

Speech by FS at Milken Institute Global Investors' Symposium (English only) (with photo)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the Milken Institute Global Investors' Symposium today (March 26):

Laura (Executive Vice President of Milken Institute International, Ms Laura Deal Lacey), Robin (Chair of Asia, Milken Institute, Mr Robin Hu), distinguished guests, ladies and gentlemen,

Good morning. I am very pleased to be here for the Milken Institute's inaugural Global Investors' Symposium. This remarkable event gathers more than 550 senior executives from a broad range of industries. It also connects people around the world, who are joining us online. A very warm welcome to you all.

First, let me thank the Milken Institute for choosing Hong Kong to stage your very first Global Investors' Symposium. The theme "Thriving Together: Bridging Global Markets" is indeed appropriate for all of us. I believe that Hong Kong is the best place in Asia, if not the world, for "Bridging Global Markets"; for connecting business opportunities and businesspeople such as yourselves.

A warm welcome to Hong Kong

In the next couple of minutes, allow me to update you on our economic situation and its outlook.

Since last year, Hong Kong's economy has been recovering from the pandemic. In 2023, our economy grew by 3.2 per cent, led by a strong rebound in inbound tourism. Private consumption and overall investment also improved. But high interest rate environment and geo-economic fragmentation had dampened our merchandise exports. Inflation remained at a low level, at around 1.7 per cent, while unemployment was at 2.9 per cent.

We have also made good progress in attracting enterprises and talent to Hong Kong. Since the establishment of the Office for Attracting Strategic Enterprises in December 2022, we have attracted nearly 50 such companies to expand their business here. In the coming years, they will invest more than US\$5 billion, creating over 13,000 jobs. Separately, Invest Hong Kong has also attracted more than 380 other companies, which together would invest another US\$7 to US\$8 billion.

For talent, we have approved around 160,000 applications under the various talent admission schemes since December 2022, and over 100 000 of them have already arrived in Hong Kong.

On the capital front, new money is coming from the Middle East.

Looking ahead, under a complex external environment, the Hong Kong economy is expected to grow by 2.5 per cent to 3.5 per cent in 2024, on account of improvement in merchandise exports, continued recovery of inbound tourism, and inflow of strategic enterprises and talent.

All in all, the Hong Kong economy is solid and growing.

The performance of our asset market, however, was less satisfactory. Residential property prices dropped by nearly 7 per cent last year, while the stock market fell by around 14 per cent, both with reduced trading volume.

This divergence in asset market performance and the underlying economy was caused not just by high interest rate environment, but geopolitical tensions and its impact on capital flow, and investment sentiment. Our policy response is that for the immediate term, bolster confidence; and in the medium to long term: promote high-quality development.

The immediate term measures include removing all demand-side management measures previously imposed on the residential property market; implementing the recommendations of the Task Force on Enhancing Stock Market Liquidity; energising inbound tourism as a handle to further stimulate private consumption; organising more mega events to promote the Hong Kong brand, and providing liquidity, business development and digital transformation support to SMEs (small and medium-sized enterprises).

As to medium to long-term economic development, our strategy is to promote green development and the digital economy, while pursuing the "eight centres" development directions given to Hong Kong under the National 14th Five-Year Plan.

"One country, two systems": our core advantage

Ladies and gentlemen, the core competitive advantages of Hong Kong are the "one country, two systems" principle and the staunch support from the country.

Under the "one country, two systems" arrangement, Hong Kong is the only city in the world where China advantages and international advantages converge. On the one hand, Hong Kong enjoys priority access to the Mainland market, and is the testing field in China's gradual opening up of its financial market and internationalisation of the Renminbi (RMB). On the other hand, Hong Kong continues to maintain our own legal system, separate currency, free flows of capital, goods, talent and data, and our unique character as an international city aligning with the best international practices and standards.

These unique advantages allow us to succeed as a "super connector" and "super value-adder" connecting people, capital, companies, projects and

opportunities from the Mainland and all over the world.

Hong Kong: an all-round international financial centre

The best illustration of our unique status is our role as an international financial centre. For its many aspects, let me share with you some latest developments.

First, our listing platform. Last year, we set up a task force on enhancing the liquidity of our stock market. Now we are actively taking forward its recommendations. We will further enhance the listing regime by facilitating more quality international issuers and new capital to come to use our platform. We will improve the trading mechanism, lower costs, enhance services to investors and step up market promotion.

Second, mutual market access arrangements with the Mainland. Since the Stock Connect was first rolled out 10 years ago, our Connect Schemes with the Mainland have become broader and deeper. They now cover also bonds, ETFs (exchange-traded funds) and derivatives. Hong Kong is the trusted and preferred platform for international investors to access the Mainland market – over 70 per cent of foreign holdings in onshore equities were held through Northbound Stock Connect.

With the support of the Mainland authorities, we have expanded the scope of Stock Connect to cover international companies so that when they come to list in Hong Kong, they can access both international and Mainland capital. Meanwhile, 24 major stocks in Hong Kong can now be traded in both Hong Kong dollars and RMB. This is an important step forward because holders of offshore RMB now have more choices of investment allocation.

Third, asset and wealth management centre. At the end of 2022, we managed close to US\$4 trillion of assets. Two-thirds of the funds are from outside Hong Kong.

We are striving to further enhance our competitiveness in this regard. Just this February, the Mainland authorities launched enhancements to the GBA (Greater Bay Area) Wealth Management Connect. With an affluent customer base of 87 million, our asset and wealth management sector is set to grow further. Meanwhile, to attract more family offices to Hong Kong, we have rolled out a series of policy measures, including tax concessions. We also launched a New Capital Investment Entrant Scheme earlier this month to attract wealthy and entrepreneurial families to come to Hong Kong.

Fourth, offshore RMB business hub. China's import and export account for some 14 per cent of the global trade, but trade settlement in RMB accounts for just around 4 per cent. As a reserve currency, its share is even lower, at 2 per cent. As the Mainland develops closer economic ties with other regions, demand for RMB will become greater than ever. Here in Hong Kong, we are working to enhance the liquidity, the infrastructure and the ecosystem for offshore RMB business. This will be an area with huge potential for Hong Kong.

Fifth, green and sustainable financing. This is an area that Hong Kong plays a pioneering role in Asia. Over US\$80 billion in green debts and bonds were issued in Hong Kong in 2022. Bonds issued here accounted for around one-third of Asia's total. Meanwhile, there are around 220 ESG (environmental, social, and governance) funds here, representing a year-on-year increase of 24 per cent. The related assets under management have also recorded a year-on-year growth of 20 per cent, reaching over HK\$1.3 trillion. And we have been rolling out new and experimental financial products such as tokenised green bonds and securitised green projects.

Just yesterday, we issued a vision statement on developing a sustainability disclosure ecosystem. We strive to be among the first jurisdictions to align local sustainability disclosure standards with the ISSB (International Sustainability Standards Board)'s Sustainability Disclosure Standards.

Finally, virtual or digital assets. They are the new frontier. Hong Kong fully recognises the potential of blockchain in financial innovation. We have issued a policy statement on supporting the responsible and sustainable development of digital assets. Our city is among the first to establish a comprehensive licensing regime for virtual asset service providers with proper investor and consumer protection. The principle is clear: under the "same activity, same risk, same regulation" approach, we put in place proper guardrails so that this financial innovation can flourish. And now we are planning to introduce a regulatory regime on stablecoins.

Concluding remarks

Ladies and gentlemen, I have touched on several areas that are important to Hong Kong as an IFC (international financial centre) of the future. These topics will continue to shape the global business and financial agenda. And Hong Kong will continue to strengthen our "super connector" and "super value-adder" roles in "Bridging Global Markets". I look forward to hearing more insights from the expert speakers at today's Symposium.

My heartfelt congratulations again to the Milken Institute for organising this remarkable event. I wish you all a very fruitful day at the symposium and to our visitors, a wonderful stay here in Hong Kong. And to those of you watching the livestream from cities around the globe, please do pay us a visit soon to see first-hand the enormous opportunities on offer here in Asia's world city. Thank you.

