

Transcript of remarks by FS (with photos/video)

Following is the transcript of remarks by the Financial Secretary, Mr Paul Chan, at a media session after attending a radio programme this morning (February 29):

Reporter: Secretary, I mean, some people are calling for a relaxation of property cooling measures, fearing that there would be a re-happening of what happened after SARS, that there will be a huge slump in the property prices. Would you think that would happen again? And second question is regarding ministers donating your wages. Is it as that reporter has suggested or Regina Ip has suggested – some ministers are not willing to deduct your salary and that's why it's, well, better to maybe donate just one month? And why Community Chest and not other organisations? Some say, shouldn't the money be given to medics who need the most help right now?

Financial Secretary: In considering the way to let our people know that we are willing to ride through this difficult period with them, we thought there are many different ways of doing it. Reducing our monthly salary is one way; making a donation to a charitable organisation is another. We choose the latter because we thought that by donating the salary to a charitable organisation, we would be able to help, although in a very small way, those citizens who are suffering hardship. We chose Community Chest because it is a neutral organisation, and also the Secretary for Labour and Welfare has liaised with the Community Chest to ask them to arrange for the whole amount of donation to be distributed to those (worthy) organisations without any deduction.

As to your question about property market cooling measures, we have heard the appeals from some quarters of the community. We have been monitoring the property market very carefully over the years, and in particular over the past 18 months. It seems that this is not the right moment to do any relaxation. We do not want the market to misinterpret the message of the Government, and we certainly do not want to see speculative activities in the property market.

Your question about comparing the current property market situation with that during the SARS period – the environments are very different. At that time, back in 1997, in one single year the number of transactions was as high as about 160,000 transactions. In recent years, after the additional cooling measures introduced back in 2013, the yearly transactions have been in the order of close to 60,000 only. So the number of buyers rushing into the market at all-time peak was comparatively small, hence the happening of negative equity would not be in a similar situation as before if there were a downward adjustment in the market. Also, at that time the mortgage ratio was quite generous, usually 80 to 90 per cent. But now the mortgage ratio is more stringent, and for new property mortgage, the mortgage ratio is less than 50

per cent (of the property value). So if there were a downward adjustment in the property price, the occurrence of negative equity would be much smaller. Thirdly, the employment situation now and then was also different. At that time, the unemployment rate was as high as over 8 per cent; now it's about 3.4 per cent, although the unemployment rate unavoidably will go up. But the situation is quite different and we are working very hard trying to support our businesses in order to safeguard jobs. Also, the supply situation in the property market is very different. At that time there was a policy of 85,000 units a year, inclusive of both public and private housing. At that time, even, say for example, Home Ownership Scheme supply was high. But now, although we have been working very hard in terms of increasing land supply and housing supply, the excessive supply situation is non-existent. So, taking all these factors into consideration, we are of the view that a sharp, drastic, off-the-cliff type of downward adjustment in the property market is quite unlikely. But of course we need to remain very vigilant because both external and internal situations can change very quickly. We will continue to monitor the situation to decide on the appropriate next step.

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

