CHAPTER 5 : THE FINANCIAL SECTOR#

*Summary*

* *The high interest rate environment in Hong Kong continued* *in 2024, but with a modest tapering during the year. Alongside the expectation of US interest rate cuts, the Hong Kong dollar interbank interest rates trended down modestly during 2024, notwithstanding a brief rebound in September amid the buoyant local equity market and seasonal factors. The Hong Kong Monetary Authority (HKMA) adjusted the Base Rate under the Discount Window downward by 100 basis points cumulatively to 4.75% at end-2024, in tandem with the policy rate cuts by the same magnitude by the US Federal Reserve (the Fed) since September. Many local banks lowered their Best Lending Rates three times, by a total of 62.5 basis points.*
* *The Hong Kong dollar spot exchange rate against the US dollar weakened slightly in the first four months of 2024, but generally gained strength thereafter. With* *the US dollar appreciating against all major currencies, the trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices increased by 2.7% and 2.9% respectively during 2024.*
* *Total loans and advances decreased by 2.8% during 2024. Within the total, loans for use in Hong Kong and loans for use outside Hong Kong decreased by 1.8% and 5.7% respectively.*
* *The local stock market displayed considerable volatility in 2024. The Hang Seng Index (HSI) staged a brief rebound following the announcement of enhancement measures on mutual access between the capital markets of the Mainland and Hong Kong in late April, before cooling down again amid uncertainties surrounding the economic outlook of the major economies. The HSI then rallied after the Fed’s 50-basis-point interest rate cut on 18 September and the Central Government’s subsequent launch of a package of stimulus measures to boost the Mainland economy. The HSI soared to a two-year high of 23 100 on 7 October before retreating to close the year at 20 060, up 17.7% over a year earlier. Trading activities regained momentum during 2024 especially in the fourth quarter. Fund raising activities stayed quiet in early 2024, but revived notably in the latter part of the year.*

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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 2024, but with a modest tapering during the year. Alongside the expectation of US interest rate cuts, the *Hong Kong dollar interbank interest rates* (HIBORs) trended down modestly during 2024, notwithstanding a brief rebound in September amid the buoyant local equity market and seasonal factors. The overnight HIBOR and 3-month HIBOR stood at 5.65% and 4.37% respectively at end-2024, lower than the 6.09% and 5.15% at end-2023. In tandem with the three policy rate cuts totalling 100 basis points by the Fed from September to December, the HKMA adjusted the *Base Rate*(1) under the Discount Window downward by the same magnitude to 4.75% at end-2024.
  2. Both *Hong Kong dollar* and *US dollar* *yields* declined for the short tenors and rose for the longer tenors. Reflecting their relative movements, the negative yield spread between 6-month Exchange Fund Bills and 6-month US Treasury Bills narrowed from 103 basis points at end-2023 to 54 basis points at end-2024, while that between the 10-year Hong Kong Government Bonds and 10-year US Treasury Notes widened from 65 basis points to 84 basis points.



* 1. On the retail front, following the US policy rate cuts, many local banks lowered their *Best Lending Rates* by 25 basis points in September, 25 basis points in November and 12.5 basis points in December. At end-2024, the Best Lending Rates in the market ranged from 5.25% to 5.75%. The *average savings deposit rate* for deposits of less than $100,000 quoted by major banks decreased from 0.79% at end-2023 to 0.30% at end-2024, while the *one-year time deposit rate* declined from 0.67% to 0.39%. The *composite interest rate*(2), which indicates the average cost of funds for retail banks, decreased from 2.94% to 2.24% over the same period.



* 1. The *Hong Kong dollar* *spot exchange rate* *against the US dollar* weakened slightly in the first four months of 2024, but then generally strengthened supported mainly by strong equity and dividend-related funding demand as well as growing expectations for US interest rate cuts. The spot exchange rate closed the year at 7.763, compared to 7.812 at end-2023. The discounts of 3-month and 12-month *Hong Kong dollar forward rates* narrowed from 166 pips and 515 pips (each pip is equivalent to HK$0.0001) at end-2023 to 88 pips and 314 pips respectively at end-2024. The Aggregate Balance stayed virtually unchanged throughout the year, at $44.8 billion at end-2024.
  2. Under the Linked Exchange Rate System, movements of the Hong Kong dollar exchange rate against other currencies closely followed those of the US dollar. As the US dollar appreciated against all major currencies, the *trade-weighted Hong Kong dollar Nominal* and *Real Effective Exchange Rate Indices*(3) increased by 2.7% and 2.9% respectively during 2024.



Money supply and banking sector

* 1. The Hong Kong dollar broad *money supply* (HK$M3) rose by 2.8% over end-2023 to $8,490 billion at end-2024, and the seasonally adjusted Hong Kong dollar narrow money supply (HK$M1) increased by 1.3% to $1,601 billion(4). Meanwhile, *total deposits* with authorized institutions (AIs)(5) grew by 7.1% to $17,373 billion, within which Hong Kong dollar deposits and foreign currency deposits rose by 2.8% and 10.9% respectively.



**Table 5.1 : Hong Kong dollar money supply and total money supply**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | M1 | | M2 | | M3 | |
| % change during  the quarter | HK$^ | Total | HK$(a) | Total | HK$(a) | Total |
|  |  |  |  |  |  |  |
| 2023 Q1 | -3.0 | -2.0 | 2.3 | 0.5 | 2.3 | 0.5 |
| Q2 | -6.0 | -4.8 | -0.8 | -0.4 | -0.8 | -0.4 |
| Q3 | -3.9 | -3.1 | -0.1 | 1.4 | -0.1 | 1.4 |
| Q4 | 2.3 | 3.8 | 0.5 | 2.4 | 0.5 | 2.5 |
|  |  |  |  |  |  |  |
| 2024 Q1 | -4.1 | -1.6 | \* | -0.1 | \* | \* |
| Q2 | -0.1 | 3.5 | 1.1 | 3.4 | 1.1 | 3.4 |
| Q3 | 5.3 | 6.7 | 1.3 | 2.4 | 1.3 | 2.4 |
| Q4 | 0.5 | -2.7 | 0.3 | 1.4 | 0.3 | 1.4 |
|  |  |  |  |  |  |  |
| Total amount at  end-2024 ($Bn) | 1,601 | 2,748 | 8,475 | 18,458 | 8,490 | 18,502 |
|  |  |  |  |  |  |  |
| % change over  a year earlier | 1.3 | 5.8 | 2.7 | 7.3 | 2.8 | 7.4 |
|  |  |  |  |  |  |  |

Notes : (^) Seasonally adjusted.

(a) Adjusted to include foreign currency swap deposits.

(\*) Change within ± 0.05%.

* 1. *Total loans and advances* decreased by 2.8% from a year earlier to $9,907 billion at end‑2024. Analysed by currency, Hong Kong dollar loans decreased by 5.8%, while foreign currency loans increased by 2.4%. Reflecting the relative movements in deposits and loans, the loan-to-deposit ratio for Hong Kong dollar decreased from 84.2% at end-2023 to 77.1% at end-2024, and that for foreign currencies decreased from 43.9% to 40.5%.
  2. Loans for use in Hong Kong (including trade finance) and loans for use outside Hong Kong declined by 1.8% and 5.7% from a year earlier to $7,490 billion and $2,417 billion respectively at end-2024. Within the former, loans to various economic segments showed mixed performance. Trade finance increased by 4.6% alongside the improvement in external trade. Loans to stockbrokers increased by 4.2%, thanks to the vibrant stock market trading activities since the end of the third quarter. On the other hand, loans to financial concerns, loans to wholesale and retail trade, and loans to manufacturing decreased by 6.6%, 2.7% and 1.1% respectively, reflecting the generally cautious business sentiment. As for property-related lending, loans to building, construction, property development and investment declined by 7.5%, while loans for purchase of residential property rose by 1.4%.

Table 5.2 : Loans and advances

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | All loans and advances for use in Hong Kong | | | | | | | |  |  |
|  | Loans to : | |  |  |  |  |  |  |  |  |
|  |  |  |  | Building and |  |  |  |  |  |  |
|  |  |  | 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 | -3.5 | -1.0 |
|  |  |  |  |  |  |  |  |  |  |  |
| 2024 Q1 | -0.5 | 0.5 | -4.7 | -0.7 | 0.1 | -7.5 | -10.4 | -1.2 | -0.5 | -1.0 |
| Q2 | 6.0 | -2.7 | 0.2 | -2.8 | 0.7 | 0.5 | -2.4 | 0.3 | -4.6 | -0.9 |
| Q3 | -1.5 | 2.1 | 3.4 | -3.1 | 0.7 | -1.3 | 54.9 | -0.8 | 1.7 | -0.2 |
| Q4 | 0.6 | -0.9 | -1.5 | -1.1 | -0.1 | 1.8 | -23.1 | -0.1 | -2.3 | -0.7 |
|  |  |  |  |  |  |  |  |  |  |  |
| Total amount at end-2024 ($Bn) | 381 | 295 | 293 | 1,552 | 2,006 | 840 | 49 | 7,490 | 2,417 | 9,907 |
|  |  |  |  |  |  |  |  |  |  |  |
| % change over a year earlier | 4.6 | -1.1 | -2.7 | -7.5 | 1.4 | -6.6 | 4.2 | -1.8 | -5.7 | -2.8 |

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 stayed robust and resilient, underpinned by strong capital and liquidity positions. Hong Kong incorporated AIs were well capitalised, with the total capital adequacy ratio staying at a high level of 21.8% at end-September 2024. The banking sector’s overall asset quality deteriorated somewhat, but remained at a healthy level. The ratio of classified loans to total loans for all AIs increased from 1.57% at end-2023 to 1.99% at end‑September 2024, and the delinquency ratio for credit card lending edged up from 0.30% to 0.35%. The delinquency ratio for residential mortgage loans stayed low at 0.11% at end-2024, slightly higher than that of 0.08% at end-2023.

**Table 5.3 : Asset quality of all authorized institutions**\*^

(as % of total loans)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| At end of period | | Pass loans | Special mention loans | Classified loans  (gross) |
|  | | | | |
| 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 | 1.57 |
|  |  |  |  |  |
| 2024 | Q1 | 96.16 | 2.05 | 1.79 |
|  | Q2 | 96.18 | 1.93 | 1.89 |
|  | Q3 | 96.00 | 2.01 | 1.99 |

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

(\*) Period-end figures relate to 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”.

(^) As a reference, for retail banks, the pass loans, special mention loans and classified loans (gross) as percentages of total loans were 95.87%, 1.93% and 2.19% respectively at end-September 2024.

* 1. *Offshore renminbi (RMB) business* remained active in 2024. RMB trade settlement transactions handled by banks in Hong Kong increased by 30.1% to RMB15,184.6 billion in 2024. Total RMB deposits (including customer deposits and outstanding certificates of deposit) increased by 2.9% over a year earlier to RMB1,075.3 billion at end-2024. As to financing activities, outstanding RMB bank loans increased by 64.1% over a year earlier to RMB724.0 billion at end-2024. Earlier on, RMB bond issuance (excluding certificates of deposit) amounted to RMB222.3 billion (of which RMB18.0 billion was issued by the Ministry of Finance) in the third quarter of 2024, as compared to RMB109.8 billion in the same period of 2023(6).

Table 5.4 : 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 | | Total 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 |
|  | Q2 | 432,712 | 628,954 | | 1,061,666 | | 0.16 | | 0.31 | 138 | 3,700,964 |
|  | Q3 | 459,606 | 556,732 | | 1,016,339 | | 0.16 | | 0.31 | 139 | 3,816,626 |
|  | Q4 | 408,585 | 518,004 | | 926,589 | | 0.16 | | 0.31 | 138 | 3,953,280 |
|  |  |  |  | |  | |  | |  |  |  |
| % change in Q4 2024 over  Q4 2023 | | 7.0 | -7.1 | | -1.3 | | N.A. | | N.A. | N.A. | 15.6 |

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 4.2% over the preceding year to $5,135.1 billion in 2024. Issuance by the public and private sector increased by 3.8% and 4.1% respectively(7). As a result, the total outstanding amount of Hong Kong dollar debt securities rose by 3.0% over a year earlier to $2,825.1 billion at end-2024, equivalent to 33.3% of HK$M3 or 28.2% of Hong Kong dollar-denominated assets of the banking sector(8).
  2. As to the Hong Kong dollar bonds issued by the Government, a total of $6.5 billion institutional Government Bonds (GBs) were issued through tenders in 2024 under the GB Programme, while a total of $10.5 billion institutional GBs were issued through tenders under the Infrastructure Bond Programme (IB Programme). In addition, a $55.0 billion Silver Bond and a $17.7 billion Retail Infrastructure Bond were issued under the retail part of the IB Programme in October and December respectively, and a $2 billion tokenised institutional green bond was issued under the Government Sustainable Bond Programme (GSB Programme, formerly the Government Green Bond Programme) in February. At end-2024, the total outstanding amount of Hong Kong dollar bonds under the three Programmes was $303.4 billion, of which $178.2 billion, $42.0 billion and $83.2 billion were under the GB Programme, the GSB Programme and the IB Programme respectively. As for GBs denominated in foreign currencies, there was one US dollar sukuk with an issuance size of US$1.0 billion outstanding under the GB Programme, around US$21.3 billion equivalent of institutional green bonds outstanding under the GSB Programme, and around US$0.8 billion equivalent of institutional infrastructure bonds outstanding under the IB Programme.

Table 5.5 : 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 | 290.0 | 30.2 | 419.7 | 739.8 | 26.2 | 4,926.7 |
|  | |  |  |  |  |  |  |  |  |  |  |  |
|  | | 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 | 80.4 | 7.1 | 95.0 | 182.5 | 6.1 | 1,258.0 |
|  | | 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 | | Annual | 4,102.5 | 123.0 | 91.7 | 4,317.3 | 303.3 | 32.6 | 434.4 | 770.3 | 47.5 | 5,135.1 |
|  | |  |  |  |  |  |  |  |  |  |  |  |
|  | | Q1 | 1,004.5 | 57.0 | 5.5 | 1,066.9 | 59.7 | 6.2 | 113.0 | 178.9 | 18.4 | 1,264.3 |
|  | | Q2 | 1,017.4 | 13.6 | 1.5 | 1,032.4 | 89.2 | 7.0 | 131.8 | 228.0 | 13.4 | 1,273.8 |
|  | | Q3 | 1,036.2 | 31.5 | 1.5 | 1,069.1 | 86.2 | 13.1 | 96.6 | 196.0 | 8.6 | 1,273.7 |
|  | | Q4 | 1,044.6 | 21.0 | 83.2 | 1,148.8 | 68.1 | 6.3 | 93.0 | 167.4 | 7.1 | 1,323.3 |
|  | |  |  |  |  |  |  |  |  |  |  |  |
| % change in 2024 over 2023 | | | 3.1 | 61.2 | -13.7 | 3.8 | 4.6 | 8.1 | 3.5 | 4.1 | 81.3 | 4.2 |
|  | | | | | | | | | | | | |
| **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 | 288.7 | 134.3 | 566.2 | 989.2 | 53.8 | 2,731.4 |
|  | Q4 | 1,255.4 | 152.0 | 284.6 | 1,692.0 | 290.3 | 130.1 | 576.9 | 997.3 | 53.8 | 2,743.1 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| 2024 | Q1 | 1,268.4 | 187.5 | 287.2 | 1,743.1 | 265.2 | 120.8 | 573.5 | 959.6 | 55.4 | 2,758.0 |
|  | Q2 | 1,281.7 | 172.1 | 258.7 | 1,712.5 | 284.5 | 114.2 | 599.2 | 997.9 | 64.6 | 2,775.0 |
|  | Q3 | 1,294.7 | 183.1 | 222.1 | 1,699.9 | 287.0 | 119.6 | 590.9 | 997.6 | 63.6 | 2,761.0 |
|  | Q4 | 1,306.8 | 177.9 | 303.3 | 1,788.0 | 276.7 | 120.2 | 570.2 | 967.0 | 70.1 | 2,825.1 |
|  | | |  |  |  |  |  |  |  |  |  |  |
| % change at  end-2024 over  end-2023 | | | 4.1 | 17.0 | 6.6 | 5.7 | -4.7 | -7.6 | -1.2 | -3.0 | 30.3 | 3.0 |

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

(a) AIs : Authorized institutions.

(b) MDBs : Multilateral Development Banks.

**The stock and derivatives markets**

5.13 The *local stock market* displayed considerable volatility in 2024. Weighed by heightened geopolitical tensions and tempered expectations for US interest rate cuts, the HSI hit a low of 14 961 in late January and remained under pressure in the first quarter. The HSI rebounded briefly following the announcement of enhancement measures on mutual access between the capital markets of the Mainland and Hong Kong in late April, before cooling down again amid uncertainties surrounding the economic outlook of the major economies. The HSI then rallied after the Fed’s 50-basis-point interest rate cut on 18 September and the Central Government’s subsequent launch of a package of stimulus measures to boost the Mainland economy. The HSI soared to a two-year high of 23 100 on 7 October before retreating somewhat to close the year at 20 060, 17.7% higher than end-2023. *Market capitalisation* rose by 13.8% over a year earlier to $35.3 trillion at end-2024. The local stock market ranked the seventh largest in the world and the fourth largest in Asia(9).

5.14 Trading activities regained momentum during the year especially in the fourth quarter. For 2024 as a whole, *average daily turnover* in the securities market expanded by 25.5% to $131.8 billion. Within the total, the average daily trading value of unit trusts (including Exchange-Traded Funds (ETFs))(10), equities and callable bull/bear contracts increased by 33.7%, 27.9% and 8.6% respectively, while that of derivative warrants decreased by 9.1%. As to futures and options(11), the average daily trading volume rose by 14.5%. Within the total, trading of stock options, HSI futures and Hang Seng China Enterprises Index futures rose by 17.7%, 1.3% and 0.5% respectively, while that of HSI options fell by 13.9%.



Table 5.6 : 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 Annual | 140 276 | 19 645 | 187 684 | 720 297 | 1 550 593 |
|  |  |  |  |  |  |
| Q1 | 149 867 | 22 591 | 208 485 | 645 126 | 1 500 494 |
| Q2 | 141 876 | 21 446 | 191 449 | 747 232 | 1 565 097 |
| Q3 | 130 138 | 19 505 | 173 985 | 704 694 | 1 482 419 |
| Q4 | 139 757 | 15 146 | 177 714 | 784 043 | 1 653 975 |
|  |  |  |  |  |  |
| % change in  2024 Q4 over  2023 Q4 | 5.2 | -25.0 | -2.7 | 32.1 | 23.1 |
|  |  |  |  |  |  |
| % change in  2024 over  2023 | 1.3 | -13.9 | 0.5 | 17.7 | 14.5 |

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.

5.15 Fund raising activities in Hong Kong stayed quiet in early 2024, but revived notably in the latter part of the year. *Total equity capital raised*, comprising new share floatation and post-listing arrangements on the Main Board and GEM(12), increased by 22.9% over the low base of comparison in 2023 to $191.8 billion. Within the total, the amount of funds raised through IPOs almost doubled to $88.0 billion. Hong Kong ranked fourth among stock exchange markets globally in terms of the amount of funds raised through IPOs in 2024(13).

5.16 Mainland enterprises continued to play an important role in the Hong Kong stock market. At end-2024, a total of 1 478 Mainland enterprises (including 364 H-share companies and 1 114 Non-H share Mainland enterprises) were listed on the Main Board and GEM, accounting for 56% of the total number of listed companies and 80% of total market capitalisation. Mainland-related stocks accounted for 88% of equity turnover and 90% of total equity funds raised in the Hong Kong Stock Exchange in 2024.

Fund management and investment funds

5.17 Performance of the fund management business improved further in 2024. The aggregate net asset value of the approved constituent funds under the *Mandatory Provident Fund (MPF) schemes*(14) rose by 13.2% over a year earlier to $1,291.2 billion at end-2024. The gross retail sales of *mutual funds* for the first eleven months of 2024 increased by 46.3% over the same period in the preceding year to US$75.8 billion(15)(16).

**Insurance sector**

5.18 The *insurance sector*(17) saw robust performance in the first three quarters of 2024. New office premiums of long-term business grew by 15.7% over the same period in the preceding year, within which premium from non-investment linked individual business (which accounted for 96% of total premium for this segment) grew by 18.0%, while investment-linked business contracted by 19.7%. As to general business, gross and net premiums in the first three quarters of 2024 amounted to $75.0 billion and $51.7 billion respectively(18).

Table 5.7 : Insurance business in Hong Kong@ ($Mn)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | General business# | | | |  | | New office premium of long-term business^ | | | | |  | |
|  |  | Gross premium | Net premium | Underwriting profit |  | | Non-linked long-term individual business | | Linked  long-term  individual business | Non-retirement scheme group business | All long-term business | Gross premium from long-term business and general business | |
|  |  |
|  |  |  |  |  |  | |  |  |  |  | |
| 2023 | Q1-Q3 | N.A. | N.A. | N.A. | 137,318 | | 8,965 | 236 | 146,519 | N.A. | |
|  |  |  |  |  |  | |  |  |  |  | |
|  | Q1 | N.A. | N.A. | N.A. | 43,489 | | 3,419 | 71 | 46,979 | N.A. | |
|  | Q2 | N.A. | N.A. | N.A. | 52,901 | | 3,171 | 87 | 56,159 | N.A. | |
|  | Q3 | N.A. | N.A. | N.A. | 40,928 | | 2,375 | 78 | 43,381 | N.A. | |
|  | Q4 | N.A. | N.A. | N.A. | 32,170 | | 2,200 | 74 | 34,444 | N.A. | |
|  |  |  |  |  |  | |  |  |  |  | |
| 2024 | Q1-Q3 | 75,017 | 51,716 | 2,156 | 162,036 | | 7,202 | 357 | 169,595 | 244,612 | |
|  |  |  |  |  |  | |  |  |  |  | |
|  | Q1 | N.A. | N.A. | N.A. | 63,292 | | 1,846 | 141 | 65,279 | N.A. | |
|  | Q2 | N.A. | N.A. | N.A. | 48,004 | | 2,457 | 125 | 50,586 | N.A. | |
|  | Q3 | N.A. | N.A. | N.A. | 50,740 | | 2,899 | 91 | 53,730 | N.A. | |
|  |  |  |  |  |  | |  |  |  |  | |
| % change in  2024 Q1-Q3  over  2023 Q1-Q3 | | N.A. | N.A. | N.A. | 18.0 | | -19.7 | 51.3 | 15.7 | N.A. | |

Notes : (@) Provisional statistics of the Hong Kong insurance industry.

(#) Following the implementation of the Risk-based Capital (RBC) regime on 1 July 2024, a new set of regulatory returns was introduced and some definitions were modified. Under the RBC regime, an element reflecting offshore business in respect of general insurance was included. In addition, the insurers must now report their underwriting performance based on financial year instead of calendar year, causing some data to be partially covered in this set of statistics. It is therefore inappropriate to make a direct comparison between the latest figures with those published in previous years.

(^) Retirement scheme business is excluded.

(N.A.) Not applicable.

**Highlights of policy and market developments**

5.19 The HKMA launched the Digital Bond Grant Scheme (DBGS) in November 2024 with an initial period of three years. Under the DBGS, subsidies are provided to qualifying digital bond issuers to cover eligible expenses incurred, so as to encourage financial institutions and issuers to adopt tokenisation technology in capital market transactions.

5.20 The HKEX Virtual Asset Index Series was launched in November 2024, which provides investors with transparent and reliable benchmarks for Bitcoin and Ether pricing in the Asian time zone. Separately, the Government informed the OECD in December of Hong Kong’s commitment to implementing the Crypto-Asset Reporting Framework, the latest global standard, with a view to ensuring global tax transparency in light of the rapid growth of the crypto-asset market.

5.21 The enhancements to the Mainland-Hong Kong Mutual Recognition of Funds arrangement became effective on 1 January 2025, which include relaxing the sales restriction and allowing the delegation of investment management functions of recognised funds to overseas asset management companies within the same group. From 13 January 2025, OTC Clearing Hong Kong Limited, HKEX’s clearing subsidiary, will allow offshore investors to use China Government Bonds and Policy Bank Bonds held through Bond Connect as margin collateral for Northbound Swap Connect.

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-2024, there were 150 licensed banks, 15 restricted licence banks and 11 deposit-taking companies in Hong Kong. Altogether, 176 AIs (excluding representative offices) from 32 countries and territories (including Hong Kong) had a presence in Hong Kong.

(6) HKMA discontinued the old RMB bond issuance data since June 2024 and adopted another data series. The new series has broader coverage sourced from various data sources including Bloomberg, the Central Moneymarkets Unit, Dealogic and Reuters but with longer time lag. Hence the latest data are up to the previous quarter only, and the new data are not directly comparable with those in previous issues of this report. Figures are subject to revisions.

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

(8) Assets of the banking sector include notes and coins, amount due from Authorized institutions in Hong Kong as well as from banks abroad, loans and advances to customers, negotiable certificates of deposit (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.

(9) 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.

(10) Given the relatively small share (less than 0.6% of the daily turnover in the securities market), trading of debt securities and its movements were not analysed.

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

(12) At end-2024, there were 2 308 and 323 companies listed on the Main Board and GEM respectively.

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

(14) At end-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 368 000 employers, 2.65 million employees and 233 000 self-employed persons are estimated to have participated in MPF schemes.

(15) 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.

(16) At end-2024, there was one SFC-authorised retail hedge fund with net asset size of US$94 million. This amount of net assets under management decreased by 5.1% from end-September 2024, and represented a 10.5% decrease from a year earlier and a 41.3% decrease from end-2002, the year when the hedge funds guidelines were first issued.

(17) At end-2024, there were 157 authorized insurers in Hong Kong. Within this total, 52 were engaged in long-term insurance business, 84 in general insurance business, 18 in composite insurance business, and three in special purpose business. These authorized insurers come from 22 countries and territories (including Hong Kong).

(18) Following the implementation of the RBC regime on 1 July 2024, an element reflecting offshore business is now included in respect of general insurance, and the coverage, classifications and definitions for related statistics have been modified. It is therefore inappropriate to make a direct comparison between the latest figures with those published in previous years.