

## **Press Release**

### **IMF commends Hong Kong's strong buffers and robust policy frameworks**

Wednesday, November 29, 2017

An International Monetary Fund (IMF) Staff Mission has commended the Hong Kong Special Administrative Region (HKSAR) in its latest assessment, which states that Hong Kong is well placed to navigate through challenges given its strong buffers and robust policy frameworks, including ample fiscal reserves, strong financial regulatory and supervisory frameworks, and the Linked Exchange Rate System (LERS).

The assessment was made in the Concluding Statement of the IMF Mission published today (November 29), following the 2017 Article IV Consultation with the HKSAR.

The Financial Secretary, Mr Paul Chan, said, "I welcome the IMF's reassuring forecast for Hong Kong and reaffirmation of our strong buffers and robust policy frameworks.

"As set out in the Chief Executive's 2017 Policy Address, the Government will actively enhance its role in boosting economic vibrancy and in promoting economic growth. Sustainable economic development, coupled with our strong fiscal reserve, will provide the Government with adequate resources for providing enhanced services and investing in the future.

"With the Mainland continuing to be the growth engine of the world, the rolling out of the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Bay Area development, in which Hong Kong plays a unique role, and the new and continuous impetus to be injected into the economy by the Government in its new proactive role, I have every confidence that Hong Kong's economic growth will continue to gather strong momentum."

The Chief Executive of the Hong Kong Monetary Authority, Mr Norman Chan, said, "I welcome the IMF's continued support for the LERS, which is an anchor of stability for Hong Kong's economy. I am glad to note the IMF's recognition of our robust regulatory and supervisory frameworks for banks, which have built up strong capital buffers and ample liquidity, well above international standards, with strong asset quality. I am also pleased to note the

Mission's support for our work in capturing opportunities arising from the infrastructure financing and Fintech space, as well as in building stronger financial ties with Mainland China."

The Mission notes that Hong Kong's economy has gathered momentum, with real gross domestic product projected to grow at 3.5 per cent in 2017, amid robust domestic demand and recovering external demand. The balance of risks has improved since last year, with the key risks being a disorderly housing market adjustment, tighter-than-expected global financial conditions, disorderly adjustment in the Mainland, and a shift toward inward-looking policies, including protectionism, in many advanced economies. The Mission assesses that the strong policy frameworks and ample buffers that Hong Kong has built and strengthened over the last decade will help weather these challenges.

The Mission assesses that the current fiscal stance of the Government is appropriate, and the financial system of Hong Kong is well placed to cope with the challenges ahead. Potential systemic vulnerabilities and regulatory arbitrage are closely monitored and addressed. Banks have ample loss-absorption buffers and limited vulnerability to short-term funding. Mainland-related exposures are manageable. The Mission welcomes the authorities' continued strengthening of the regulatory and supervisory framework, which is crucial for maintaining financial stability.

The Mission supports Hong Kong's continued efforts to tap new opportunities as a global financial centre. Hong Kong is well positioned to contribute to, and benefit from, the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Bay Area development. The Mission welcomes the Government's support for Fintech development and the Hong Kong Monetary Authority's establishment of the Infrastructure Financing Facilitation Office and the Fintech Facilitation Office, which will help enhance Hong Kong's role as a key global financial centre.

The Mission reaffirms its continued support for the LERS, commenting that it is the best arrangement for Hong Kong and anchors the stability of Hong Kong's highly open economy with its large and globally integrated financial sector. The link to US dollar is appropriate as Hong Kong's economic cycles and financial conditions are, to a large extent, influenced by the United States and the global economic or financial environment.

The Mission visited Hong Kong from October 23 to November 3 for the 2017 Article IV Consultation with the HKSAR. It held discussions with Government officials, regulators and private sector representatives. The Concluding Statement is attached at the Annex. The full report of the Article IV consultation will be discussed by the IMF Executive Board in January 2018.

Ends