

**Commission on Strategic Development
Committee on Economic Development and
Economic Cooperation with the Mainland**

2007-08 Budget Consultations

Purpose

The Government is now consulting various sectors on the 2007-08 Budget. To facilitate discussion, this paper gives a brief account on Hong Kong's economic and Government's financial profile, and invites Members to give views and suggestions on the 2007-08 Budget. We will take all advice into account when drawing up the Budget.

Economic Position and Prospect

2. The economy of Hong Kong continues to expand and the Government has restored fiscal balance in both the Operating and Consolidated Accounts in 2005-06. These are hard-won achievements. We should however bear in mind that Hong Kong is an externally-oriented economy and thus highly susceptible to external uncertainties, such as fluctuations in oil prices, possible slowdown in economic growth in the US, movement of Renminbi and economic situation of the Mainland, Europe, the US and Japan. We are faced with many challenges, such as the need to continually upgrade the quality of human resources, economic restructuring and labour mismatch, ageing population and environmental pollution problems, etc. All these challenges will put government finances under pressure.

3. To maintain Hong Kong's competitiveness, we should capitalise on our advantages and enhance the competitive edge of our major industries so as to promote economic development and increase employment opportunities. We should be alert to the challenges ahead. When formulating our economic development and fiscal policies, we should address these challenges with the best interests of our community at heart.

Advice Sought

4. We welcome members' advice and suggestions on the 2007-08 Budget, including how to promote Hong Kong's economic development and maintain a robust and sustainable fiscal system. To facilitate discussion, an information pack giving backgrounds on Hong Kong's economic positioning and prospects, public finance policy and government financial position is attached to this paper.

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