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Economic QuickView

Hong Kong 2024 Policy Address: Fostering prosperity through reforms

- The Policy Address outlines a long-term blueprint to consolidate Hong Kong's competitiveness, with priority given to enhancing its role as an international financial centre.
- Intensified efforts to cultivate new growth drivers and deepen connectivity with the Mainland are set to promote long-term sustainable growth.
- Relaxation of mortgage policies and the New Capital Investment Entrant Scheme are expected to revive property market transactions, while home prices could stabilise gradually ahead.

The Policy Address outlines a comprehensive blueprint for Hong Kong. On 16 October 2024, Chief Executive John Lee presented his third Policy Address, titled 'Reform for Enhancing Development and Building Our Future Together'. Among more than 220 policy initiatives in the Policy Address, this report focuses on four areas of economic significance: finance, property market, new quality productive forces and economic integration with the Chinese Mainland. These areas are set to shape Hong Kong's economic landscape in the years to come.

Strengthening Hong Kong's role as an international finance centre with new growth areas. As one of the leading international financial centres and the world's largest offshore RMB business hub, the Policy Address introduces several initiatives to reinforce this status and seize new opportunities. In support of orderly RMB internationalisation, the Government plans to deepen mutual market access with the Chinese Mainland. One of the key measures is to set up a central clearing system for RMB-denominated bond repurchase transactions. This move is expected to make RMB sovereign bonds issued in Hong Kong more attractive as collateral in offshore markets. Besides, the Government seeks to increase the size and frequency of RMB sovereign bond issuances and facilitate the introduction of offshore RMB sovereign bond futures, providing investors with more tools for investing in RMB assets and conducting relevant risk management.

Recognising the need to diversify its financial services, the Policy Address proposes to develop Hong Kong into an international gold trading centre, a new segment for the city. The proposal would allow Hong Kong to leverage its robust financial infrastructure to attract global gold investors. This will also spur the development of the related industry chain, from promoting world-class gold storage facilities to strengthening trading mechanisms and regulatory frameworks to meet international standards. At present, while New York and London rank as the world's two largest gold futures centres, the potential for Hong Kong is substantial given that the Chinese Mainland possesses the largest gold reserve in Asia. The Government also plans to explore the inclusion of gold-related products in a mutual market access programme with the Chinese Mainland.

Meanwhile, the Government rolls out measures to further enhance the securities market. Notably, vetting of listing applications will be optimised by establishing a definitive timeframe. This is set to provide greater certainty on new listings with enhanced market transparency. In addition, the planned listing of Exchange Traded Funds (ETF) for Hong Kong stock indices in the Middle East would boost new capital allocation in Hong Kong stocks. Such initiatives could also be steadily expanded into the markets of ASEAN and Belt and Road economies.

These strategic initiatives are poised to enhance Hong Kong's financial ecosystem by introducing new products and markets, thereby attracting a broader range of investors and financial institutions. Particularly, the expansion into areas like gold trading could open up significant opportunities for financial service providers, commodity traders, and other professional services.

Policy easing for the property market to generate more market demand. Amid recent challenges in the property market, the Government introduced additional policy measures to invigorate the sector, fostering steady development ahead. Specifically, the Hong Kong Monetary Authority is taking steps to ease mortgage lending policies, with the maximum loan-to-value (LTV) ratio for residential properties adjusted to 70% across the board, irrespective of property value or the buyer's status as a first-time homeowner. And the maximum debt servicing ratio (DSR) is raised to 50% for non-self-use properties, aligning it with the ratio for self-use properties. Since then, both the maximum LTV ratio and DSR limit have been reverted to pre-2009 levels before the countercyclical macroprudential measures were first introduced. These changes lower financing barriers, potentially encouraging more homebuyers and investors to enter the property market (including offices, retail shops and industrial buildings), which may increase transaction volumes and help stabilise prices.

To attract high-net-worth individuals and capital inflows, the Government will enhance the Capital Investment Entrant Scheme (CIES) by allowing investments in residential properties valued at HKD 50 million as eligible investments. This change is expected to stimulate the super-luxury property market by attracting affluent investors, thereby boosting activity in this segment.

The above measures are poised to support the property sector to return to a steady development path with improved sentiment. In the meantime, it is worth noting that market supply remains elevated. Particularly, there will be more than 100,000 units of new supply in the private market in the coming 3-4 years, on top of the close to 20,000 completed but unsold units held by developers.

On balance, while residential prices are not expected to increase notably, a more active and stabilising property market will be conductive for the broader economy, given its hefty weight in driving consumption and investment appetite.

Building new quality productive forces through innovation and technology (I&T). This year, the Government highlights the cultivation of new productive forces through innovation, technology, and talent development. In the Policy Address, funding support for I&T development remains strong. Key measures include establishing a HKD 10 billion I&T Industry-Oriented Fund to channel market capital into strategic emerging industries, and redeploying HKD 1.5 billion under the I&T Venture Fund to co-invest with private sector partners in startups on a matching basis. In addition, the talent admission regime will be utilised to strengthen the talent pool in meeting the evolving I&T labour demand. Moreover, the Government seeks to tap the emerging opportunities from the low-altitude economy, which includes economic activities of rescues, surveys, and delivery of goods and passengers in airspace below 1,000 metres. A Working Group on Developing Low-altitude Economy will also be established to facilitate pilot projects, regulatory reform, cooperation with the Chinese Mainland and plans for related infrastructural facilities. Overall, these initiatives aim to diversify Hong Kong's economic structure and stay competitive in the global landscape. These efforts are expected to generate high-quality jobs, attract global talents, and drive advancements in emerging sectors, underpinning Hong Kong's long-term economic prosperity.

Deepening connectivity with the Chinese Mainland to generate regional synergy and broaden growth potential. The development of the Greater Bay Area (GBA) and the Northern Metropolis remain the key initiatives for Hong Kong to dovetail with national development strategies. The Policy Address proposes establishing GBA standards for skilled workers, promoting cross-boundary data flow in all sectors and fostering the linkage of fast payment systems in Hong Kong and the Mainland. These measures would further boost the flows of people, goods, capital and information within the GBA. Moreover, the Northern Metropolis development is taking shape. Key updates include adopting a new land disposal approach by granting sizable land parcels to developers for collective development. This method aims to streamline the development process and unlock land value more efficiently. The Government has identified three land parcels, each ranging from 10 to 20 hectares, as pilot sites for this initiative. Moreover, a Government-led industrial park is planned within the logistics sites in the Hung Shui Kiu/Ha Tsuen New Development Area. Besides, the San Tin Technopole is expected to commence construction works this year, with a target to deliver land for I&T development beginning in 2026-27. Other cooperation project includes the development of integrated logistics and air-cargo services within the GBA. All these initiatives are expected to expand Hong Kong's economic capacity and create new business opportunities.

As a whole, the Policy Address 2024 outlines strategic reforms to sustain Hong Kong's long-term prosperity as well as implement policy easing to address the near-term challenges in the property market. These measures reflected a balanced approach to ensure a steady economic recovery while cementing Hong Kong's role as an international financial centre and striving to cultivate new growth drivers for sustainable development. The GBA integration continues to deepen, with its boost for the Hong Kong economy poised to be unleashed in the years to come.

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