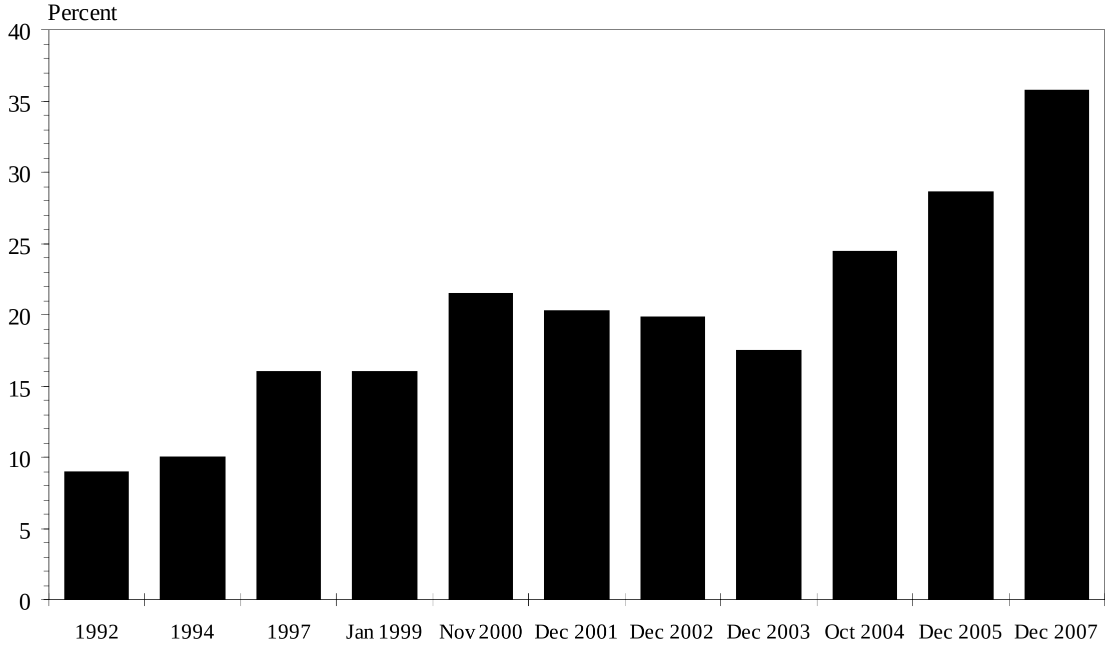
Box 4.1

Retail investors in Hong Kong

According to the "Retail Investor Survey 2007" conducted by the Hong Kong Exchanges and Clearing Limited (HKEx), as many as 35.7% of the adult population (or about 2.02 million individuals) were retail investors in stocks traded on the HKEx in 2007[1]. This more than doubled the share of about 16% in 1997.

Share of stock investors in adult population



Profile of stock investors

Further analysis of HKEx's survey data yielded the following observations about the characteristics of stock investors. Firstly, the distribution profile showed that the participation rate tended to be lower at both ends of the age spectrum. Specifically, for younger respondents aged 29 or below and the older ones aged 60 or above, their participation rates (i.e. the share of stock investors in the respective age groups) were estimated to be around 25% each. This was smaller than that of around 40% estimated for people in the age groups of 30-39, 40-49 and 50-59.

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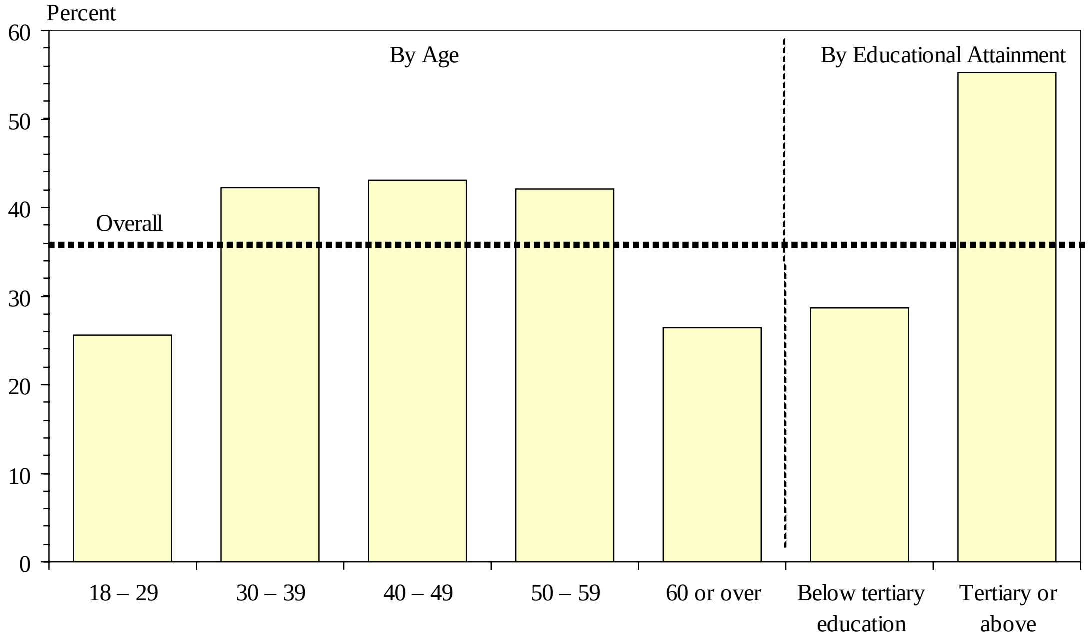
[1] "Retail investors in stocks" are defined as individuals who had traded stocks in the 12 months preceding the interview (also defined as "stock traders") or holding stocks at the time of interview. "Adult population" is defined to include individuals aged 18 or above in the Hong Kong population. Survey field work was conducted from 16 November 2007 to 15 January 2008.

Box 4.1 (Cont'd)

Another noteworthy point was that stock investors generally had higher-than-average income and educational attainment. Their median monthly personal income (among those who were engaged in full-time or part-time employment) was $22,500 in 2007, distinctly higher than that of $13,750 for the entire adult population in Hong Kong. Whereas persons with employment income accounted for about two-thirds of stock investors in the 2007 survey, those with no employment (homemakers, retirees and students etc.) had a share of 33%. But the latter figure was still larger than those of 28% and 19% respectively recorded in the 2005 and 1997 surveys. Analysed by educational attainment, 41% of the stock investors attained at least tertiary education, as against 26% for the entire adult population. In other words, among those adults with tertiary education or above, about 55% were stock investors. As for persons with lower educational attainment, the corresponding figure was smaller at 29%. Nevertheless, the participation rates for both groups have been on an uptrend since 2004.

Rate of participation in stock investment



In terms of types of securities invested, stock investors generally showed growing interest in the non-traditional securities listed on the HKEx. Specifically, about 20% of stock investors had traded in warrants and another 22% in Exchange Traded Funds, according to the 2007 survey.

Box 4.1 (Cont'd)

Drivers behind the growth in stock investor population

A number of factors were thought to have been responsible for the expansion in the size of investor population in Hong Kong over the years. On the demand side, increased awareness of wealth management and success in investor education have bolstered the interest in stock investment among private individuals. The increasing affluence of local workers since 2003 alongside the improving labour market conditions has also contributed. On the supply side, the increasing number of listed Mainland enterprises, with their profitability being propelled by the robust Mainland economy, has presented investors with more opportunities to invest in Hong Kong-listed stocks. Furthermore, there were increasing channels and enhanced convenience for stock transactions, including in particular online trading and the proactive stance adopted by banks in promoting stock trading businesses in more recent years. As the survey revealed, almost 60% of stock traders had made use of online trading services, in contrast to just 30% in 2003 and below 20% in 2001. In terms of trading channels, 63% of stock traders used only trading services at banks for transactions, again substantially up from 30% in 1997. As a matter of fact, the growth in stock investors over the past decade has been largely boosted by this segment, and fee income from stock brokeraging and related services has become an increasingly important component for banks' non-interest income in recent years.