

Budget Speech by the Financial Secretary (1)

Following is the full text of the Speech on the 2019-20 Budget delivered by the Financial Secretary, Mr Paul Chan, in the Legislative Council today (February 27):

Mr President, Honourable Members and fellow citizens,

I move that the Appropriation Bill 2019 be read a second time.

Introduction

2. This is the second Budget of the current-term Government, my third since I became Financial Secretary. It has been prepared against the backdrop of profound changes in the global political and economic landscape, a complicated and volatile external environment and heightened uncertainties.

3. As a small and totally open economy, Hong Kong has been susceptible to economic headwinds over the past few months, as evidenced by notable slackening growth and diminishing confidence of enterprises in the future outlook. Under such circumstances, it is all the more important for us to have a sound judgement of the prevailing global political and economic landscape, and set the direction for Hong Kong's economic development with due regard to our own strengths. I will take this opportunity to share my views in the Budget.

4. Every cloud has a silver lining. Even though we are not out of the woods yet, we have every confidence in our future.

5. Given the public and the business community's concerns about Hong Kong's economic outlook, I prepared this year's Budget along the direction of "supporting enterprises, safeguarding jobs, stabilising the economy, strengthening livelihoods". In fact, to support the implementation of various measures, including those proposed in the Policy Address, I will provide new resources ready for use of about \$150 billion in this Budget, with additional resources earmarked for various purposes. This demonstrates our determination to enhance public services, support enterprises, relieve people's burden and invest for the future. Resources will be allocated as appropriate to support these measures. I will provide details in the ensuing parts of my speech.

Economic Situation in 2018

6. The global economy expanded throughout 2018, with stronger growth momentum during the first half of the year. The momentum was checked by brewing trade tensions and other unfavourable conditions in the second half of the year. Production and trading activities in Asia saw notable growth for most of last

year, but significantly weakened towards year end. Affected by the external environment, Hong Kong's total exports of goods had an annual growth of 3.5 per cent in real terms, but the growth in the fourth quarter decelerated, resulting in a slight year-on-year decrease of 0.2 per cent. Exports of services also moderated in the latter half of the year, though an overall growth of 4.9 per cent was recorded for 2018.

7. Domestic demand remained largely stable, contributing favourably to the labour market with solid rises in wages and earnings underpinning consumption. Private consumption expenditure grew by 5.6 per cent in real terms for the year, but slowed down through the year amid adjustments in asset prices and increasing external uncertainties. Although investment expenditure registered a growth of 2.2 per cent in real terms for the year, a number of surveys have reflected the weakened business sentiment in Hong Kong recently.

8. Under mounting external pressures, Hong Kong's economic growth moderated from 4.1 per cent in the first half of 2018 to 2.1 per cent in the second half of the year, with growth for the fourth quarter at a mere 1.3 per cent, the lowest since the first quarter of 2016. Overall, Hong Kong's economy grew by 3 per cent in 2018, at the lower end of the range projected in last year's Budget but still higher than the trend growth rate of 2.8 per cent over the past decade.

9. The labour market remained tight, with the unemployment rate remaining at 2.8 per cent, the lowest level in more than 20 years. Total employment sustained growth and salaries increased continuously in real terms.

10. As the economic growth had been above the trend growth for two consecutive years, the inflation rate rose slightly in 2018. Netting out the effects of the Government's one-off measures, the underlying inflation rate was 2.6 per cent, up by 0.9 percentage point from 2017.

(To be continued.)