CHAPTER 4 : THE FINANCIAL SECTOR#

*Summary*

* *The high interest rate environment in Hong Kong continued in the first quarter of 2024. As the US Federal Open Market Committee (FOMC) maintained the target range for the Federal Funds Rate at 5.25-5.50%, the Base Rate under the Discount Window operated by the Hong Kong Monetary Authority (HKMA) remained unchanged at 5.75% at end‑March. Yet the Hong Kong dollar interbank interest rates came lower during the quarter as seasonal demand for Hong Kong dollar funding faded. Interest rates on the retail front held stable.*
* *The Hong Kong dollar spot exchange rate against the US dollar weakened during the first quarter, due partly to the seasonal decline in corporate funding needs. As the US dollar strengthened against most major currencies, the trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices rose by 0.9% and 1.0% respectively during the first quarter.*
* *Total loans and advances decreased by 1.0% during the first quarter. Within the total, loans for use in and outside Hong Kong decreased by 1.2% and 0.5% respectively.*
* *The local stock market remained under pressure in the first quarter. Dampened by heightened geopolitical tensions and tempered expectations for US interest rate cuts, the Hang Seng Index (HSI) headed down on entering 2024. It hit a low of 14 961 on 22 January, but subsequently recouped some of the lost ground as market sentiment improved alongside accelerated growth of the Mainland economy. The HSI closed the quarter at 16 541, down by 3.0% from end-2023. Trading activities regained some momentum towards the end of the quarter. Yet fund raising activities remained quiet.*

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*(#) This chapter is jointly prepared by the HKMA and the Office of the Government Economist.*

Interest rates and exchange rates

* 1. The high interest rate environment in Hong Kong continued in the first quarter of 2024. As the US FOMC maintained the target range for the Federal Funds Rate at 5.25 – 5.50%, the *Base Rate*(1) under the Discount Window operated by the HKMA was kept unchanged at 5.75% at end‑March. Yet the *Hong Kong dollar interbank interest rates* (HIBORs) came lower during the quarter as seasonal demand for Hong Kong dollar funding faded after the year-end. The overnight HIBOR and the 3-month HIBOR receded from 6.09% and 5.15% at end-2023 to 5.00% and 4.72% at end‑March 2024 respectively, but still visibly higher than the year-ago levels.
  2. Both *Hong Kong dollar* *yields* and *US dollar yields* rose at the medium and long tenors but fell at the shorter end during the first quarter, with the magnitude of changes generally larger for the Hong Kong dollar. Reflecting the relative movements of the Hong Kong dollar yields and the US dollar counterparts, the negative yield spread between 6-month Exchange Fund Bills and 6-month US Treasury Bills widened from 103 basis points at end-2023 to 113 basis point at end-March 2024, while that between 10‑year Hong Kong Government Bonds and 10-year US Treasury Notes narrowed from 65 basis points to 49 basis points.



* 1. Interest rates on the retail front held stable during the first quarter. The *Best Lending Rates* in the market remained in the range of 5.875% to 6.375%. The *average savings deposit rate* for deposits of less than $100,000 quoted by major banks and the *one-year time deposit rate* stayed unchanged at 0.79% and 0.67% respectively at end‑March 2024. The *composite interest rate*(2), which indicates the average cost of funds for retail banks, decreased from 2.94% at end-2023 to 2.73% at end-March 2024.



* 1. The *Hong Kong dollar spot exchange rate against the US dollar* weakened during the first quarter, due partly to the seasonal decline in corporate funding needs. It closed the first quarter at 7.824, compared with 7.812 at end-2023. The *Hong Kong dollar forward rates* saw enlarged discounts to the spot rate, with the discounts of 3-month and 12-month forward rates widening from 166 pips and 515 pips (each pip is equivalent to HK$0.0001) at end-2023 to 197 pips and 570 pips at end-March 2024 respectively. The Aggregate Balance was little changed, at $44.8 billion at end-March 2024.
  2. Under the Linked Exchange Rate System, movements in the Hong Kong dollar exchange rate against other currencies closely followed those of the US dollar. As the US dollar strengthened against most major currencies, the *trade-weighted Hong Kong dollar Nominal* and *Real Effective Exchange Rate Indices*(3) rose by 0.9% and 1.0% respectively during the first quarter.



Money supply and banking sector

* 1. Compared to end-2023, the Hong Kong dollar broad *money supply* (HK$M3) was virtually unchanged at $8,266 billion at end-March 2024, while the seasonally adjusted Hong Kong dollar narrow money supply (HK$M1) declined by 4.1% to $1,515 billion(4). Meanwhile, *total deposits* with authorized institutions (AIs)(5) decreased by 0.2% to $16,197 billion, within which Hong Kong dollar deposits increased by 0.1% while foreign currency deposits decreased by 0.4%.



**Table 4.1 : Hong Kong dollar money supply and total money supply**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | M1 | | M2 | | M3 | |
| % change during  the quarter | HK$^ | Total | HK$# | Total | HK$# | Total |
|  |  |  |  |  |  |  |
| 2023 Q1 | -3.0 | -2.0 | 2.3 | 0.5 | 2.3 | 0.5 |
| Q2 | -6.0 | -4.8 | -0.8 | -0.4 | -0.8 | -0.4 |
| Q3 | -3.9 | -3.1 | -0.1 | 1.4 | -0.1 | 1.4 |
| Q4 | 2.3 | 3.8 | 0.5 | 2.4 | 0.5 | 2.5 |
|  |  |  |  |  |  |  |
| 2024 Q1 | -4.1 | -1.6 | 0.0 | -0.1 | 0.0 | 0.0 |
|  |  |  |  |  |  |  |
| Total amount at  end-March 2024 ($Bn) | 1,515 | 2,556 | 8,253 | 17,186 | 8,266 | 17,226 |
|  |  |  |  |  |  |  |
| % change over  a year earlier | -11.4 | -5.8 | -0.4 | 3.4 | -0.4 | 3.4 |

Notes : (^) Seasonally adjusted.

(#) Adjusted to include foreign currency swap deposits.

* 1. *Total loans and advances* decreased by 1.0% over end-2023 to $10,087 billion at end‑March 2024. Within the total, Hong Kong dollar loans and foreign currency loans decreased by 1.1% and 0.9% respectively. Reflecting the relative movements in loans and deposits, the loan‑to‑deposit ratio for Hong Kong dollar fell from 84.2% at end‑2023 to 83.2% at end‑March 2024, and that for foreign currency edged down from 43.9% to 43.6%.
  2. Loans for use in Hong Kong (including trade finance) and loans for use outside Hong Kong decreased by 1.2% and 0.5% respectively over end-2023 to $7,535 billion and $2,552 billion at end‑March 2024. Within the former, loans to most economic segments declined. Loans to stockbrokers and loans to financial concerns shrank by 10.4% and 7.5% respectively amid the sluggish stock market performance and financing activities. Loans to wholesale and retail trade also fell by 4.7%. On the other hand, the decline in trade finance narrowed to 0.5% while loans to manufacturing resumed modest growth of 0.5%, alongside the improving external trade performance. As for property‑related lending, loans to building, construction, property development and investment decreased by 0.7%, while loans for purchase of residential property edged up by 0.1%.

Table 4.2 : Loans and advances

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | All loans and advances for use in Hong Kong | | | | | | | |  |  |
|  | Loans to : | |  |  |  |  |  |  |  |  |
|  |  |  |  | Building, |  |  |  |  |  |  |
|  |  |  | Whole- | construction, |  |  |  |  | All loans |  |
|  |  |  | sale | property | Purchase |  |  |  | and advances | Total |
| % change |  |  | and | development | of |  |  |  | for use | loans |
| during | Trade | Manu- | retail | and | residential | Financial | Stock- |  | outside | and |
| the quarter | finance | facturing | trade | investment | property(a) | concerns | brokers | Total(b) | Hong Kong(c) | advances |
|  |  |  |  |  |  |  |  |  |  |  |
| 2023 Q1 | -0.9 | 3.8 | -1.1 | 1.8 | 0.9 | 1.2 | 14.6 | 1.4 | -0.4 | 0.9 |
| Q2 | -2.4 | -3.8 | -0.4 | -2.0 | 1.6 | 1.1 | -16.8 | -0.4 | -4.1 | -1.3 |
| Q3 | -2.9 | -3.5 | -3.0 | -2.5 | 0.9 | -5.4 | 1.5 | -1.9 | -2.8 | -2.2 |
| Q4 | -7.5 | -0.8 | 0.9 | 0.8 | -0.1 | 0.8 | -10.5 | -0.1 | -3.4 | -1.0 |
|  |  |  |  |  |  |  |  |  |  |  |
| 2024 Q1 | -0.5 | 0.5 | -4.7 | -0.7 | 0.1 | -7.5 | -10.4 | -1.2 | -0.5 | -1.0 |
|  |  |  |  |  |  |  |  |  |  |  |
| Total amount at end-March 2024 ($Bn) | 363 | 300 | 287 | 1,667 | 1,980 | 832 | 42 | 7,535 | 2,552 | 10,087 |
|  |  |  |  |  |  |  |  |  |  |  |
| % change over a year earlier | -12.8 | -7.5 | -7.1 | -4.4 | 2.5 | -10.8 | -32.2 | -3.6 | -10.4 | -5.4 |

Notes : (a) Figures also include loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme, in addition to those for the purchase of private residential flats.

(b) Loans to individual sectors may not add up to all loans and advances for use in Hong Kong, as some sectors are not included.

1. Also include loans where the place of use is not known.
   1. The Hong Kong banking sector remained sound and resilient, underpinned by strong capital and liquidity buffers. Hong Kong incorporated AIs were well capitalised, with the total capital adequacy ratio staying at a high level of 21.1% at end-2023. The local banking sector’s overall asset quality stayed at a healthy level. The ratio of classified loans to total loans for all AIs went down slightly from 1.61% at end‑September 2023 to 1.56% at end-2023, though the delinquency ratio for credit card lending edged up from 0.28% to 0.30%. Meanwhile, the delinquency ratio for residential mortgage loans remained at a low level of 0.09% at end-March 2024, slightly higher than that at end-2023.

**Table 4.3 : Asset quality of all AIs**\*^

(as % of total loans)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| At end of period | | Pass loans | Special mention loans | Classified loans  (gross) |
|  | | | | |
| 2022 | Q1 | 97.37 | 1.66 | 0.98 |
|  | Q2 | 97.11 | 1.79 | 1.10 |
|  | Q3 | 97.08 | 1.73 | 1.19 |
|  | Q4 | 96.58 | 2.02 | 1.40 |
|  |  |  |  |  |
| 2023 | Q1 | 96.57 | 1.98 | 1.46 |
|  | Q2 | 96.57 | 1.93 | 1.50 |
|  | Q3 | 96.49 | 1.90 | 1.61 |
|  | Q4 | 96.41 | 2.03 | 1.56 |

Notes : Due to rounding, figures may not add up to 100.

(\*) Period-end figures cover Hong Kong offices, overseas branches and major overseas subsidiaries. Loans and advances are classified into the following categories: Pass, Special Mention, Substandard, Doubtful and Loss. Loans in the substandard, doubtful and loss categories are collectively known as “classified loans”.

(^) This table presents the asset quality of all AIs. For retail banks, the pass loans, special mention loans and classified loans (gross) as percentages of total loans were 96.30%, 2.02% and 1.67% respectively at end-2023.

* 1. *Offshore renminbi (RMB) business* remained active in the first quarter. RMB trade settlement transactions handled by banks in Hong Kong surged by 60.6% over a year earlier to RMB3,713.7 billion. Total RMB deposits (including customer deposits and outstanding certificates of deposit) grew by 1.2% over end-2023 to RMB1,058.0 billion at end‑March 2024. As to financing activities, RMB bond issuance amounted to RMB93.0 billion in the first quarter (of which RMB12.0 billion was issued by the Ministry of Finance), higher than the RMB90.3 billion in the preceding quarter, while outstanding RMB bank loans increased by 18.8% over end-2023 to RMB524.2 billion at end‑March 2024.

Table 4.4 : Renminbi customer deposits and   
cross-border renminbi trade settlement in Hong Kong

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | |  | |  |  |  | |  |  |
|  | |  | | | | | Interest rates on(a) | | | Number of AIs engaged in RMB business | Amount of cross-border RMB  trade settlement(c) |
| At end of period | | Demand  and savings deposits | Time  deposits | | Customer deposits | | Savings  deposits (b) | | Three-month  time deposits(b) |
|  |  | (RMB Mn) | (RMB Mn) | | (RMB Mn) | | (%) | | (%) |  | (RMB Mn) |
|  |  |  |  | |  | |  | |  |  |  |
| 2023 | Q1 | 319,076 | 475,018 | | 794,095 | | 0.16 | | 0.31 | 141 | 2,312,566 |
|  | Q2 | 399,974 | 507,327 | | 907,302 | | 0.16 | | 0.31 | 141 | 2,791,750 |
|  | Q3 | 361,994 | 590,571 | | 952,565 | | 0.16 | | 0.31 | 139 | 3,145,772 |
|  | Q4 | 381,803 | 557,400 | | 939,203 | | 0.16 | | 0.31 | 139 | 3,418,469 |
|  |  |  |  | |  | |  | |  |  |  |
| 2024 | Q1 | 356,992 | 587,672 | | 944,664 | | 0.16 | | 0.31 | 139 | 3,713,713 |
|  |  |  |  | |  | |  | |  |  |  |
| % change in  2024 Q1 over  2023 Q1 | | 11.9 | 23.7 | | 19.0 | | N.A. | | N.A. | N.A. | 60.6 |
|  |  |  |  | |  | |  | |  |  |  |
| % change in  2024 Q1 over  2023 Q4 | | -6.5 | 5.4 | | 0.6 | | N.A. | | N.A. | N.A. | 8.6 |

Notes : (a) The interest rates are based on a survey conducted by the HKMA.

(b) Period average figures.

(c) Figures during the period.

N.A. Not applicable.

###### The debt market

* 1. As to the Hong Kong dollar *debt market*, total gross issuance of Hong Kong dollar debt securities increased by 5.1% over the preceding quarter to $1,264.3 billion in the first quarter, with issuance by the public and private sectors(6) up by 1.6% and 17.6% respectively. The total outstanding amount of Hong Kong dollar debt securities rose by 0.5% over end-2023 to $2,757.9 billion at end-March 2024, equivalent to 33.4% of HK$M3 or 27.5% of Hong Kong dollar-denominated assets of the banking sector(7).
  2. As to the Hong Kong dollar bonds issued by the Government, a total of $3.5 billion institutional Government Bonds (GBs) were issued through tenders in the first quarter under the GB Programme. Meanwhile, the second batch of tokenised institutional green bonds was issued under the Government Green Bond (GGB) Programme in February in Hong Kong dollar, RMB, US dollar and euro, with an issuance size totalling around $6 billion equivalent, marking the first multi-currency digital bond in the world. At end‑March, the total outstanding amount of Hong Kong dollar bonds under the GB and GGB Programmes was $287.2 billion, comprising 16 institutional issues totalling $100.5 billion, four retail issues (one iBond and three Silver Bonds) totalling $144.7 billion under the GB Programme, as well as two retail issues totalling $40.0 billion and one tokenised institutional issue of $2.0 billion under the GGB Programme. As for GBs denominated in other currencies, there was one US dollar sukuk with an issuance size of US$1.0 billion outstanding under the GB Programme, as well as around US$19.5 billion equivalent of institutional green bonds outstanding under the GGB Programme.

Table 4.5 : New issuance and outstanding value of

**Hong Kong dollar debt securities ($Bn)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | Exchange Fund paper | Statutory bodies/  government-  owned corporations | Govern-ment | Public  sector  total | AIs(a) | Local corporations | Non-MDBs overseas borrowers(b) | Private sector total | MDBs(b) | Total |
| **New Issuance** | | | | | | | | | | | |
|  | | | | | | | | | | | |
| 2023 | Annual | 3,978.0 | 76.3 | 106.3 | 4,160.6 | 289.9 | 30.2 | 419.7 | 739.7 | 26.2 | 4,926.5 |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Q1 | 975.8 | 31.8 | 7.8 | 1,015.3 | 86.1 | 9.0 | 128.5 | 223.6 | 14.9 | 1,253.8 |
|  | Q2 | 997.2 | 19.4 | 9.5 | 1,026.2 | 65.2 | 10.4 | 106.0 | 181.6 | 3.7 | 1,211.5 |
|  | Q3 | 994.5 | 16.4 | 58.5 | 1,069.4 | 80.3 | 7.1 | 95.0 | 182.3 | 6.1 | 1,257.8 |
|  | Q4 | 1,010.6 | 8.7 | 30.5 | 1,049.8 | 58.2 | 3.7 | 90.2 | 152.1 | 1.5 | 1,203.4 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| 2024 | Q1 | 1,004.5 | 57.0 | 5.5 | 1,066.9 | 59.7 | 6.2 | 113.0 | 178.9 | 18.4 | 1,264.3 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| % change in 2024 Q1 over 2023 Q1 | | 2.9 | 79.4 | -29.5 | 5.1 | -30.6 | -31.1 | -12.1 | -20.0 | 23.8 | 0.8 |
|  | | | | | | | | | | | |
| % change in 2024 Q1 over 2023 Q4 | | -0.6 | 555.1 | -82.0 | 1.6 | 2.6 | 67.8 | 25.3 | 17.6 | 1,134.2 | 5.1 |
|  | | | | | | | | | | | |
| **Outstanding (at end of period)** | | | | | | | | | | | |
|  | | | | | | | | | | | |
| 2023 | Q1 | 1,216.7 | 146.0 | 226.9 | 1,589.5 | 305.6 | 133.9 | 503.8 | 943.3 | 48.7 | 2,581.5 |
|  | Q2 | 1,227.1 | 149.3 | 234.5 | 1,610.9 | 296.0 | 137.3 | 546.6 | 979.9 | 50.9 | 2,641.8 |
|  | Q3 | 1,240.4 | 159.2 | 288.9 | 1,688.5 | 288.6 | 134.3 | 566.2 | 989.0 | 53.8 | 2,731.2 |
|  | Q4 | 1,255.4 | 152.0 | 284.6 | 1,692.0 | 290.1 | 130.1 | 576.9 | 997.1 | 53.8 | 2,742.9 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| 2024 | Q1 | 1,268.4 | 187.5 | 287.2 | 1,743.1 | 265.1 | 120.8 | 573.5 | 959.4 | 55.4 | 2,757.9 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| % change in 2024 Q1 over 2023 Q1 | | 4.2 | 28.5 | 26.6 | 9.7 | -13.3 | -9.7 | 13.8 | 1.7 | 13.6 | 6.8 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| % change in 2024 Q1 over 2023 Q4 | | 1.0 | 23.3 | 0.9 | 3.0 | -8.6 | -7.1 | -0.6 | -3.8 | 2.9 | 0.5 |

Notes : Figures may not add up to the corresponding totals due to rounding and may be subject to revisions.

(a) AIs : Authorized institutions.

(b) MDBs : Multilateral Development Banks.

The stock and derivatives markets

* 1. The *local stock market* remained under pressure in the first quarter. Dampened by heightened geopolitical tensions and tempered expectations for US interest rate cuts, the HSI slid to 14 961 on 22 January, the lowest since October 2022. It then recouped some of the lost ground as market sentiment improved alongside the accelerated growth of the Mainland economy. The HSI closed the quarter at 16 541, down by 3.0% from end-2023. *Market capitalisation* shrank further by 2.4% to $30.3 trillion during the quarter. The local stock market ranked the eighth largest in the world and the fifth largest in Asia(8).
  2. Trading activities in the local stock market stayed soft in the first quarter but regained some momentum towards the end of the quarter. *Average daily turnover* in the securities market increased by 9.2% over the preceding quarter to $99.4 billion, though still down 22.3% from the year-ago level. Within the total, the average daily trading value of equities leapt by 13.2% over the preceding quarter, while that of derivative warrants, callable bull/bear contracts, and unit trusts (including Exchange-Traded Funds (ETFs))(9) fell by 5.3%, 1.1% and 1.3% respectively. As to futures and options(10), the average daily trading volume increased by 11.7%. Within the total, trading of Hang Seng China Enterprises Index futures, HSI futures, HSI options, and stock options increased by 14.1%, 12.8%, 11.8% and 8.7% respectively.



Table 4.6 : Average daily turnover of futures and options

**of the Hong Kong market**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Hang Seng Index futures | Hang Seng Index options | Hang Seng China Enterprises  Index futures | Stock  options | Total  futures and  options traded\* |
|  |  |  |  |  |  |
| 2023 Annual | 138 446 | 22 820 | 186 689 | 612 182 | 1 353 839 |
|  |  |  |  |  |  |
| Q1 | 145 708 | 25 243 | 196 405 | 665 210 | 1 418 700 |
| Q2 | 138 717 | 23 143 | 188 933 | 598 988 | 1 315 783 |
| Q3 | 136 670 | 22 706 | 179 322 | 590 969 | 1 336 408 |
| Q4 | 132 813 | 20 207 | 182 652 | 593 478 | 1 343 428 |
|  |  |  |  |  |  |
| 2024 Q1 | 149 867 | 22 591 | 208 485 | 645 126 | 1 500 494 |
|  |  |  |  |  |  |
| % change in  2024 Q1 over  2023 Q1 | 2.9 | -10.5 | 6.2 | -3.0 | 5.8 |
|  |  |  |  |  |  |
| % change in  2024 Q1 over  2023 Q4 | 12.8 | 11.8 | 14.1 | 8.7 | 11.7 |

Note : (\*) Turnover figures for individual futures and options are in number of contracts, and do not add up to the total futures and options traded as some products are not included.

* 1. Fund raising activities in Hong Kong remained quiet during the first quarter amid the weak local stock market performance. *Total equity capital raised*, comprising new share floatation and post-listing arrangements on the Main Board and GEM(11), shrank by 52.7% from the preceding quarter or by 21.3% from a year earlier to $26.5 billion in the first quarter. Within the total, the amount of funds raised through Initial Public Offerings (IPOs) decreased by 77.9% from the preceding quarter or by 28.9% from a year earlier to $4.7 billion. Hong Kong ranked tenth among stock exchange markets globally in terms of the amount of funds raised through IPOs in the first quarter(12).
  2. Mainland enterprises continued to play an important role in the Hong Kong stock market. At end-March, a total of 1 450 Mainland enterprises (including 340 H-share companies and 1 110 Non-H share Mainland enterprises) were listed on the Main Board and GEM, accounting for 56% of the total number of listed companies and 77% of total market capitalisation. Mainland-related stocks accounted for 86% of equity turnover and 87% of total equity funds raised in the Hong Kong Stock Exchange in the first quarter.

Fund management and investment funds

* 1. Performance of fund management business generally improved in the first quarter. The aggregate net asset value of the approved constituent funds under the *Mandatory Provident Fund (MPF) schemes*(13) rose by 3.7% over end-2023 to $1,183.0 billion at end-March 2024. The monthly average gross retail sales of *mutual funds* increased by 76.4% from the preceding quarter to US$6.9 billion in January – February(14)(15), and were 29.2% higher than the level a year earlier.

Insurance sector

* 1. The *insurance sector*(16) saw solid growth in 2023. For the year as a whole, new office premiums of long-term business leapt by 34.2%, within which premium from non-investment linked plans (which accounted for 94% of total premium for this segment) soared by 41.8%, though that from investment linked plans decreased by 25.1%. As to general business, gross and net premiums rose by 4.1% and 2.7% respectively.

Table 4.7 : Insurance business in Hong Kong@ ($Mn)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | General business | | |  |  | New office premium for long-term business^ | | | | |  | |
|  | Gross premium | | Net premium | Underwriting profit | | Individual  life and annuity (non-investment  linked) | | Individual  life and annuity (investment  linked) | Other individual business | Non-retirement scheme group business | All  long-term business | | Gross premium from long-term business  and general business |
|  |  | |  |  | |  | |  |  |  |  | |  |
| 2022 Annual | 64,624 | | 42,138 | 4,186 | | 119,480 | | 14,899 | 43 | 460 | 134,882 | | 199,506 |
|  |  | |  |  | |  | |  |  |  |  | |  |
| Q1 | 19,327 | | 11,966 | 1,063 | | 37,744 | | 4,573 | 12 | 114 | 42,443 | | 61,770 |
| Q2 | 15,875 | | 10,528 | 1,482 | | 35,287 | | 3,941 | 9 | 209 | 39,446 | | 55,321 |
| Q3 | 16,183 | | 11,230 | 852 | | 26,855 | | 3,345 | 11 | 72 | 30,283 | | 46,466 |
| Q4 | 13,239 | | 8,414 | 789 | | 19,594 | | 3,040 | 11 | 65 | 22,710 | | 35,949 |
|  |  | |  |  | |  | |  |  |  |  | |  |
| 2023 Annual | 67,302 | | 43,280 | 846 | | 169,438 | | 11,165 | 50 | 310 | 180,963 | | 248,265 |
|  |  | |  |  | |  | |  |  |  |  | |  |
| Q1 | 20,660 | | 12,460 | 513 | | 43,476 | | 3,419 | 13 | 71 | 46,979 | | 67,639 |
| Q2 | 16,324 | | 10,803 | 940 | | 52,890 | | 3,171 | 11 | 87 | 56,159 | | 72,483 |
| Q3 | 16,821 | | 11,459 | 66 | | 40,916 | | 2,375 | 12 | 78 | 43,381 | | 60,202 |
| Q4 | 13,497 | | 8,558 | -673 | | 32,156 | | 2,200 | 14 | 74 | 34,444 | | 47,941 |
|  |  | |  |  | |  | |  |  |  |  | |  |
| % change in 2023 Q4 over 2022 Q4 | 1.9 | | 1.7 | N.A. | | 64.1 | | -27.6 | 27.3 | 13.8 | 51.7 | | 33.4 |
|  |  | |  |  | |  | |  |  |  |  | |  |
| % change in 2023 over 2022 | 4.1 | | 2.7 | -79.8 | | 41.8 | | -25.1 | 16.3 | -32.6 | 34.2 | | 24.4 |
|  |  | |  |  | |  | |  |  |  |  | |  |

Notes : (@) Figures are based on provisional statistics of the Hong Kong insurance industry.

(^) Retirement scheme business is excluded.

N.A. Not applicable.

**Highlights of policy and market developments**

4.19 To deepen financial cooperation between the Mainland and Hong Kong, the People’s Bank of China (PBoC) announced six measures on 24 January, including: (i) expanding the list of eligible collateral to include RMB bonds for the HKMA’s RMB Liquidity Facility; (ii) further opening up the onshore repurchase agreement (repo) market to support all foreign institutional investors with access to the China Interbank Bond Market to trade repo; (iii) issuing amendments to enhance the implementation arrangements for the Cross-boundary Wealth Management Connect Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA); (iv) introducing facilitative measures on remittances for property purchase by Hong Kong residents in the GBA; (v) deepening the collaboration on cross-boundary credit referencing; and (vi) expanding the cross-boundary pilots of e-CNY. The new measures are conducive to giving full play to Hong Kong’s role as an international financial centre and offshore RMB business hub, and actively contributing to the high-quality development of the country’s finance.

4.20 As part of the “Fintech 2025” strategy, the HKMA launched a series of initiatives in March to increase Hong Kong’s readiness in issuing central bank digital currency (CBDC), including Project Ensemble, an initiative testing the functionality of a wholesale CBDC (wCBDC) and movement of tokenised deposits. This project centres around innovative financial market infrastructure that enables seamless interbank settlement of tokenised money through wCBDC. The HKMA also announced the launch of Phase 2 of the e-HKD Pilot Programme to further explore innovative cases for an e-HKD in Hong Kong. An enhanced e-HKD sandbox, leveraged on the wCBDC sandbox to be built under Project Ensemble, will support the Phase 2 programme to accelerate the development and testing of use cases by pilot participants and facilitate the study of interoperability and interbank settlement between e-HKD and other forms of tokenised money.

4.21 To stay abreast of international trends in green and sustainable finance and accelerate our development as an international green finance centre, the Government issued a vision statement on 25 March on developing the sustainability disclosure ecosystem in Hong Kong. The statement sets out the vision and approach of the Government and financial regulators in developing a comprehensive ecosystem for sustainability disclosure in Hong Kong, including Hong Kong’s aspiration to be among the first jurisdictions to align the local sustainability disclosure requirements with the International Financial Reporting Standards - Sustainability Disclosure Standards. Earlier in the month, the Prototype Hong Kong Green Fintech Map was launched, featuring about 50 green fintech firms. The Prototype will help companies and financial institutions better understand the availability and development of green fintech solutions that meet their business needs, thereby raising the profile of firms in the green fintech landscape.

4.22 A number of large-scale financial mega events were held in the first quarter of 2024, namely the Asian Financial Forum in January, the inaugural Hong Kong Green Week in February, and the Financial Mega Event Week (including the second edition of the Wealth for Good in Hong Kong Summit) in March, to showcase Hong Kong’s strengths, development potential and investment opportunities as an international centre for green tech and green finance, as well as an international asset and wealth management hub. According to the market study commissioned by Invest Hong Kong, there were over 2 700 single family offices in the city as at end-2023 and around 900 of which were with a wealth level of over USD$100 million. This reflects Hong Kong’s well-developed status as a premier hub for global family offices.

Notes :

(1) Prior to 9 October 2008, the Base Rate was set at either 150 basis points above the prevailing US Federal Funds Target Rate (FFTR) or the average of the five-day moving averages of the overnight and one-month HIBORs, whichever was higher. Between 9 October 2008 and 31 March 2009, this formula for determination of the Base Rate was temporarily changed by reducing the spread of 150 basis points above the prevailing FFTR to 50 basis points and by removing the other leg relating to the moving averages of the relevant interbank interest rates. After a review of the appropriateness of the new Base Rate formula, the narrower 50 basis point spread over the FFTR was retained while the HIBOR leg was re-instated in the calculation of the Base Rate after 31 March 2009.

(2) In December 2005, the HKMA published a new data series on composite interest rate, reflecting movements in various deposit rates, interbank and other interest rates to closely track the average cost of funds for banks. The published data enable the banks to keep track of changes in funding cost and thus help improve interest rate risk management in the banking sector. Since June 2019, the composite interest rate has been calculated based on the new local “Interest rate risk in the banking book” framework. As such, the figures are not strictly comparable with those of previous months.

(3) The trade-weighted Nominal Effective Exchange Rate Index (EERI) is an indicator of the overall exchange value of the Hong Kong dollar against a fixed basket of other currencies. Specifically, it is a weighted average of the exchange rates of the Hong Kong dollar against 18 currencies of its major trading partners, with the weights adopted being the respective shares of these trading partners in the total value of merchandise trade for Hong Kong during 2019 and 2020.

The Real EERI of the Hong Kong dollar is obtained by adjusting the Nominal EERI for relative movements in the seasonally adjusted consumer price indices of the respective trading partners.

(4) The various definitions of the money supply are as follows:

M1 : Notes and coins with the public, plus customers’ demand deposits with licensed banks.

M2 : M1 plus customers’ savings and time deposits with licensed banks, plus negotiable certificates of deposit (NCDs) issued by licensed banks and held outside the monetary sector, as well as short‑term Exchange Fund placements of less than one month.

M3 : M2 plus customers’ deposits with restricted licence banks and deposit-taking companies, plus NCDs issued by such institutions and held outside the monetary sector.

Among the various monetary aggregates, more apparent seasonal patterns are found in HK$M1, currency held by the public, and demand deposits. As monthly monetary statistics are subject to volatilities due to a wide range of transient factors, such as seasonal and IPO-related funding demand as well as business and investment-related activities, caution is required when interpreting the statistics.

(5) AIs include licensed banks, restricted licence banks and deposit-taking companies. At end-March 2024, there were 150 licenced banks, 16 restricted licence banks and 11 deposit-taking companies in Hong Kong. Altogether, 177 AIs (excluding representative offices) from 32 countries and territories (including Hong Kong) had a presence in Hong Kong.

(6) The figures for private sector debt may not represent a full coverage of all the Hong Kong dollar debt paper issued.

(7) Assets of the banking sector include notes and coins, amount due from AIs in Hong Kong as well as from banks abroad, loans and advances to customers, NCDs held, negotiable debt instruments other than NCDs held, and other assets. Certificates of indebtedness issued by Exchange Fund and the counterpart bank notes issued are nevertheless excluded.

(8) The ranking is based on the market capitalisation figures of global stock exchange markets compiled by the World Federation of Exchanges and the London Stock Exchange Group.

(9) Given the relatively small share (less than 0.5% of the daily turnover in the securities market), trading of debt securities and its movements were not analysed.

(10) At end-March 2024, there were 126 classes of stock options contracts and 98 classes of stock futures contracts.

(11) At end-March 2024, there were 2 285 and 326 companies listed on the Main Board and GEM respectively.

(12) The ranking is based on the amount of funds raised through IPOs (including fundraising of special purpose acquisition companies) compiled by Dealogic.

(13) At end-March 2024, there were 12 approved trustees. On MPF products, 21 master trust schemes, two industry schemes and one employer sponsored scheme, comprising altogether 379 constituent funds, were approved by the Mandatory Provident Fund Schemes Authority. A total of 361 000 employers, 2.64 million employees and 236 000 self-employed persons are estimated to have participated in MPF schemes.

(14) These figures are obtained from the Sales and Redemptions Survey conducted by the Hong Kong Investment Funds Association (HKIFA) on their members, and cover only the active authorised funds that have responded to the survey. As HKIFA has revised the coverage of its funds statistics for 2023, the figures in this report may not be comparable with those contained in previous issues of this report.

(15) At end-March 2024, there was one SFC-authorised retail hedge fund with net asset size of US$116 million. This amount of net assets under management increased by 10.5% from end-2023 and was similar to the level a year earlier, and represented a 27.5% decrease from end-2002, the year when the hedge funds guidelines were first issued.

(16) At end-March 2024, there were 160 authorized insurers in Hong Kong. Within this total, 53 were engaged in long-term insurance business, 87 in general insurance business, 18 in composite insurance business, and two in special purpose business. These authorized insurers come from 22 countries and territories (including Hong Kong).