

IMF commends Hong Kong's strong buffers and prudent policy frameworks for ensuring continued stability

The International Monetary Fund (IMF) released a Staff Report today (January 25) which, substantiated by more detailed analysis, reinforces the conclusions of its assessment of Hong Kong's economic and financial positions published on December 12, 2018.

The IMF notes that Hong Kong's economy benefited from a strong cyclical upswing in 2017 and the momentum continued through the first half of 2018. Despite increasing near-term risks owing to trade tensions and tighter global financial conditions, many years of prudent macroeconomic policies have endowed Hong Kong with ample buffers for smoothening the transition and ensuring continued stability. The IMF commends Hong Kong in particular for maintaining robust financial regulation and supervision and reaffirms its long-standing support for the Linked Exchange Rate System (LERS), noting that it should remain as an anchor of economic and financial stability for Hong Kong. Noting initial signs of softening in the property market, the IMF considers it appropriate for Hong Kong to maintain its three-pronged approach of increasing housing supply and retaining tight macroprudential measures and demand side measures to safeguard financial stability. The IMF also applauds Hong Kong for its continued efforts to maintain competitiveness and expand its role as a leading financial centre, through various initiatives including the development of the Guangdong-Hong Kong-Macao Greater Bay Area, which could create growth opportunities through further regional economic integration.

The Financial Secretary, Mr Paul Chan, welcomed the IMF's positive assessment and recognition of Hong Kong's sound policies. "With ample buffers, strong economic fundamentals and a robust regulatory and supervisory framework, Hong Kong is well placed to navigate through the challenges ahead. As an international financial centre and the pivotal gateway to the Mainland of China, we will continue to sharpen our competitive edge and reap the opportunities from further regional economic integration, especially in the context of the Greater Bay Area development," he said.

The Chief Executive of the Hong Kong Monetary Authority, Mr Norman Chan, said, "I welcome the IMF's recognition of our robust regulatory and supervisory framework as well as its continued support for the LERS. I agree with the IMF's view that the macroprudential measures have helped contain systemic risks and should remain in place until there are more signs that the property cycle has turned. We will also continue to push forward initiatives, as highlighted by the IMF, to develop Hong Kong as an international financial centre, such as development of the bond market, fintech and green finance."

The IMF Mission visited Hong Kong from October 29 to November 9, 2018,

to conduct the annual IMF Article IV consultation. The Concluding Statement of the Mission's assessment was published on December 12, 2018. The Staff Report was considered and endorsed by the IMF Executive Board on January 10, 2019.

The IMF's press release on the Staff Report is attached in the Annex. The Staff Report can be accessed from the websites of the Financial Services and the Treasury Bureau (www.fstb.gov.hk) and the IMF (www.imf.org).