

## **Executive Counsel Limited**

### **Political Risk Report No.12: Political Aspects of the 2022-23 Budget**

While many countries are already loosening their measures with COVID-19, Hong Kong and Mainland China are adhering to zero Covid. In the past month, Hong Kong has been badly hit by the Omicron variant.

Today's 2022-23 Hong Kong Budget, responding within the framework of these strictures, aims to support households and reassure businesses with a positive outlook of the economy in this tough period. The Financial Secretary, Paul Chan mentioned that Hong Kong is expecting a fiscal surplus this fiscal year, after experiencing a fiscal deficit for the past two years. Furthermore, he shares optimism about the future of Hong Kong's economy, expecting that the fiscal reserve will "rebound to over \$1 trillion" during the next five years.

Having listened to Chan's Budget today, Executive Counsel upholds the comment we made with regard to his previous one. That is, Chan's presentation of strategic future directions for the Hong Kong economy makes it more than just a financial plan of the coming fiscal year. Not only the delivery of vision, the length and breadth of the Budget are also indicative of its going beyond the convention and even the boundary of a Budget. Comparing today's Budget with those prior to 2021, today's comprises the widest scope, including the greatest number of industries and extending to a larger extent on Hong Kong's social and cultural development, normally the domain of a Chief Executive. The Budget, being very different from an ordinary bean counter's Budget speech, resembles a Policy Address or mini election manifesto.

In the coming fiscal year, measures such as salary tax and profits tax reduction, rates concession for domestic and non-domestic properties, consumption vouchers and more are deployed. These immediate benefits target not only grassroots and lower middle classes, but also SMEs and larger businesses. By releasing such measures, the general public and SMEs would feel that Chan has empathy towards them, and hence, he could gain support from the public and the business sector, small and large. All such measures could serve as critical election constituents.

In the concluding remarks, Chan veils mild criticism of the past, and mentions the imbalanced economic development and resources allocation, and the lack of opportunities to younger generations in Hong Kong. This may suggest an attempt to distance from previous leaders. Moreover, his repetition of a bright vision for the future of Hong Kong with the next administration and support of the Chinese government may even hint at support from Beijing, and an aspiration for a different role. Going forwards, we shall see more significant moves by candidates for the next CE. Irrespective of all candidates' intentions, the decision of the new CE will fall to Beijing.

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