

**2016 - 17 Budget**

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**Briefing for  
the Consular Corps**

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**24 February 2016**

# Thanks to our sound economic fundamentals, HK economy remained resilient despite strong external headwinds in 2015

## Institutional strengths

- Rule of law and level-playing field
- Low and simple taxes
- Robust financial regulatory framework

## High quality hardware and software

- World class infrastructure
- Skilled workforce

## Strong economic fundamentals

- **Massive fiscal reserves: 36% of GDP**
- **Government virtually debt free**
- **Strong international investment position: 305% of GDP**
- **Ample foreign currency reserves and assets: 5.2 times larger than Jun 97**
- **Monetary base substantially larger: 7.5 times larger than Jul 97**
- **Sustained current account surplus**

# Latest rankings of Hong Kong

**World's largest IPO centre in  
2015**

**World's 2<sup>nd</sup> largest recipient of FDI  
flows in 2014**

UNCTAD World Investment Report

**World's 2<sup>nd</sup> most competitive  
economy**

IMD (2<sup>nd</sup> out of 61 economies)

**World's freest economy**

Heritage Foundation (1<sup>st</sup> out of 178 economies)

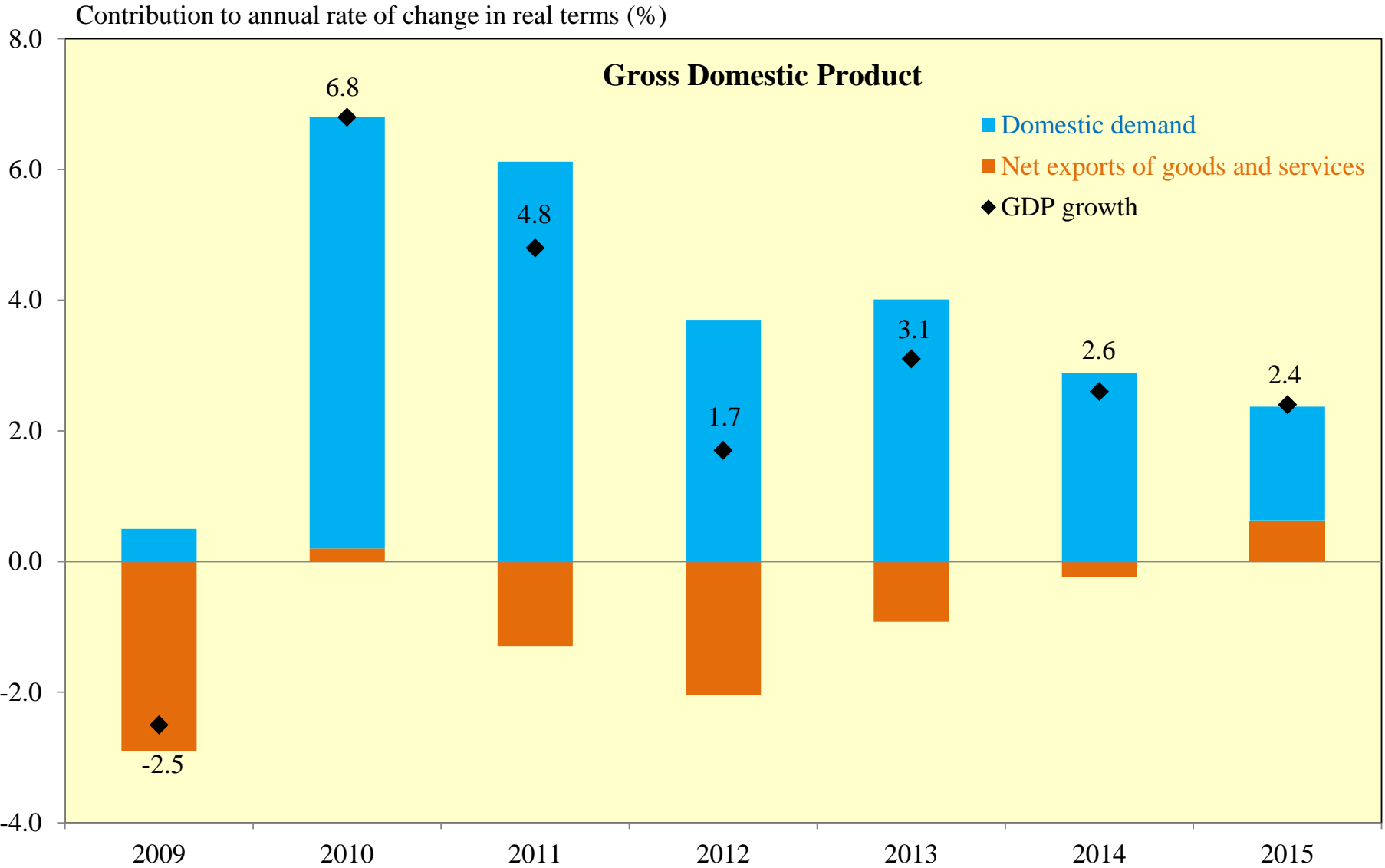
Fraser Institute (1<sup>st</sup> out of 157 economies)

# 2015 Performance

# Salient features of economic performance in 2015

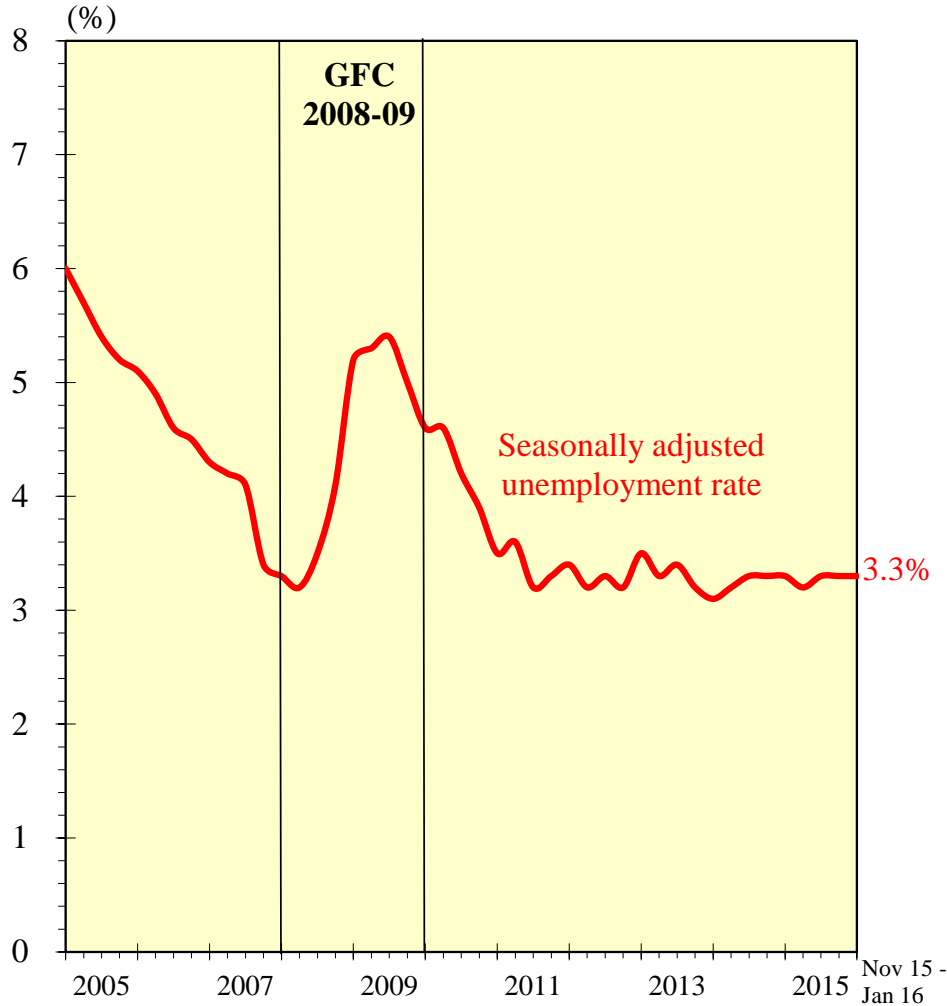
- Economy grew by 2.4% for 2015 as a whole, compared to 2.6% in 2014
- Subdued export performance amid an austere external environment; domestic sector showed remarkable resilience
- Labour market in full employment; unemployment rate stayed low throughout the year (2015 year-end: 3.3%)
- Asset markets highly volatile during the year; property market consolidated after September 2015
- Inflation eased for the fourth consecutive year. Underlying inflation averaged 2.5% in 2015

# Domestic sector remains the key driver of the HK economy

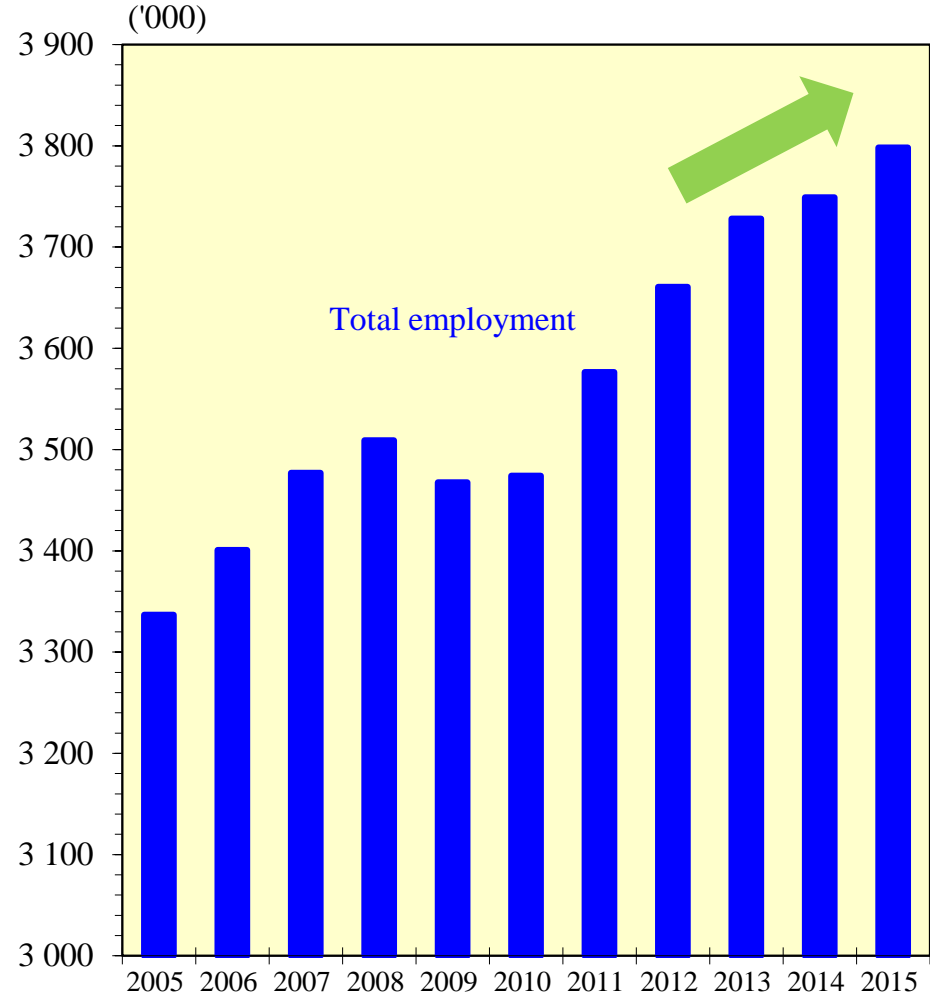


# Labour market in full employment

## Latest unemployment rate at 3.3%

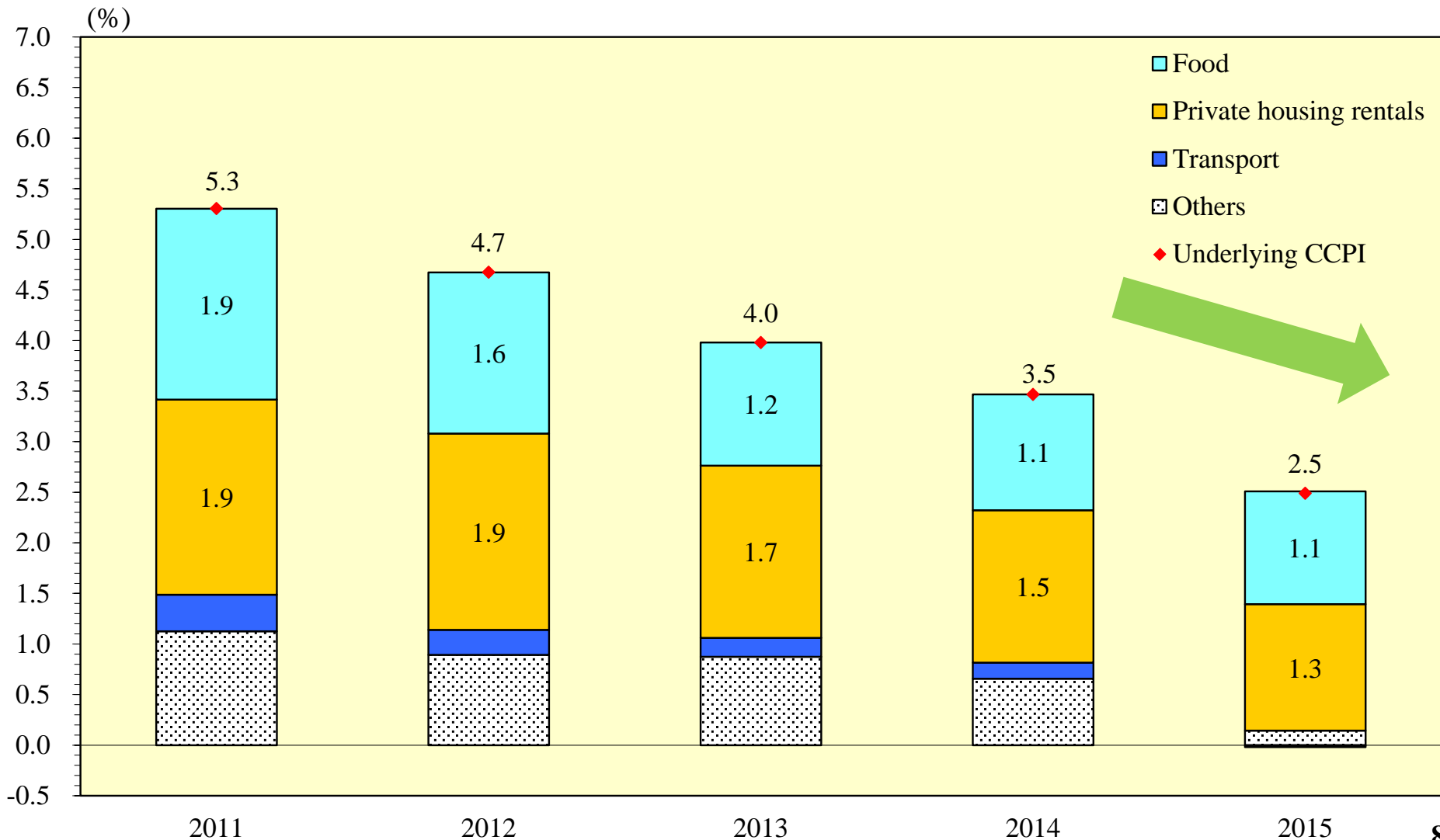


## Employment reaching new high



# Underlying inflation eased further in 2015, for the fourth year in a row

Contribution to the annual rate of change in the underlying Composite Consumer Price Index (CCPI) by major component





# **2016 Economic Outlook**

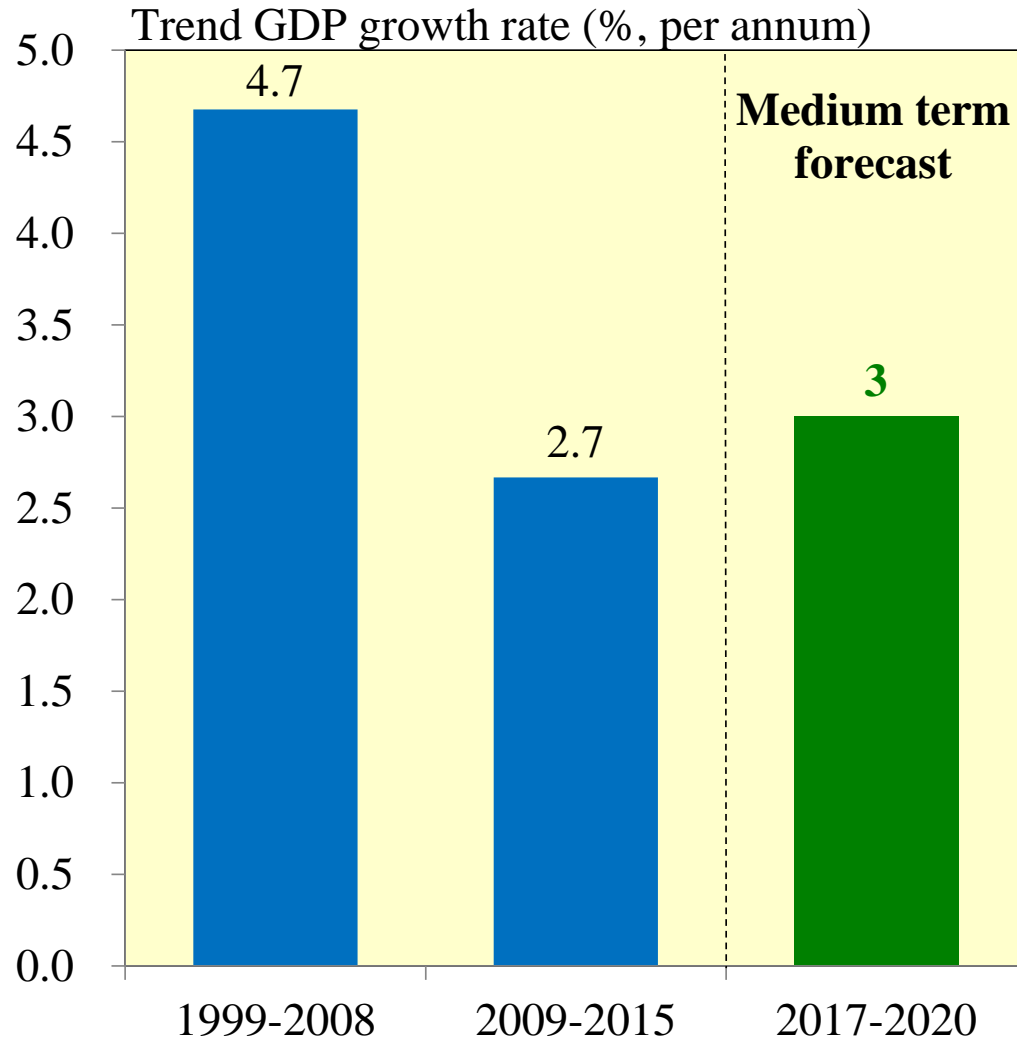
## **Economic outlook**

- Export outlook clouded by slow and uneven global economic growth
- GDP growth this year will continue to count on domestic demand, underpinned by labour market resilience and hectic infrastructure, and with a notable fiscal boost
- **Post GFC real GDP growth:**
  - 2009-2015: 2.7% p.a.**
  - 2016: 1-2% (Forecast)**
- **Underlying inflation set to ease for the fifth year:**
  - 2015: 2.5%**
  - 2016: 2% (Forecast)**

## **Key sources of risks to economic forecast for 2016**

- Complicated and more volatile global monetary and financial conditions amid widening policy divergence among major central banks
- Whether US can sustain growth momentum; still-fragile recovery in some advanced economies
- Slowdown in emerging market economies; those with weaker fundamentals more vulnerable
- Elevated geopolitical tensions in various regions

# Medium-term economic outlook remains positive



- Deepen economic linkages with the Mainland and forge ties with new markets
- National 13<sup>th</sup> 5-Year Plan and “Belt and Road” Initiative will unleash new growth opportunities
- Enhance strengths in pillar industries and promote new growth areas
- Continue to upgrade human capital and infrastructure to uphold productivity and competitiveness

# **2016-17 Budget**

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**Thank you**

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