

IMF commends Hong Kong's robust institutional frameworks and effective policy responses for boosting economic growth and safeguarding financial stability

Following the completion of the 2022 Article IV Consultation with the Hong Kong Special Administrative Region (HKSAR), the International Monetary Fund Staff Mission (Mission) published today (January 20) its assessment in the Concluding Statement.

The Mission commends Hong Kong's strong economic recovery and the Government's efforts to safeguard financial stability. The Mission reaffirms Hong Kong's position as a major international financial centre and recognises that Hong Kong's financial sector, underpinned by robust regulatory and supervisory frameworks, has continued to expand robustly, even during the pandemic. The well-functioning Linked Exchange Rate System (LERS) remains key to safeguarding economic and financial stability. Meanwhile, Hong Kong's macroprudential policies and strong institutional frameworks have provided it with important buffers to cope with economic shocks.

The Financial Secretary, Mr Paul Chan, said, "I welcome the Mission's recognition of Hong Kong's strong economic recovery supported by our swift and bold policy responses, including the electronic consumption voucher scheme and various anti-epidemic support measures. I am glad that the Mission commends our resilient financial system underpinned by robust regulatory and supervisory frameworks and ample buffers built over the years. We will continue to stay highly vigilant and monitor the economic situation closely, with a view to maintaining financial stability and fostering balanced, inclusive and sustainable growth."

The Chief Executive of the Hong Kong Monetary Authority, Mr Eddie Yue, said, "I welcome the Mission's positive assessment of our regulatory and supervisory framework that it has kept pace with market developments and technological advancements. Despite the multifaceted challenges over the past few years, we have managed to maintain the stability of Hong Kong's financial system while bolstering the city as an international financial centre. As noted by the Mission, our LERS is an anchor of monetary and financial stability in Hong Kong, and it continues to demonstrate resilience and operate smoothly amidst global and market uncertainties."

The Mission notes that Hong Kong's economy has recovered strongly, supported by swift and bold policy responses. The Mission projects Hong Kong's real Gross Domestic Product growth as 6.4 per cent and 3.0 per cent in 2021 and 2022, respectively. Possible risks to growth in the short to medium term include pandemic-related uncertainties, sustained disruptions to global

supply chains, an unexpected rise in global risk premia and further escalation of China-US tensions. The Mission adds that there is upside potential, such as a faster-than-expected global recovery and the development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), for Hong Kong's economic growth. The development of the GBA would generate huge business opportunities and provide the best entry point for Hong Kong to integrate into the national development, thereby benefitting Hong Kong's medium- and long-term growth prospects.

The Mission commends the large fiscal stimulus that has helped mitigate the impact of economic shocks on Hong Kong. It recommends that Hong Kong's fiscal policy return to a balanced budget in a gradual manner and focus on more targeted support with a view to supporting balanced and inclusive growth and addressing structural challenges.

The Mission acknowledges that Hong Kong has made significant progress in addressing climate change in the past decade and welcomes the recently announced plan to achieve carbon neutrality before 2050 with an intermediate target to halve the 2005 level of carbon emissions before 2035. The Mission also recognises the Government's ongoing efforts to enhance the green and sustainable finance ecosystem, such as adopting internationally accepted standards and promoting eligible green and sustainable financing. In addition, the Mission views that capitalising on opportunities from the Mainland and strengthening regional and international collaboration on the green development front are conducive to consolidating Hong Kong's position as a major international financial centre.

The Mission supports the Government's three-pronged approach to containing housing market risks and increasing housing affordability (which include macroprudential measures, demand-side management measures and an increase in housing supply). The Mission comments that the current macroprudential measures for the property market should be maintained to safeguard financial stability, and the demand-side management measures have been effective in containing speculative activity and external demand. The Mission also welcomes the Government's stepped-up efforts to raise and expedite housing supply, including the multifaceted approach to providing additional public housing units in the next 10 years and the recently announced Northern Metropolis Development Strategy.

The Mission held virtual discussions with government officials, regulators and private sector representatives in Hong Kong from December 1 to 15, 2021, for the 2022 Article IV Consultation with the HKSAR. The Mission's Concluding Statement is attached in the Annex. The full report of the Article IV Consultation will be discussed by the IMF Executive Board in February 2022.