

中銀香港 研究產品系列

- 中銀財經述評
- Economic Vision
- 中銀內部研究
- 中銀策略研究
- 綜合期刊

Economic Review

Offshore RMB Express

香港綠色金融研究

Green Dialogue

東南亞觀察

中銀評論

中銀經濟預測

Author: Wilson Chong
Email: wilsonchong@bochk.com
Tel: +852 282 66192

Contact: Ms. Chan
Email: ccchan@bochk.com
Tel: +852 282 66208



Please follow BOCHK on WeChat
for the latest economic and financial
markets analyses

Policy Address Focuses on Reform to Strengthen Hong Kong's Overall Competitiveness

Wilson Chong, Senior Economist

Hong Kong Chief Executive John Lee Ka-chiu delivered his third Policy Address in October 2024, entitled “Reform for Enhancing Development and Building Our Future Together.” As he enters the middle stage of his five-year term, the blueprint emphasizes further development in Hong Kong’s traditional strengths—namely finance, shipping, and trade—while also supporting the cultivation of emerging industries. The objective is to comprehensively enhance Hong Kong’s overall competitiveness. Additionally, it proactively addresses the Hong Kong-related aspects of the communique from the third plenary session of the 20th Central Committee of the Communist Party of China, which explicitly states the intention to “reinforce and enhance Hong Kong’s status as an international financial, shipping, and trade centre” and support Hong Kong in “building itself into an international hub for high-caliber talent.”

Seeking Change through Reform during Economic Transformation

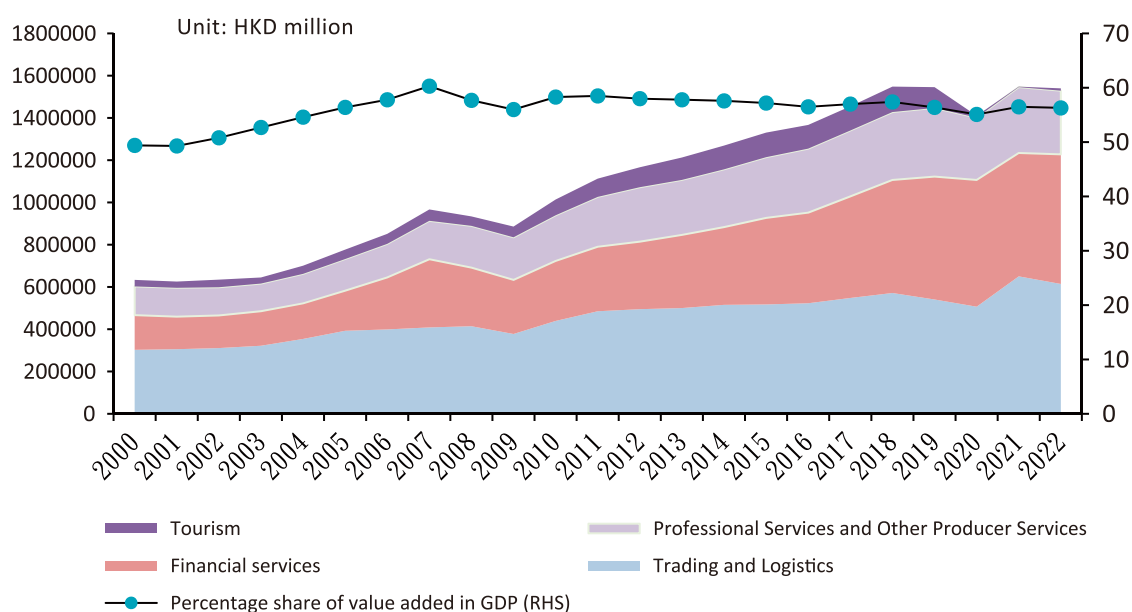
The third plenary session focused on “further deepening reform comprehensively to advance Chinese modernization” as its theme. The Policy Address reflects this emphasis on reform, with the term “reform” appearing 41 times. It outlines specific measures and goals in governance, economic development, and people’s livelihoods. In terms of economic development, the SAR government focuses on three areas. First, it aims to strengthen or innovate institutional frameworks by establishing a committee and three working groups led by senior officials, such as Department Secretaries or Deputy Secretaries, to coordinate the integrated development of education, technology, and talent, as well as the low-altitude economy, tourism hotspots, and the silver economy. For instance, the low-altitude economy involves issues related to transportation, tourism, legal matters, flight safety, and negotiations with relevant mainland departments. Establishing specialized working groups will facilitate policy formulation and implementation in areas requiring cross-departmental and even cross-regional cooperation. The Policy Address also mentions the promulgation of the Development Outline for the Hong Kong-Shenzhen Innovation and Technology Park in the Loop, aiming to create a testing ground for policy and institutional innovation. Through breakthroughs and innovations, the development of the Loop could accelerate its emergence as a strategically significant innovation hub. Second, the Policy Address proposes exploring new growth areas. This includes establishing an international gold trading market, building a commodity trading

ecosystem, creating internationally accredited metal warehouses, promoting high-value-added maritime services, and developing the low-altitude economy. The SAR government's goal is to transform Hong Kong into an operation centre for international commodity trading, storage, delivery, shipping, logistics, and risk management through the creation of a commodity trading ecosystem. Third, it emphasizes further developing existing industries, enhancing synergies among them, and addressing development bottlenecks, such as land and space shortages, by deepening cooperation in the Greater Bay Area and leveraging the advantages of mainland cities. Historically, Hong Kong's economy has undergone two significant transformations: the first, beginning in the 1950s, marked the shift from entrepôt trade to light industrial manufacturing, establishing Hong Kong as one of the Four Asian Tigers and driving rapid economic growth. The second transformation occurred in the 1980s, as Hong Kong gradually shifted toward the services sector, establishing itself as an international financial centre. High-value services are a key focus for Hong Kong's future development. The Policy Address emphasizes promoting high-value-added maritime services, expanding high-value-added logistics services, establishing a high-value-added supply chain service centre, and leveraging the liquor trade to boost industries such as logistics, storage, tourism, and high-end food and beverage consumption. These strategies, combined with advancements in high-end finance, innovative technology, and the green economy, will contribute to Hong Kong's goal of achieving high-quality economic growth.

Strengthening Traditional Areas of Advantage

The Policy Address dedicates a separate section to “Consolidate and Enhance Our Status as an International Financial, Shipping, and Trade Centre,” placing it at the beginning of the economic development sections. This contrasts with last year's approach, where all economic-related content was grouped under “Continue to Create Strong Impetus for Growth.” This change reflects the SAR Government's emphasis on traditional areas of strength. Among the four pillar industries in Hong Kong, “financial services” and “trade and logistics” are of paramount importance, collectively accounting for 45% of the local GDP in 2022. To drive Hong Kong's economic development, it is more effective to focus on traditional industries that already have a leading advantage internationally, as these sectors possess a solid foundation and global reputation. Their larger scale allows for lower marginal costs in further expansion and more efficient resource allocation. Moreover, due to their size, these industries have a greater impact on driving economic growth. The financial services sector plays a crucial role in maintaining a stable financing environment, supporting regional trade and investment, and providing high-end professional services, thereby creating synergies with shipping and trade activities. By concentrating on the development of “financial services” and “trade and logistics,” Hong Kong can enhance its importance in global capital and goods circulation, thereby strengthening its image as an international city.

Figure: Value added and percentage share in GDP of the four key industries



Source: CEIC, Hong Kong Financial Research Institute of Bank of China

In finance, Hong Kong rose to third place globally in the Global Financial Centres Index report published in September 2024 by Z/Yen from the United Kingdom and the China Development Institute from Shenzhen, swapping positions with Singapore and trailing only behind New York and London. The Policy Address outlines a series of measures aimed at deepening mutual market access, enriching offshore RMB business, advancing risk management, asset and wealth management, developing the securities market, and establishing an international gold trading market. These goals will be achieved by enhancing financial infrastructure, providing more RMB-denominated investment products, attracting mainland and foreign enterprises and capital to Hong Kong, expanding tax concessions, deepening overseas networks, and facilitating cross-boundary transactions and payments. Among these initiatives, the establishment of an international gold trading market and the creation of a commodity trading ecosystem are key highlights. Commodities, which include precious metals, industrial metals, energy, and agricultural products, are essential to this strategy. Singapore is a major commodity trading hub in Asia, hosting significant positions in agricultural, metal, and mineral trade, with its rubber futures serving as an industry benchmark. Although the Hong Kong Stock Exchange successfully acquired the London Metal Exchange in 2012 and established the Qianhai Mercantile Exchange as a spot commodity trading platform in 2016, the commodity trading market in Hong Kong remains relatively lagging behind, lacking a complete ecosystem in terms of market capacity, trading scale, price discovery, and hedging tools. With the continued strengthening of China's economic power, the "Belt and Road" initiative, and the development of the Guangdong-Hong Kong-Macao Greater Bay Area, along with changes in geopolitical dynamics, Hong Kong has the potential to develop its commodity trading market, especially as a large portion of trade between the mainland and "Belt and Road" countries involves commodity resources. Hong Kong benefits from an advantageous regulatory environment, a stable legal system, and advanced financial infrastructure, which are conducive to the development of gold and commodity trading. Moreover, as demand for commodities in the Asia-Pacific region continues to grow, there is potential for the development of another trading centre in addition to Singapore. If Hong Kong can increase its market share in global commodities trading and become a key trading platform in the region, it would enhance the breadth and depth of Hong Kong's financial market, reducing reliance on individual financial sectors. Additionally, due to the typically high volatility of commodity prices, there will be a greater demand for risk management tools such as futures and options contracts, which can diversify market products. Furthermore, participation in global commodity pricing mechanisms could strengthen Hong Kong's influence in international markets and further elevate its status as an international financial centre.

In terms of shipping, despite Hong Kong's container terminal throughput ranking dropping from first in the world in 2004 to tenth in 2023, the city still secured fourth place globally in the 2024 Xinhua-Baltic International Shipping Centre Development Index Report, reflecting its continued competitiveness in the shipping industry. The Policy Address proposes reforming the existing "Hong Kong Maritime and Port Board" into the "Hong Kong Maritime and Port Development Board," with the chairperson appointed from outside the government instead of being the Secretary for Transport and Logistics. This reform aims to enable the government to better and more quickly understand changes in market conditions and the development of Hong Kong's shipping industry, especially in the context of a rapidly changing global landscape, such as disruptions on the Middle East-Red Sea routes or escalating tensions due to conflicts. This will allow the government to propose more targeted and effective policy measures in response to the industry's operational conditions and actual needs. Additionally, the government plans to enhance and promote tax concessions, attract maritime service companies to establish operations in Hong Kong, and cultivate talent in maritime services to drive the development of high-value-added maritime services. Maritime services represent a high-value-added segment of the shipping industry that relies more on capital, technology, and expertise than on physical container traffic. From 2019 to 2022, this segment has grown by nearly 40% in terms of economic contribution. In light of the declining container throughput trend, promoting maritime services is strategically significant for maintaining Hong Kong's status as an international shipping centre. The Policy Address also emphasizes accelerating the development of a green maritime centre, with key measures including promoting the green transformation of registered ships, developing a green maritime fuel bunkering centre, and providing supporting infrastructure for green fuel bunkering. This initiative aims to attract more international shipping companies to choose Hong Kong as a low-emission fuel supply hub and promote the development of clean energy

infrastructure, positioning Hong Kong as a leader in sustainable development. Overall, the measures proposed in the Policy Address will help Hong Kong address challenges such as global competition, environmental requirements, and spatial constraints, thereby enhancing the competitiveness of its shipping industry.

In terms of trade, Hong Kong ranks first globally in the “International Trade” sub-factor according to the latest 2024 World Competitiveness Yearbook published by the International Institute for Management Development. The Policy Address outlines measures to expand the global trade network, establish Hong Kong as a high-value-added supply chain service centre, promote the development of the headquarters economy, and reduce high duty taxes on liquor to facilitate liquor trade. This reflects Hong Kong’s strategic approach in response to changes in the global economy, aiming to further integrate into the global value chain through investment and trade linkages, enhancing market diversification and reducing reliance on individual markets. Furthermore, building a commodities trading ecosystem can promote the collaborative development of the entire supply chain, benefiting both shipping and trade simultaneously.

Supporting Emerging Industries and Economic Diversification

In recent years, the SAR Government has actively promoted the development of innovation and technology, investing over HKD 200 billion to focus on areas such as artificial intelligence and big data, biotechnology, medical sciences, advanced manufacturing, new materials, and fintech. The Hong Kong Innovation and Technology Development Blueprint, announced at the end of 2022, aims to advance innovation and technology development over the next five to ten years through four major directions: “to enhance the I&T ecosystem and promote ‘new industrialization’ in Hong Kong,” “to enlarge the I&T talent pool to create strong impetus for growth,” “to promote digital economy development and develop Hong Kong into a smart city,” and “to proactively integrate into the overall development of the country and consolidate our role as a bridge connecting the Mainland and the world.” Overall research and development expenditure in Hong Kong increased from HKD 21.3 billion in 2017 to HKD 30.1 billion in 2022, representing a rise of over 40%, with its GDP share increasing from 0.8% to 1.07%. The government aims to raise this figure to 5% by 2030. The measures proposed in the Policy Address largely revolve around the four main directions of the blueprint: first, promoting new industrialization by formulating a medium- to long-term development plan for new industrialization in Hong Kong and establishing the Hong Kong New Industrialization Development Alliance to facilitate collaboration among government, industry, academia, research, and investment sectors; second, attracting research talent to Hong Kong. The 2023 Policy Address announced the establishment of an InnoHK Research Centre focused on developing “generative artificial intelligence” technology. This year, it was announced that the government is preparing to set up the third InnoHK Research Cluster, which will focus on advanced manufacturing, materials, energy, and sustainable development; third, expanding research funding and increasing investment. The government will launch a new round of the HKD 1.5 billion “Research Matching Grant Scheme” to encourage more organizations to support the research endeavors of institutions. Additionally, the government will establish a HKD 10 billion “I&T Industry-Oriented Fund” to channel more market capital to invest in specified emerging and future industries of strategic importance, including life and health technology, AI and robotics, semiconductors and smart devices, advanced materials, and new energy. Finally, the government will support international startup accelerators in establishing operations in Hong Kong. The government will introduce the I&T Accelerator Pilot Program and allocate HKD 180 million to attract professional startup service providers from both local and international markets to set up accelerator bases in the city, thereby strengthening the startup ecosystem. The Policy Address promotes innovation and technology development from various directions while also proposing the development of the low-altitude economy and the silver economy, advancing research in communication technology, aerospace science, and new energy. These initiatives will help develop new productive forces, leading to a more diversified economy in Hong Kong.

Table 1: Finance-related measures

Objective	Major Policy Measures
Deepen Mutual Market Access and Enrich Offshore Renminbi Business	continuously improving infrastructure and upgrading the Central Moneymarkets Unit to facilitate the settlement of various assets in different currencies by international investors; develop the fixed income market infrastructure by, for instance, setting up a central clearing system for RMB denominated bond repurchase (repo) transactions, making RMB sovereign bonds issued in Hong Kong a more popular choice of collateral in offshore markets; enhance the Cross boundary Wealth Management Connect Scheme; expand the night time, cross boundary service capability of Hong Kong's RMB Real Time Gross Settlement System; explore the provision of more diversified channels for obtaining offshore RMB financing; provide more RMB denominated investment products
Further Enhance Status as an International Risk Management Centre	examine capital requirements for infrastructure investment, enriching insurance companies' asset allocation for risk diversification and driving investment in infrastructure such as the Northern Metropolis; continue to invite Mainland and overseas enterprises, including large state owned enterprises in the Mainland, to establish captive insurers in Hong Kong
Further Enhance Status as an International Asset and Wealth Management Centre	attract more global capital to be managed in Hong Kong; strive to collaborate with large scale sovereign wealth funds in regions such as the Middle East, in financing the setting up of funds to invest in assets in the Mainland and other regions; enhancing the New Capital Investment Entrant Scheme by allowing investment in residential properties; expanding the scope of tax concessions for funds and single family offices
Proactively Expand Markets and Deepen Overseas Networks	expand and deepen overseas networks, including forging financial co operation with the Middle East and the region of the Association of South East Asian Nations (ASEAN), organising more international financial mega events, and exploring further collaboration with Islamic markets in the area of finance
Further Enhance the Securities Market	Exchange Traded Funds (ETF) tracking Hong Kong stock indices will be launched in the Middle East, seeking to attract allocation of capital in the market to Hong Kong stocks; attract international enterprises to list in Hong Kong; encourage large scale Mainland enterprises to list in Hong Kong, particularly aiming to have more prominent initial public offerings in the near term; optimising vetting of listing applications; boost market efficiency and lower transaction costs
Provide Convenient Cross-boundary Financial Services Arrangement	pushing forward the linkage of fast payment systems between Hong Kong and Mainland China; implement the arrangement enabling issuance of bank cards by Mainland branches of Hong Kong incorporated banks in the Mainland
Build an International Gold Trading Market	strengthen the trading mechanism and regulatory framework, promote application of cutting edge financial technology, and explore with the Mainland authorities on the inclusion of gold related products in the mutual market access programme
Enhance the Green Finance Ecosystem	roll out the Sustainable Finance Action Agenda; launch a roadmap on the full adoption of the International Financial Reporting Standards this year

Source: 2024 policy address, Hong Kong Financial Research Institute of Bank of China

Table 2: Trade-related measures

Objective	Major Policy Measures
Build a High Value-added Supply Chain Service Centre	The Invest Hong Kong (InvestHK) and the Hong Kong Trade Development Council (HKTDC) will set up a mechanism and enhance the interface for attracting Mainland enterprises to establish international or regional headquarters in Hong Kong, providing one stop, diversified professional advisory services for enterprises in Hong Kong
	The statutory maximum indemnity percentage of the Hong Kong Export Credit Insurance Corporation (ECIC) will be increased from 90% to 95%; The ECIC will also provide more free buyer credit checks with extended geographical coverage, and enhance financing support for e commerce businesses
	encourage the China Export & Credit Insurance Corporation to explore setting up businesses in Hong Kong, providing export credit insurance services covering overseas investment with prolonged investment period
	The Hong Kong Monetary Authority will promote electronic trade financing
	The HKMA expects to connect its Commercial Data Interchange (CDI) with the system of the Land Registry next year to enhance financial services with data
Expand Global Economic and Trade Networks	implement the Second Agreement Concerning Amendment to the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) Agreement on Trade in Services; step up promotion and provide assistance to enterprises as needed
	seek early accession to the Regional Comprehensive Economic Partnership (RCEP)
	in investment agreement negotiations with Bangladesh and Saudi Arabia; plan to begin negotiations with Egypt and Peru
	expand the global network of our Economic and Trade Offices, focusing on establishing economic and trade ties with emerging markets
	further exploring priority markets such as the Belt and Road countries
Promote Development of a Headquarters Economy	The Financial Services and the Treasury Bureau will submit a bill this year to introduce a company redomiciliation mechanism
	The validity period of multiple entry visas for foreign staff of companies registered in Hong Kong, including non permanent residents, will be extended to a maximum of five years to facilitate their visit to the Mainland, and their applications will enjoy priority processing
Foster Trading of Liquor	reduce the duty rate for liquor with an import price of over \$200 from 100% to 10% for the portion above \$200, while the duty rate for the portion of \$200 and below, as well as liquor with an import price of \$200 or below remains unchanged

Source: 2024 policy address, Hong Kong Financial Research Institute of Bank of China

Disclaimer & Important Notes

This document is published by Bank of China (Hong Kong) Limited (“BOCHK”) and is for reference only.

The content contained in this document has not been reviewed by the Securities and Futures Commission of Hong Kong.

This document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution would be contrary to any laws or regulations.

This document is for reference only. It does not constitute, nor is it intended to be, nor should it be construed as investment recommendation or professional advice, or offer, solicitation, recommendation, comment or guarantee to the purchase or sale, subscription or transaction of any investment products or services stated herein. You should not make any investment decision based upon the information provided in this document.

The information provided is based on sources which BOCHK believes to be reliable but has not been independently verified. Therefore, BOCHK does not make any representation, warranty or undertaking as to the accuracy, completeness or correctness of the information or opinions provided in this document. The forecasts and opinions contained in this document are only provided as general market commentaries and are not independent investment research reports and are not to provide any investment advice or return guarantee and should not be relied upon as such. All views, forecasts and estimates are judgements of the analysts made before the publication date, and are subject to change without further notice. No liability or responsibility is accepted by BOCHK and related information providers in relation to the use of or reliance on any such information, projections and/or opinions whatsoever contained in this document. Investors must make their own assessment of the relevance, accuracy and adequacy of the information, projections and/or opinions contained in this document and make such independent investigations as they may consider necessary or appropriate for the purpose of such assessment.

The securities, commodities, foreign exchanges, derivatives or investments referred to in this document may not be suitable for all investors. No consideration has been given to any particular investment objective or experience, financial situation or other needs of any recipient. Accordingly, no representation or recommendation is made and no liability is accepted with regards to the suitability or appropriateness of any of the securities and/or investments referred to herein for any particular person’s circumstances. Investors should understand the nature and risks of the relevant product and make investment decision(s) based on his/her own financial situation, investment objectives and experiences, willingness and ability to bear risks and specific needs and if necessary, should seek independent professional advice before making any investment decision(s). This document is not intended to provide any professional advice and should not be relied upon as such.

BOCHK is a subsidiary of Bank of China Limited. Bank of China Limited, its subsidiaries and/or their officers, directors and employees may have positions in and may trade for their own account in all or any of the securities, commodities, foreign exchanges, derivatives or investments mentioned in this document. Bank of China Limited or its subsidiaries may have provided investment services (whether investment banking or non investment banking related), may have underwritten, or may have acted as market makers in relation to these securities, commodities, foreign exchanges, derivatives or investments. Commission or other fees may be earned by Bank of China Limited or its subsidiaries in respect of the services provided by them relating to these securities, commodities, foreign exchanges, derivatives or other investments.

No part of this document may be edited, reproduced, extracted, transferred or transmitted to the public or any unapproved person in any form or by any means (including electronic, mechanical, photocopying, recording or otherwise), or stored in a retrieval system, without the prior written permission of the BOCHK.

“Hong Kong Financial Research Institute of Bank of China”

“Hong Kong Financial Research Institute of Bank of China” (“the Institute”) is the core research and strategic planning centre within the Bank of China (Hong Kong) Group. Rooted in Hong Kong, setting our sights on the Greater Bay Area, Southeast Asia, Asia-Pacific and the world, the Institute focuses on macro-economics and policies, financial markets, RMB internationalization and digital currencies, financial sector reforms and innovation, green and sustainable finance development. The Institute, as the knowledge centre of BOC, combines original macro, meso and micro researches with real-world practices to provide unique insights and advices to the community. With the core mission of serving the country and Hong Kong, the Institute advises the government agencies, and has built extensive collaborations and joint research with prestigious universities, think tanks and industry leaders in Hong Kong and Mainland China. The Institute has 60 professional researchers and produces close to 1,000 internal and external research papers annually.

Author:

Wilson Chong: Senior Economist at Hong Kong Financial Research Institute of Bank of China. His main research areas focus on Hong Kong’s economy and development policy.

If you have any suggestions or want to publish your research papers in this product, please contact us by espadmin@bochk.com or directly contact the author(s).



Please follow BOCHK on WeChat for the latest economic and financial markets analyses

主要經濟指標 (Key Economic Indicators)

一、本地生產總值 GDP	2022	2023	2024/Q2	2024/Q3
總量 (億港元) GDP(HKD 100million)	28,090	29,010	7,165	7,479
同比增長率 (%) YoY change(%)	-3.7	3.3	3.3	1.8
二、對外商品貿易 External merchandize trade			2024/9	2024/1-9
外貿總值 (億港元) Total trade(HKD 100million)				
總出口 Total exports	45,317	41,774	3,981	33,511
總進口 Total imports	49,275	46,450	4,513	36,203
貿易差額 Trade balance	-3,958	-4,676	-532	-2,692
年增長率 (%) YoY Growth(%)				
總出口 Total exports	-8.6	-7.8	4.7	10.7
總進口 Imports	-7.2	-5.7	1.4	7.1
三、消費物價 Consumer Price				
綜合消費物價升幅 (%) Change in Composite CPI(%)	1.9	2.1	2.2	1.9
四、零售市場 Retail market				
零售額同比升幅 (%) Change in value of total sales YoY(%)	-0.9	16.2	-6.9	-7.6
五、訪港遊客 Visitors				
總人數 (萬人次) Total arrivals(10 thousands)	60.5	3,400.0	306.2	3,258.9
年升幅 (%) YoY change(%)	561.5	5,523.8	10.5	39.7
六、勞動就業 Employment			2024/7-2024/9	2024/8-2024/10
失業人數 (萬人) No. of unemployed(10 thousands)	16.3	11.3	12.0	12.1
失業率 (%) Unemployment rate(%)	4.3	2.9	3.0	3.1
就業不足率 (%) Underemployment rate(%)	2.3	1.1	1.2	1.1
七、住宅買賣 Domestic property sales and price index			2024/8	2024/9
合約宗數 (宗) No. of agreements	45,050	43,002	3,654	2,848
住宅售價指數 (1999=100) Domestic price index	369.7	337.4	292.8	287.9
八、金融市場 Financial market			2024/9	2024/10
港幣匯價 (US\$100=HK\$) 期末值	780.8	781.1	777.0	777.3
HKD exchange rate (US\$100 = HK\$), end of period				
銀行體系收市總結餘 (億港元) 期末值	962.5	449.5	478.0	447.3
Closing aggregate balance(HKD 100million), end of period				
銀行總存款升幅 (%)	1.7	5.1	5.8	-
Change in total deposits(%)				
銀行總貸款升幅 (%)	-3.0	-3.6	-2.1	-
Change in total loans & advances(%)				
最優惠貸款利率 (%) 期末值	5.6250	5.8750	5.6250	5.6250
Best lending rate (%), end of period				
恒生指數 Hang Seng Index	19,781	17,047	21,134	20,317