

The AFP View of the 2010/11 Hong Kong Budget

AFP Group has long been associated with helping clients understand the effects Hong Kong budgets may have on their personal circumstances, their business interests and Hong Kong society in general. This budget commentary is designed to give a summary of the 2010/11 Hong Kong budget delivered on February 24, 2010, by the Financial Secretary, Mr. John Tsang Chun-wah, and its implications.

Mr. Tsang is cautiously optimistic about Hong Kong's economic prospects for 2010. Whilst he described the financial tsunami triggered by the US sub-prime mortgage problem as being the most severe since World War II, whose shocks to the global economy were more profound than those experienced during the Asian financial turmoil in 1997 and 1998, Mr. Tsang indicated that the Hong Kong economy has recovered more quickly than during the Asian financial turmoil, despite its increased severity. By the fourth quarter of 2009, the Hong Kong economy resumed positive growth after four consecutive quarters of year-on-year contraction, and Mr. Tsang forecasted GDP growth of four to five per cent in 2010.

Although the Hong Kong economy is in the early stages of its recovery, Mr. Tsang warned that the road ahead may not be smooth. Specifically, he warned that whilst the European and US economies have returned to positive growth, their labour markets have yet to improve and their financial systems are still impaired. It remains uncertain what effects the end of the government stimulus measures will have on the global economy, although Mr. Tsang remains confident that the return to a stronger growth in the Mainland economy may offset the fragile economic recovery in overseas markets. However, in the short term, one of the main challenges facing Hong Kong is the risk of asset-price bubbles in the domestic property market.

Mr. Tsang reiterated the commitment of the Hong Kong Government to the principle of "Big Market, Small Government". The Hong Kong Government will not deviate from its fundamental belief that market mechanisms are the most effective way to raise the efficiency of the economy, and that it would be inappropriate for the Hong Kong Government to attempt to resolve unemployment and poverty through a large-scale redistribution of wealth. There will be no changes to the Hong Kong model of taxation and economic operation, which is to promote overall economic growth so as to provide opportunities for wealth creation. However, Mr. Tsang emphasized that a government that upholds market principles is by no means a ruthless government. The Hong Kong Government is committed to promoting economic development to benefit the community at large, not just a limited elitist group. - [Continue Reading](#)

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