: Measures to boost the economy

Following is a question by the Hon Shiu Ka-fai and a reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (January 27):

Question:

Hong Kong's economy has been hard hit by the Coronavirus Disease 2019 epidemic, which has persisted for one year and has not yet subsided. To encourage consumer spending of members of the public with a view to boosting the economy, the Government launched the \$10,000 Cash Payout Scheme in the middle of last year. However, there have been comments querying the Scheme's effectiveness in boosting the economy. In this connection, will the Government inform this Council:

(1) of the latest situation of the Cash Payout Scheme, including the number of persons to whom money was disbursed and its percentage in the total number of eligible persons, the total amount of money disbursed, and the administrative cost incurred;

(2) whether it has assessed the increase in the amount of local consumer spending of members of the public as a result of the disbursement of cash to them, and the economic benefits brought about by that amount; and

(3) whether it will consider afresh, by following the practices of places such as the Mainland, Macao, Taiwan, South Korea and Singapore, issuing electronic consumption vouchers to members of the public in order to boost the economy and help fuel the recovery of all businesses; if not, of the reasons for that?

Reply:

President,

The Financial Secretary announced the Cash Payout Scheme in the 2020-21 Budget to disburse \$10,000 to Hong Kong permanent residents aged 18 and above, with a view to relieving people's financial burden as well as encouraging and boosting local consumption. The Cash Payout Scheme is expected to benefit about 7 million eligible persons, involving around \$70 billion. Starting from June 21 last year, eligible persons could submit electronic or paper registrations to join the Scheme. The registration will close on December 31 this year. I urge those eligible persons who have not yet registered for the Scheme to submit registrations as soon as possible.

Regarding the different parts of the question raised by the Hon Shiu, my responses are as follows:

(1) Starting from July 6, 2020, we have been gradually disbursing \$10,000 to

eligible persons who have registered successfully. As at January 21 this year, the Scheme has disbursed about \$64 billion to some 6.4 million people, accounting for more than 90 per cent of the total number of eligible people.

In order to implement the Cash Payout Scheme, we have to implement a series of administrative arrangements, including setting up a Secretariat, developing the required computer systems and other ancillary facilities in relevant departments, paying service fees to supporting organisations, setting up an enquiry hotline and conducting promotional activities, etc. According to the latest estimation, the total administrative expenditure for implementing the Scheme is about \$306 million, accounting for around 0.4 per cent of the total budget.

(2) As I have just said, the Cash Payout Scheme has disbursed a total of about \$64 billion so far. It is believed that the sum should have certain stimulating effect on consumption, and also spillover effect leading to demand for other services industries. In fact, the Scheme provides people with flexibility in using the money to suit their individual needs. At the same time, we notice that some sectors (including retail and catering industries) have responded to the appeal made by the Government by launching various promotional activities in mid-2020 together with the Cash Payout Scheme, so as to encourage people to increase local consumption.

However, due to the volatile local epidemic situation in the past year, the anti-epidemic measures have to be adjusted from time to time, thus affecting the implementation of these promotional activities and the consumption sentiment of the people. Nevertheless, we believe that even if only a portion of the funding disbursed has entered the market, it should be able to boost the Hong Kong economy to a certain extent.

(3) In order to mitigate the impact of the epidemic on different sectors of the society, the Government has provided in the past year more than \$300 billion of relief measures on various fronts through the 2020-21 Budget and the Anti-epidemic Fund to help the people and businesses which have been seriously impacted by the epidemic and affected by the Government's anti-epidemic measures. We will continue to perfect the anti-epidemic work in order to effectively control the epidemic and re-open the border as early as possible, so that the people and all business sectors can resume normal activities as soon as possible, and at the same time make preparation for the recovery and development of the economy after the epidemic.

We are now conducting consultation for the 2021-22 Budget. Among the views gathered, some people think that the Government may consider distributing consumption vouchers in order to help stimulate the local economy.

There are different factors that need to be considered in determining whether or not to issue consumption vouchers. They include the preparation time required, administrative arrangements (e.g. defining the coverage and method of use, setting up relevant electronic systems and monitoring mechanism, etc.), the benefits to society, and the financial implication to

the Government, etc. We are also aware of the experience in the implementation of consumption vouchers in different places of the world. For example, Beijing, Macao, Japan, Singapore and Taiwan, etc. have issued consumption vouchers to their eligible people, but the arrangements in different places are not exactly the same. The consumption vouchers have different validity periods. Some of them may be used to purchase regular products and services, while others may only be used to purchase certain specific products. As these schemes have either just been completed or are still in progress, their effect on stimulating the local economy has yet to be seen.

When formulating any fiscal measure, apart from considering the expected effectiveness of the measure, we also need to take into account the long-term financial situation. At the beginning of last year, we estimated that the deficit of this financial year would be \$139.1 billion. However, because of the implementation of rounds of relief measures to tackle the epidemic, the estimated deficit has surged to \$300 billion. The fiscal reserve of the Government has also reduced by nearly 30 per cent to some \$800 billion within one year, which is equivalent to 12 to 13 months' Government expenditure. Facing the unclear internal and external economic environment, we must exercise fiscal prudence and make an overall and balanced consideration on any proposed measure. We also need to preserve our fiscal solvency to cater for any unexpected needs.

We will continue to monitor closely the epidemic development and economic condition, and will listen to the views from different parties, including all members of the Legislative Council.