

# **2015-16 Budget**

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## **Briefing for Legislative Council**

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**26 February 2015**

# Key Points of 2015-16 Budget

- **Promoting diversified development of industries**
- **Augmenting competitiveness of pillar industries**
- **Overcoming limitations on development**
- **Maintaining healthy public finances**

# Promoting Diversified Development

- **Start-ups**
  - To improve ecosystem for start-ups
  - To study financial technology
- **Social Enterprises (SEs)**
  - To support SEs and encourage greater participation by the commercial sector
- **Cultural and Creative Industries**
  - To nurture talent and create an atmosphere that inspires creativity

# Augmenting Competitiveness

- To seize the opportunities created by “One Belt One Road” and endeavour to move our industries up the value chain
- Trading and Logistics Industry: support the development of a three-runway system, to release reserved logistics site for the industry, to pursue trade agreements with other economies
- Tourism: to enhance tourist and other supporting facilities to attract high-spending visitors
- Business and Professional Services: to continue to promote trade liberalisation under CEPA, to promote Intellectual Property Trading services
- Financial Services: to expand offshore Renminbi business and asset management business, and to promote development of the bond market

# Overcoming Limitations

## Human Resources

- Professional training for targeted trades and industries
- More internship and exchange opportunities

## Sustainable Development

- A liveable environment to pool talent

# Overcoming Limitations (Cont'd)

## Land Resources

- To optimise land utilisation and increase land supply
- Housing Reserve to support public housing supply target
- Relocation of government offices to release commercial sites

## Ageing Population

- To encourage potential workforce to enter or re-enter the labour market
- To enhance healthcare services
- To earmark \$50 billion for improving retirement protection for elderly in need

# Maintaining Healthy Public Finances

- Containing expenditure: “0-1-1” envelope savings programme and more efficient use of resources
- Preserving revenue base: to review fees and charges and explore feasibility of broadening the tax base
- Saving up in a timely manner: to establish a Future Fund to be placed in long-term investments

# Economic Indicators

	2013 Actual	2014 Actual	2015 Estimate
GDP real growth	2.9%	2.3%	1%-3%
GPD nominal growth	4.7%	5.3%	2.5%-4.5%
Underlying CCPI	4%	3.5%	3%



# Targeted Support Measures

Measures to support sectors affected by the occupy movement –

- waive the licence fees for travel agents for six months
- waive the licence fees for hotels and guesthouses for six months
- waive the licence fees for restaurants and hawkers and fees for restricted food permits for six months
- waive the fees for vehicle examination once for the renewal of vehicle licences of commercial vehicles within a year

# Rebuilding confidence

Rebuilding international investors' and tourists' confidence –

- A new round of publicity launched by the Hong Kong Tourism Board
- Shopping festivals and overseas promotion fairs
- Visits to Hong Kong by overseas media and opinion leaders
- Promotional activities by Hong Kong representation overseas

# Relief Measures

- Reduce salaries tax and tax under personal assessment for 2014-15
- Reduce profits tax for 2014-15
- Waive rates for the first two quarters of 2015-16
- Extra allowance to recipients of Comprehensive Social Security Assistance, Old Age Allowance, Old Age Living Allowance and Disability Allowance
- Pay rent for lower income tenants living in the public rental units
- Increase child allowances

## **Support for Small and Medium Enterprises (SMEs)**

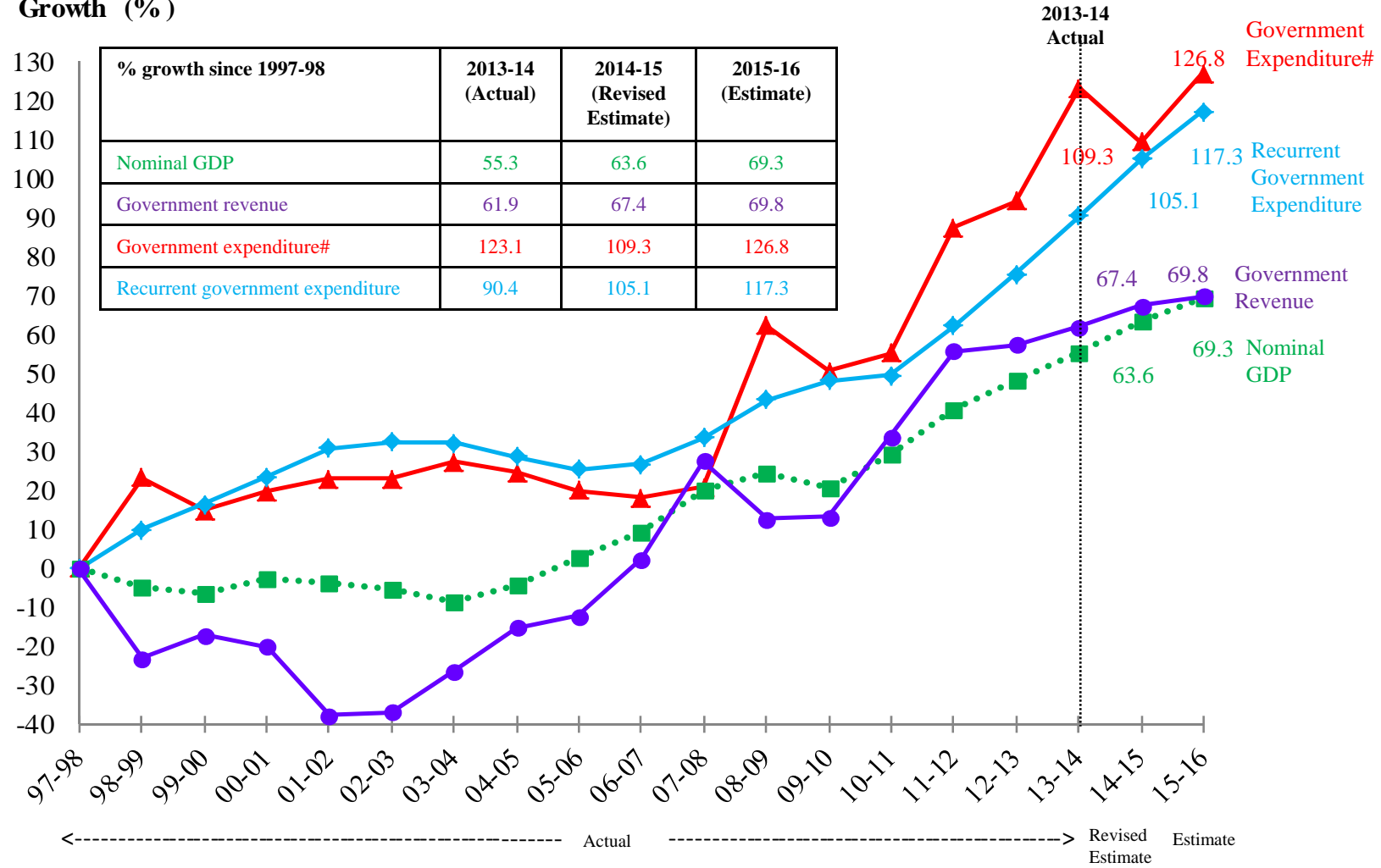
- To extend the application period for the special concessionary measures under the SME Financing Guarantee Scheme
- To inject funds into the SME Export Marketing and Development Funds
- To increase the maximum amount of funding support for each project under the SME Development Fund
- To expand the scope of the SME Export Marketing Fund

## 2015-16 Estimates

	<b>\$ billion</b>
Government revenue	477.6
Government expenditure	<u>(440.8)</u>
	36.8
Operating surplus	38.3
Capital deficit	(1.5)
	<u>36.8</u>
Forecast balance of fiscal reserves as at end-March 2016	856.3

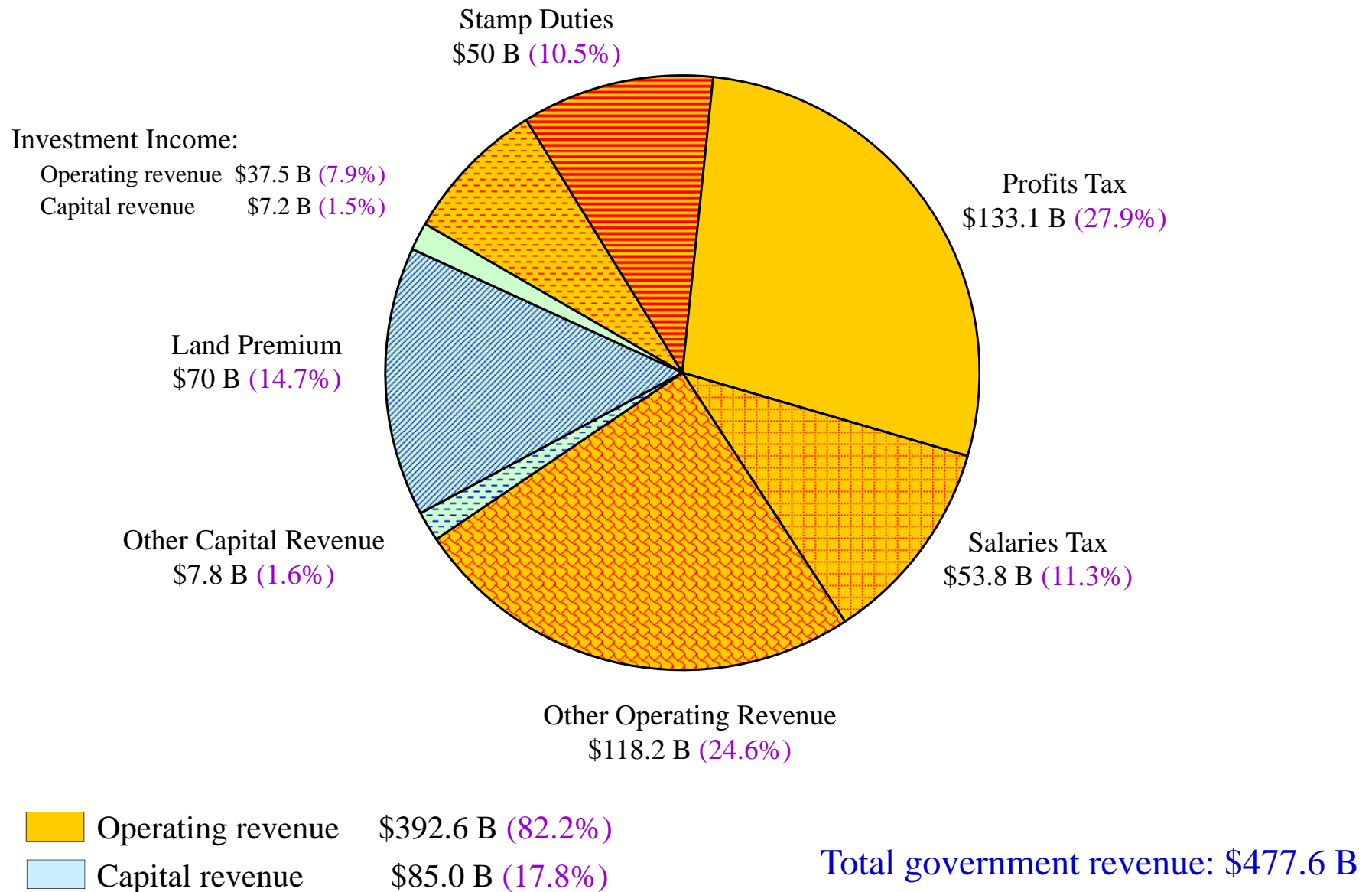
# Growth of Government Revenue, Expenditure and Nominal GDP

Cumulative Growth (%)

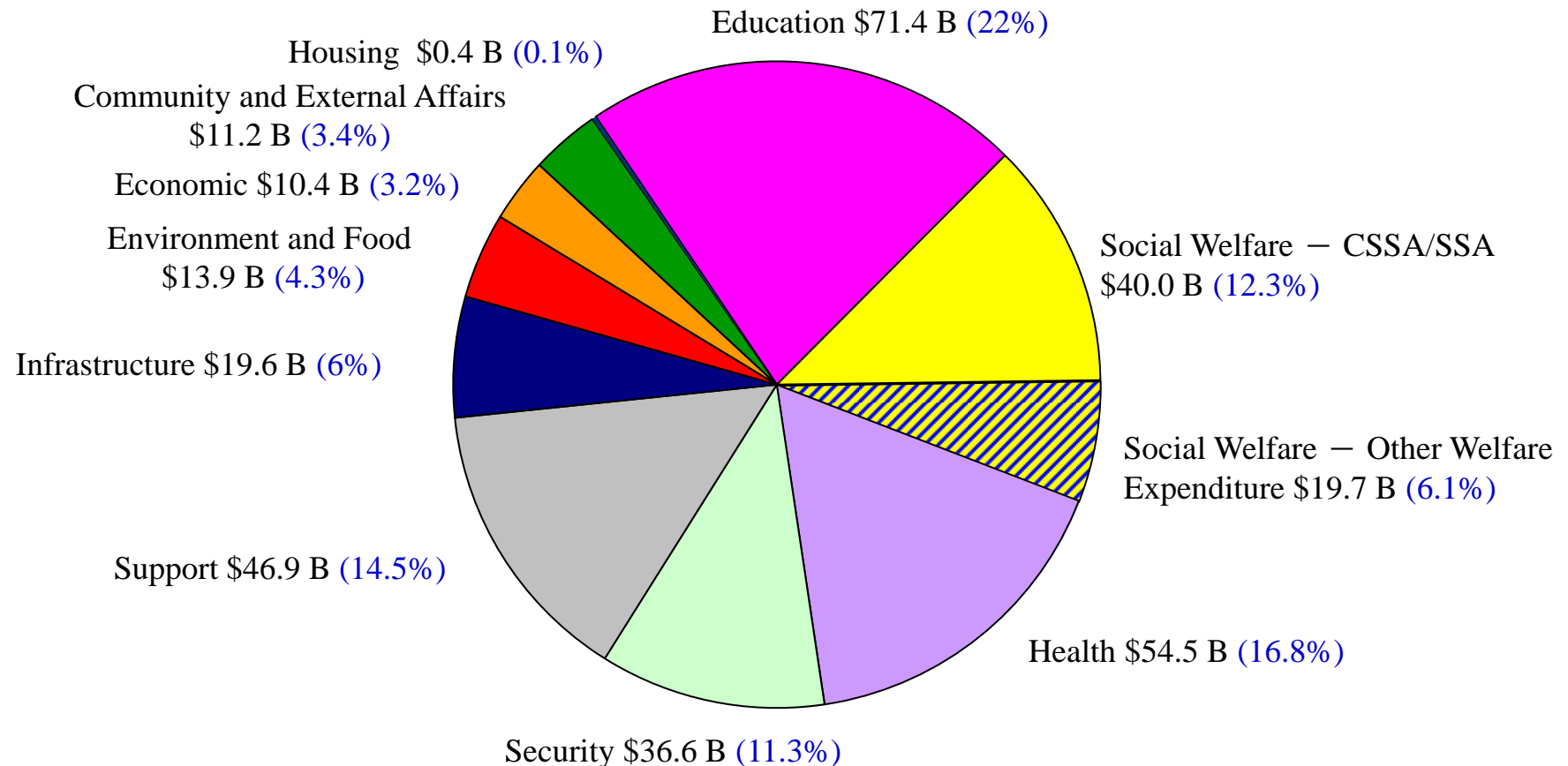


# Government expenditure includes repayment of bonds and notes.

# 2015-16 Revenue Estimates



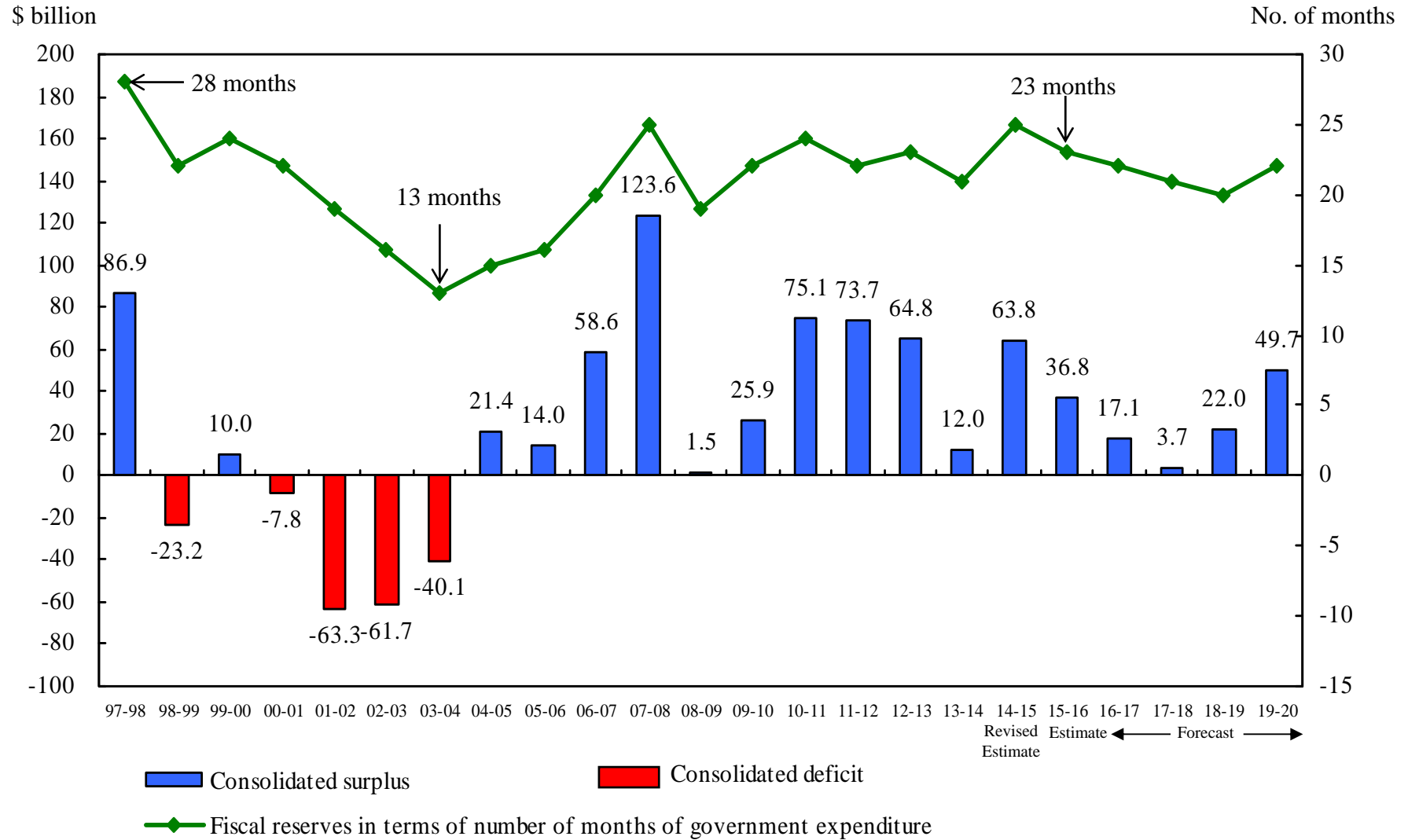
# 2015-16 Recurrent Expenditure Estimates



Recurrent government expenditure: \$324.6 billion (73.6% of total government expenditure of \$440.8 billion)  
 (Increase of 6% against 2014-15 Revised Estimate)



# Fiscal Reserves



# 2015 Medium Range Forecast

(\$ billion)	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Operating surplus	38.3	46.4	36.2	55.8	79.7
Capital deficit	(1.5)	(29.3)	(32.5)	(33.8)	(28.5)
Consolidated surplus after repayment of bonds and notes	36.8	17.1	3.7	22.0	49.7
Fiscal reserves	856.3	873.4	877.1	899.1	948.8
- in terms of number of months of government expenditure	23	22	21	20	22
- in terms of percentage of GDP	36.8%	35.8%	34.2%	33.4%	33.6%

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# Thank You

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