

LCQ21: Residential mortgage rates

Following is a question by the Hon Edmund Wong and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (February 23):

Question:

There are comments that with the United States Federal Reserve expecting the interest rates of the United States to enter an up cycle this year, the interest rates of Hong Kong will inevitably be affected. Once residential mortgage rates rise, it will, to a certain extent, affect or even deal a blow to millions of homeowners in Hong Kong. In this connection, will the Government inform this Council:

(1) whether it knows the highest, lowest and average monthly interest rates for new residential mortgage loans approved by banks and authorized financial institutions from 2007 to 2021; and

(2) whether it has projected the changes in interest rates for new residential mortgage loans to be approved by banks and authorized financial institutions in the coming three years; if so, of the details; if not, the reasons for that?

Reply:

President,

Having consulted the Hong Kong Monetary Authority (HKMA), my reply to the question is as follows:

(1) and (2) The HKMA estimates the average interest rate on new mortgage loans approved in a certain month using data concerning authorized institutions covered in the monthly Residential Mortgage Survey. The table below sets out the average interest rates on new mortgage loans approved between 2007 and 2021:

Year	Average Mortgage Interest Rate (%)
2007	5.08
2008	3.03
2009	1.92
2010	1.18
2011	1.83
2012	2.36
2013	2.27
2014	2.00

2015	1.95
2016	1.89
2017	1.92
2018	2.27
2019	2.45
2020	2.08
2021	1.51

Note: The HKMA does not collect information on the highest and lowest mortgage interest rates.

Under the Linked Exchange Rate System, the levels of the Hong Kong dollar interest rates will generally follow those of their US dollar counterparts, alongside the US interest rate hike-cycle. However, considering that the pace of monetary policy tightening by the US Federal Reserve and the outlook for the US interest rates are still subject to uncertainties, and the fact that the levels of domestic interest rates are subject to changes in the supply of and demand for Hong Kong dollar in the local markets, the HKMA does not have specific estimates of the local mortgage interest rates for the coming three years. At a macro level, a large proportion of the residential mortgage loans are currently priced with reference to the Hong Kong dollar interbank interest rates. In view of the ample liquidity of the Hong Kong banking system with the Aggregate Balance of around HK\$350 billion, it is expected that the Hong Kong dollar interbank rates will not increase at a rapid pace.