

HKSAR Government's response to Fitch's announcement of change to Hong Kong's credit rating and outlook

In response to the announcement by Fitch today (April 20) on downgrading the credit rating of Hong Kong to "AA-" from "AA", and changing its outlook to "stable" from "negative", a Government spokesman made the following comments:

"We are disappointed by Fitch's decision to downgrade Hong Kong's credit rating. The decision reflects a disproportionate emphasis on prevailing socio-political issues without giving due recognition to the strong fundamentals underpinning the local economy and financial market. The view that Hong Kong's rising economic and financial ties with the Mainland is credit negative is also ungrounded.

"The COVID-19 pandemic has dealt an unprecedented and severe blow to the global economy, and the impact on Hong Kong is no more significant than on other places. In fact, we have made quick and effective response to tackle the epidemic and its impact to our economy.

"With our strong fiscal reserves standing at around 40 per cent of GDP, we have rolled out massive relief measures of \$287.5 billion (around 10 per cent of GDP) with a view to preserving the vitality of our economy and helping our businesses and people to endure the current hardship. Our strong financial system with large buffers also underpin our resilience to severe and unexpected shocks.

"Hong Kong's financial markets and banking system have been functioning normally. The Linked Exchange Rate System continues to command confidence. Banks are well capitalised and have a robust liquidity position. The release of countercyclical capital buffers by the Hong Kong Monetary Authority, together with a series of measures with the banks, ensure the orderly functioning of the credit market and provide a much needed response to corporates and households.

"The view that Hong Kong's rising economic and financial ties with the Mainland is credit negative is highly questionable. In fact, Hong Kong will be in a better position to benefit from the Mainland's strong economic growth and the opportunities arisen. In particular, Hong Kong is poised to be both a 'facilitator' and a 'beneficiary' of important national development strategies such as the Guangdong-Hong Kong-Macao Greater Bay Area Development and the Belt and Road Initiative under the 'one country, two systems' principle. The success of the Stock Connect and Bond Connect in the past few years (average daily turnover up 90 per cent and 82 per cent respectively in Q1 2020 compared to 2019) is a strong testament to this unique value proposition of Hong Kong.

"Since the return to the Motherland, the Hong Kong Special Administrative Region (HKSAR) has been exercising 'Hong Kong people administering Hong Kong' and a high degree of autonomy in strict accordance with the Basic Law of the HKSAR of the People's Republic of China. The 'one country, two systems' principle has been fully and successfully implemented. The HKSAR Government will continue to implement the 'one country, two systems' principle resolutely in accordance with the Basic Law.

"We must stress that, despite the unprecedented challenges, Hong Kong's institutional strengths and core competitiveness are unscathed. They include free flows of capital, goods and information and talent; a simple and low tax regime; a robust supervisory regime; the rule of law and an independent judiciary and quality professional services. The Government will remain vigilant in assessing the economic impacts of the internal and external environment, and introduce timely measures to support Hong Kong's economic development."