

## Transcript of remarks by FS at media session (with video)

Following is the transcript of remarks by the Financial Secretary, Mr Paul Chan, at a media session after attending the "Voices from the Hall – Budget Consultation" forum organised by Radio 1 of Radio Television Hong Kong today (January 5):

Reporter: Secretary, is cash handout one of the options, things that are considering for the upcoming Budget and on the loan-to-value ratio, could you also talk about the basket of considerations, the judging criteria for you to decide this is the right time to adjust the loan-to-value ratio. I also want to ask about what's going on in market, the global economy right now, because we are having the US-China trade talks coming up next week and also last night the US Fed Chair indicate more dovish tone on its rate hike policy, do you think these factors will bring you more positive assessment on Hong Kong's economy for this year? Thank you.

Financial Secretary: You have asked three questions. Let's take the macro one first. This year, 2019, is a very challenging year because there are a lot of uncertainties. What you have cited, the trade conflict between China and the United States, was escalating at one time and causing a lot of worries, affecting investment decisions and the financial markets. Ever since the meeting between President Xi and President Trump in early December last year, the two countries have been engaging in discussion. The final outcome of the discussion is yet to be known, and we need to monitor the situation continuously. A positive expectation is natural, but we must also recognise these conflicts between the two countries maybe deep-rooted and structural; so it may not be on trade alone. Going forward, I guess there is bounded to be ups and downs. We need to remain vigilant. As to the US interest rate normalisation, there are recent comments by the Fed Chair, Mr Powell (the Chairman of the Board of Governors of the Federal Reserve System, Mr Jerome Powell), but we also need to monitor closely the economic data to be released from time to time in the US, which in a way also influences Fed's decision as to when and to what extent interest rate is to be heightened. So I think it would be too early to say that the recent messages convey a very positive tone and we can be relaxed about the economic outlook for this year. What we need to do is to continue to be vigilant and get ourselves prepared.

As to your second question, which is about the mortgage ratio with respect to residential properties. Over the past years, we have heard proposals to the government urging for relaxation of mortgage ratio, citing the difficulties experienced by some people in Hong Kong that although they can afford the mortgage repayment, they may not be able to come up with the upfront down payment for acquiring a property. We are conscious of this appeal and are also very sympathetic. In the past, we have been very careful not to change this requirement lightly, fearing that any untimely relaxation may cause the market to go up further or fueling the market.

Over the past few months, we have been monitoring the property market very closely. The market is adjusting orderly. In considering whether and when to relax the mortgage ratio, we need to consider a basket of factors which include the downward adjustment in property price and also the pace of such adjustment, plus the (narrowing) premium between first-hand property price and secondary market property price in the vicinity. We are also monitoring the transaction volumes, that is how active the market is. We are also looking at macro-economic situation as well as the short-term supply of properties. We want to find a right timing that if there is any such relaxation, it would not be mistaken by the public as to the intention of the government.

Reporter: The same issue for the \$4,000 cash handout. There is a listener commenting recently on facebook just now that, why there are some restrictions on these handout, also the procedures are very complicated. Also this is the same issue, why did it come so late the cash handout? Also for your upcoming budget speech, is there going to be any focus on redistributing the income to reduce inequality in the city?

Financial Secretary: Thank you. For the \$4,000 cash handout, the overriding principle is that in the last Budget, we hoped (every) Hong Kong people could at least have a benefit of \$4,000 from the various measures announced in the Budget.

Last year, we announced rates relief and salaries tax rebate. We recognised that certain quarters in the community would not be able to benefit from salaries tax rebate or rates concession. Or even if they are benefiting from those, the aggregate amount is small. So the guiding principle is that each and every one of them would be able to get at least \$4,000. So if you get the principle right, then you would understand that the procedure is not a restriction. It is to make sure there is no over claiming. We also want to make the procedure as simple as possible but the relevant government departments need to get the preparation in place and it has taken some time.

Reporter: Any cash handout into consideration for the upcoming Budget?

Financial Secretary: The surplus this year is far less than that of last year. When we announced the \$4,000 cash handout last year, it is a targeted approach seeking to address those who would not be able to benefit from the salaries tax rebate as well as rates concession. The situation this year is very different because the budget surplus is much smaller compared to that of last year. In the meantime, we are listening to different views. We still have a couple of weeks to go. We need to take into full consideration the various suggestions given to us before we can come to a view.

(Please also refer to the Chinese portion of the transcript.)