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中國銀行 香港金融研究院
BANK OF CHINA Hong Kong Financial Research Institute
http://www.bochk.com

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

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

Policy Address Emphasises Deepening Reform and Systemic Planning for Long-term Economic Development

Wilson Chong, Senior Economist

The Chief Executive John Lee Ka-chiu delivered his fourth Policy Address on 17 September 2025 under the theme *"Deepening Reforms for Our People and Leveraging Our Strengths for a Brighter Future"*. Coinciding with the conclusion of the National 14th Five-Year Plan and the formulation of the 15th Five-Year Plan, this year's Policy Address highlights long-term planning and systemic deployment, aiming to formulate a more comprehensive development strategy for Hong Kong's economy. Among the broad range of initiatives, this article focuses on four major policy directions: (1) accelerating the development of the Northern Metropolis to lay the foundation for the "finance-innovation and technology (I&T)" dual-engine strategy; (2) further promoting finance, and I&T as new drivers for industrial upgrading and diversification; (3) deepening international engagement by shifting from "bringing in" to "going global" to capture opportunities amid a reshaping of the global economic order; and (4) strengthening population and talent policies to build long-term competitiveness and growth momentum for Hong Kong.

I. Northern Metropolis: From Blueprint to Construction Map

Since its introduction in 2021, the Northern Metropolis Development Strategy has been regarded as a key growth engine for Hong Kong's future economy. The 2025 Policy Address places the relevant chapter under the third part of the report, underscoring its strategic importance in Hong Kong's overall economic layout. **At the decision-making level,** the Committee on Development of the Northern Metropolis Committee chaired by the Chief Executive will be established, supported by three working groups — on Devising Development and Operation Models, on Planning and Construction of the University Town, and on Planning and Development. These groups, respectively led by the Financial Secretary, the Chief Secretary for Administration, and the Deputy Financial Secretary, will oversee the design of the development and operational model, the planning and construction of the University Town, and end-to-end management of planning and implementation. The two task forces led by the Financial Secretary and the Chief Secretary for Administration will focus on industrial development strategies, while the one chaired by the Deputy Financial Secretary will coordinate among bureaux responsible for planning, works, transport, environmental protection, and housing. The new top-level governance structure aims to enhance coordination, flexibility, and inter-departmental efficiency, expediting the development of industries, financing, and operational models within the four major zones of the Northern Metropolis. **On the institutional innovation side,** the Government emphasises a "removing barriers and easing restrictions" approach to establish a more streamlined and flexible administrative framework for the Northern Metropolis development. Key measures include a fast-track processing system, multi-phase development models, flexible land-grant arrangements, and land premium assessments based on actual floor area and usage, forming a results-oriented system that shortens the time between planning and implementation, reduces investment costs, and facilitates the adoption of advanced construction technologies from the Mainland and overseas. In addition, the Government plans to introduce dedicated legislation for the Northern Metropolis, authorising the establishment of statutory industry park companies and providing them with dedicated channels for funding. Compared with the current public works funding approach, the new mechanism is more aligned with market practices, increases flexibility in funding deployment, and helps avoid delays to projects arising from funding procedures. As the Northern Metropolis moves from vision to concrete construction, sustained institutional innovation and effective inter-departmental coordination will be key to expediting the delivery of major projects.

II. I&T: Dual Engines Driving Industrial Upgrading

The integrated development of finance, and I&T is central to Hong Kong's economic transformation and industrial upgrading. Finance provides capital and an enabling environment for innovation, while I&T offers new applications and market opportunities for finance — forming a mutually reinforcing cycle. The Policy Address not only consolidates Hong Kong's position as an international financial centre but also focuses on building a favourable ecosystem for emerging industries to thrive.

On the financial side, the policy direction aims to build a comprehensive and diversified asset and market ecosystem. Key initiatives include: strengthening the stock market, developing a world-leading bond market and an active money market, expediting the establishment of an international gold trading market, and promoting risk management, asset management, green and sustainable finance, as well as fintech. These efforts seek to integrate various market segments into a multilayered, cross-asset financial system. Taking the bond market as an example, the Government is promoting the wider use of offshore Chinese Government Bonds as eligible collateral across clearing houses, further enriching the application scenarios of RMB-denominated assets. At the same time, it is expediting the establishment of an international gold trading market, developing a regional gold reserve hub and a centralised clearing system for gold, and planning to enhance connectivity with the Shanghai Gold Exchange — which will in future enable a higher degree of mutual recognition and collaboration in pricing, trading and settlement. These initiatives not only facilitate the development of individual segments of Hong Kong's financial markets, but also strengthen the city's role as the offshore RMB business hub. As the breadth and depth of Hong Kong's financial markets continue to expand, the city's multi-layered structure helps attract more capital inflows from both the Mainland and overseas. A more mature market will promote more efficient circulation and allocation of funds across financial segments, and extend the duration of capital retention in Hong Kong. In this way, Hong Kong serves as a "reservoir" and "distribution hub" for regional capital flows. Longer capital retention naturally increases demand for diversified investment products, benefiting both HKD- and RMB-denominated assets, and driving the synergistic development of equities, bonds, gold, and wealth management businesses — thereby forming a virtuous cycle.

On the I&T front, the Government aims to build a complete industrial and innovation ecosystem. It will introduce packages of preferential policies — including tax incentives, land grants, and financial subsidies — to attract high value-added industries and promising I&T enterprises such as those in artificial intelligence (AI), and to promote the commercialisation of R&D outcomes. Meanwhile, Hong Kong will pursue the strategies of *"industries for AI" and "AI for industries"*, deepening the integration between technology and industry to enhance overall productivity. Given Hong Kong's position as an international financial and professional services hub, the city is well placed to serve as an ideal testing and application platform for AI, spanning finance, law, healthcare, smart city development, construction engineering, public management, and meteorological forecasting. The Government's strategy of *"strengthening infrastructure and the application-oriented approach"* aligns closely with Hong Kong's advantages, enabling research to be more effectively translated into commercial and industrial value. The Policy Address also highlights the nurturing of strategic emerging industries — such as life and health technology, new energy, and data science — shifting Hong Kong's innovation landscape from "point-based support" to cluster-based development. This focused rather than fragmented approach helps create economies of scale and strengthens Hong Kong's competitiveness in the global innovation value chain. If implemented in coordination with Greater Bay Area (GBA) cities, the preferential policies package can minimise duplication, ensure complementarity, and generate stronger regional synergies within the innovation ecosystem.

III. International Engagement: From "Bringing In" to "Going Global"

With the restructuring of global trade and supply chains, Mainland enterprises have significantly accelerated their pace of internationalisation in recent years, shifting their strategic focus from a single market to diversified global deployment. This trend is also driven by the growing competitiveness of Mainland enterprises — many of which possess strong technological capabilities and capital strength — as they actively expand into overseas markets and pursue higher positions along global value chains. As China's most open and internationalised city, Hong Kong is well placed to play a pivotal role in this new wave of Mainland enterprises "going global". This year's Policy Address emphasises that while Hong Kong has traditionally focused on "bringing in" investment, future opportunities will hinge more on "going global". To this end, the Government will establish the Task Force on Supporting Mainland Enterprises in Going Global, which will proactively attract Mainland enterprises to use Hong Kong as their platform for overseas expansion. The Task Force, coordinated by the Commerce and Economic Development Bureau, will integrate the resources of Hong Kong's overseas offices, including those under InvestHK and the Hong Kong Trade Development Council. It will serve as a cross-bureau, cross-departmental, and cross-agency one-stop support platform for Mainland enterprises. In addition, the Hong Kong Monetary Authority (HKMA) will encourage banks — particularly Mainland banks — to establish regional headquarters in Hong Kong to use the city's financial platform as a springboard for expanding into Southeast Asia, the Middle East and other markets. The Government will also study the enhancement of tax concession measures to attract more Mainland enterprises to set up corporate treasury centres in Hong Kong. The strategic significance of these initiatives lies not only in assisting Mainland enterprises in expanding their global reach but also in deepening Hong Kong's functional role within China's high-level opening-up framework. First, the establishment of the Task Force allows Hong Kong to consolidate dispersed promotional and support resources across various departments into a unified platform, thereby enhancing policy coordination and achieving a shift from passive facilitation to proactive engagement. Second, leveraging its strengths in internationalised legal systems, financial infrastructure, and professional services, Hong Kong can provide enterprises with full-chain support in financing, settlement, risk management, tax planning, and compliance auditing, reinforcing its dual role as a "super-connector" and a "super value-adder." Third, as more Mainland enterprises establish regional headquarters and corporate treasury centres in Hong Kong, this will help foster a synergistic ecosystem linking corporate headquarters, professional services, and financial support, further consolidating Hong Kong's position as a global financial and commercial centre. From a longer-term perspective, the "going global" strategy represents a new phase of Hong Kong's participation in globalisation. The city's role will evolve from serving merely as a conduit for inbound capital under China's opening-up to becoming a hub for assisting Mainland enterprises in global capital allocation, technology promotion, and brand building.

IV. Population and Talent: Building Long-Term Growth Momentum

Population structure and talent supply are the foundational drivers of economic growth and industrial transformation. Hong Kong's birth rate remains persistently low, and the challenge of an ageing population has become prominent, with labour shortages now constituting a structural issue. According to the *2023 Manpower Projection Report* released in November 2024, the overall manpower shortage is expected to reach about 180,000 by 2028, particularly among skilled technical workers. To address this, the Government is pursuing a forward-looking policy framework across various dimensions including fertility support, talent attraction, and education development. **On fertility policy,** the Government has shifted towards active support, launching in 2023 a package of pro-birth measures, including tax incentives, a newborn baby bonus, and priority schemes for public rental housing allocation and Home Ownership Scheme flat selection. This year's Policy Address further strengthens these measures by extending the double child-allowance period to two years, expanding day-care and after-school care capacities, introducing dedicated service counters for pregnant women, and removing the statutory storage limit for self-use gametes and embryos. Through a mix of tax incentives and enhanced public facilities, these measures aim to improve the parenting environment and stabilise the long-term population and labour supply. **On talent attraction,** the Government has actively implemented multiple admission schemes, successfully drawing over 230,000 talents to Hong Kong between late 2022 and August 2025. Hong Kong rose from 9th to 4th place in the *IMD World Talent Ranking 2025*, the city's highest and the best in Asia, reflecting international recognition of its talent policies. Given that fertility measures yield long-term results, sustained economic vitality in the short term will continue to rely on talent inflow. The Policy Address emphasises that the Government will further enhance talent retention — including improving the quality of living environment, housing affordability, healthcare, transport, and education — to encourage more professionals to settle and develop long-term careers in Hong Kong. The Policy Address notes that the Government will continue to implement talent admission policies, which will help maintain a stable labour force in the short term and sustain economic growth momentum. **On education,** the Policy Address raises the admission cap for non-local students in University Grants Committee (UGC)-funded institutions from 40% to 50% of local student numbers starting from the 2026/27 academic year, while the over-enrolment ceiling of self-financing places of funded research postgraduate programmes will be increased from 100% to 120%. These measures help attract more outstanding Mainland and overseas students to Hong Kong, expand the talent pipeline, and enhance the internationalisation and research collaboration of local universities — fostering long-term innovation and talent development. Furthermore, the new Innovation and Technology Talents Exchange Scheme for Industry and Academic Sectors encourages university professors to participate in corporate R&D to better understand industry needs, while inviting senior executives and technical experts from technology enterprises to engage in teaching and curriculum design. This will strengthen the connection between education and industry demand, ensuring that educational resources are effectively directed toward cultivating practical, innovation-driven talent aligned with Hong Kong's economic transformation. In summary, Hong Kong's population and talent policies aim to sustain economic momentum in the short term through talent admission schemes, while in the longer term enhancing the population structure and the quality of human capital by encouraging childbirth and improving the education system. Looking ahead, the key to sustaining Hong Kong's vitality lies in improving both livability and professional attractiveness — ensuring that inbound talent chooses to stay, local families feel encouraged to raise children, and education and industry are more closely aligned to achieve a mutually reinforcing cycle of talent development and economic growth.

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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.

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主要經濟指標 (Key Economic Indicators)

一、本地生產總值 GDP	**2023**	**2024**	**2025/Q1**	**2025/Q2**
總量(億港元) GDP(HKD 100million)	29,010	29,729	7,997	7,852
同比增長率(%) YoY change(%)	3.3	2.5	3.1	3.1
二、對外商品貿易 External merchandize trade			**2025/8**	**2025/1-6**
外貿總值(億港元) Total trade(HKD 100million)				
總出口 Total exports	45,317	41,774	4,366	33,373
總進口 Total imports	49,275	46,450	4,620	35,806
貿易差額 Trade balance	-3,958	-4,676	-254	-2,433
年增長率(%) YoY Growth(%)				
總出口 Total exports	-8.6	-7.8	14.5	13.0
總進口 Total imports	-7.2	-5.7	11.5	13.0
三、消費物價 Consumer Price				
綜合消費物價升幅(%) Change in Composite CPI(%)	1.9	2.1	1.1	1.5
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	3.8	-1.9
五、訪港遊客 Visitors				
總人數(萬人次) Total arrivals(10 thousands)	60.5	3,400.0	515.3	3,317.9
年升幅(%) YoY change(%)	561.5	5,523.8	15.7	12.4
六、勞動就業 Employment			**2025/6-2025/8**	**2025/7-2025/9**
失業人數(萬人) No. of unemployed(10 thousands)	16.3	11.3	15.1	15.6
失業率(%) Unemployment rate(%)	4.3	2.9	3.7	3.9
就業不足率(%) Underemployment rate(%)	2.3	1.1	1.6	1.6
七、住宅買賣 Domestic property sales and price index			**2025/7**	**2025/8**
合約宗數(宗) No. of agreements	45,050	43,002	5,766	5,291
住宅售價指數(1999=100) Domestic price index	369.7	337.4	288.1	288.5
八、金融市場 Financial market			**2025/8**	**2025/9**
港幣匯價(US$100=HK$)期末值 HKD exchange rate (US$100 = HK$), end of period	780.8	781.1	779.7	778.2
銀行體系收市總結餘(億港元)期末值 Closing aggregate balance(HKD 100million), end of period	962.5	449.5	540.6	542.1
銀行總存款升幅(%) Change in total deposits(%)	1.7	5.1	8.7	-
銀行總貸款升幅(%) Change in total loans & advances(%)	-3.0	-3.6	1.0	-
最優惠貸款利率(%)期末值 Best lending rate (%), end of period	5.6250	5.8750	5.1250	5.1250
恒生指數 Hang Seng Index	19,781	17,047	25,078	26,856