CHAPTER 4 : THE FINANCIAL SECTOR#

*Summary*

* *Interest rates in Hong Kong softened in the first quarter of 2025. As the US Federal Open Market Committee (FOMC) maintained the target range for the Federal Funds Rate unchanged during the first quarter, the Base Rate under the Discount Window operated by the Hong Kong Monetary Authority (HKMA) was kept unchanged at 4.75%. Yet, the Hong Kong dollar interbank interest rates trended down as the seasonal demand for Hong Kong dollar funding faded. Interest rates on the retail front likewise fell slightly.*
* *The Hong Kong dollar spot exchange rate against the US dollar remained on the strong side of the Convertibility Zone throughout the first quarter. There was some weakening in January due to the seasonal* *decline in corporate funding needs, but regained some strength thereafter thanks to the vibrant local stock market. As the US dollar weakened against most major currencies, the trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices both decreased by 0.4% during the quarter.*
* *Total loans and advances increased by 0.6% during the first quarter. Within the total, loans for use in and outside Hong Kong increased by 0.5% and 1.1% respectively.*
* *After staying largely range-bound in January, the local stock market surged after the Chinese New Year holidays through mid-March, as market sentiment was fuelled by the Mainland’s breakthrough development in artificial intelligence and the Central Government’s measures to stimulate the domestic economy as unveiled at the “Two Sessions”. However, the market cooled down towards the end of the quarter amid concerns over the US trade policy outlook. The Hang Seng Index (HSI) hit a three-year high of 24 771 on 19 March, before retreating somewhat to close the first quarter at 23 120, up 15.3% from end-2024. Trading activities expanded visibly along with the HSI rally in the first quarter, and fund raising activities also picked up notably.*

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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. Interest rates in Hong Kong softened in the first quarter of 2025. As the US FOMC maintained the target range for the Federal Funds Rate unchanged at 4.25-4.50% during the first quarter, the *Base Rate*(1) under the Discount Window operated by the HKMA was kept unchanged at 4.75%. Yet, the *Hong Kong Interbank Offered Rates* (HIBORs) trended down as the seasonal demand for Hong Kong dollar funding faded. The overnight HIBOR and the 3-month HIBOR decreased from 5.65% and 4.37% at end-2024 to 3.85% and 3.88% at end-March 2025 respectively.
  2. *Hong Kong dollar yield* *curve* shifted downward in the first quarter especially for the shorter tenors, while the *US dollar yields* for the longer tenors retreated somewhat. Reflecting their relative movements, the negative yield spread between 6-month Exchange Fund Bills and 6-month US Treasury Bills widened from 54 basis points at end-2024 to 117 basis points at end-March 2025, while that between the 10-year Hong Kong Government Bonds and 10-year US Treasury Notes narrowed from 84 basis points to 72 basis points.



* 1. Interest rates on the retail front likewise fell slightly during the first quarter. At end-March 2025, the *Best Lending Rates* among banks ranged from 5.25% to 5.75%. The *average savings deposit rate* for deposits of less than $100,000 quoted by major banks edged down from 0.30% at end-2024 to 0.22% at end-March 2025, and the *one-year time deposit rate* fell from 0.39% to 0.27% during the same period. The *composite interest rate*(2), which indicates the average cost of funds for retail banks, decreased from 2.24% at end-2024 to 2.07% at end-March 2025.



* 1. The *Hong Kong dollar spot exchange rate against the US dollar* remained on the strong side of the Convertibility Zone throughout the first quarter. There was some weakening in January due to the seasonal decline in corporate funding needs, but regained some strength thereafter thanks to the vibrant local stock market. The spot exchange rate closed the first quarter at 7.779, compared with 7.763 at end-2024. The discounts of 3-month and 12-month *Hong Kong dollar forward rates* widened from 88 pips and 314 pips (each pip is equivalent to HK$0.0001) at end-2024 to 149 pips and 417 pips respectively at end-March 2025. The Aggregate Balance was little changed, standing at $44.6 billion at end-March 2025.
  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 weakened against most major currencies, the *trade-weighted Hong Kong dollar Nominal* and *Real Effective Exchange Rate Indices*(3) both decreased by 0.4% during the first quarter.



Money supply and banking sector

* 1. The Hong Kong dollar broad *money supply* (HK$M3) rose by 4.9% over end-2024 to $8,906 billion at end-March 2025, and the seasonally adjusted Hong Kong dollar narrow money supply (HK$M1) increased by 2.1% to $1,625 billion(4). Meanwhile, *total deposits* with authorized institutions (AIs)(5) grew by 3.5% to $17,977 billion, within which Hong Kong dollar deposits and foreign currency deposits increased by 5.1% and 2.2% respectively.



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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | M1 | | M2 | | M3 | |
| % change during  the quarter | HK$^ | Total | HK$(a) | Total | HK$(a) | Total |
|  |  |  |  |  |  |  |
| 2024 Q1 | -3.9 | -1.6 | \* | -0.1 | \* | \* |
| Q2 | 0.4 | 3.5 | 1.1 | 3.4 | 1.1 | 3.4 |
| Q3 | 3.7 | 6.7 | 1.3 | 2.4 | 1.3 | 2.4 |
| Q4 | 0.7 | -2.7 | 0.3 | 1.4 | 0.3 | 1.4 |
|  |  |  |  |  |  |  |
| 2025 Q1 | 2.1 | 4.3 | 4.9 | 3.2 | 4.9 | 3.2 |
|  |  |  |  |  |  |  |
| Total amount at  end-March 2025 ($Bn) | 1,625 | 2,866 | 8,890 | 19,049 | 8,906 | 19,095 |
|  |  |  |  |  |  |  |
| % change over  a year earlier | 7.0 | 12.1 | 7.7 | 10.8 | 7.7 | 10.8 |
|  |  |  |  |  |  |  |

Notes : (^) Seasonally adjusted.

(a) Adjusted to include foreign currency swap deposits.

(\*) Change within ± 0.05%.

* 1. *Total loans and advances* increased by 0.6% over end-2024 to $9,971 billion at end‑March 2025. Analysed by currency, Hong Kong dollar loans decreased by 1.5%, while foreign currency loans increased by 4.0%. Reflecting the relative movements in deposits and loans, the loan-to-deposit ratio for Hong Kong dollar decreased from 77.1% at end-2024 to 72.3% at end-March 2025, while that for foreign currencies increased from 40.5% to 41.2%.
  2. Loans for use in Hong Kong (including trade finance) and loans for use outside Hong Kong increased by 0.5% and 1.1% respectively over end-2024 to $7,528 billion and $2,444 billion at end-March 2025. Within the former, loans to various economic segments showed mixed performance. Loans to stockbrokers increased notably by 10.6%, thanks to the vibrant stock market trading activities after the Chinese New Year holidays. Loans to manufacturing and financial concerns also rose by 5.1% and 4.4% respectively. On the other hand, trade finance turned to a decline of 4.7% amid uncertainty over the US trade policy outlook, while loans to wholesale and retail trade decreased further by 2.1%. As for property-related lending, loans for purchase of residential property edged up by 0.6%, while loans to building, construction, property development and investment decreased further by 2.7%.

Table 4.2 : 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 |
|  |  |  |  |  |  |  |  |  |  |  |
| 2024 Q1 | -0.5 | 0.5 | -4.7 | -0.7 | 0.1 | -7.5 | -10.4 | -1.2 | -0.4 | -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 |
|  |  |  |  |  |  |  |  |  |  |  |
| 2025 Q1 | -4.7 | 5.1 | -2.1 | -2.7 | 0.6 | 4.4 | 10.6 | 0.5 | 1.1 | 0.6 |
|  |  |  |  |  |  |  |  |  |  |  |
| Total amount at end-March 2025 ($Bn) | 363 | 310 | 287 | 1,510 | 2,019 | 877 | 54 | 7,528 | 2,444 | 9,971 |
|  |  |  |  |  |  |  |  |  |  |  |
| % change over a year earlier | 0.2 | 3.4 | \* | -9.5 | 1.9 | 5.4 | 28.6 | -0.1 | -4.2 | -1.2 |

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.

(\*) Change within ± 0.05%.

* 1. The Hong Kong banking sector remained 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-2024. The banking sector’s overall asset quality stayed at a healthy level. The ratio of classified loans to total loans for all AIs edged down from 1.99% at end-September 2024 to 1.96% at end-2024, and the delinquency ratio for credit card lending remained unchanged at 0.35%. The delinquency ratio for residential mortgage loans stayed low at 0.13% at end-March 2025, though slightly higher than that of 0.11% at end-2024.

**Table 4.3 : 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 |
|  | Q4 | 95.90 | 2.14 | 1.96 |

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 95.76%, 2.06% and 2.18% respectively at end-2024.

* 1. *Offshore renminbi (RMB) business* remained resilient in the first quarter. RMB trade settlement transactions handled by banks in Hong Kong decreased by 2.4% from a year earlier to RMB3,625.5 billion. Total RMB deposits (including customer deposits and outstanding certificates of deposit) grew slightly by 0.2% over end-2024 to RMB1,077.4 billion at end-March 2025. As to financing activities, outstanding RMB bank loans increased by 11.1% over end-2024 to RMB804.4 billion at end-March 2025. Earlier on, RMB bond issuance (excluding certificates of deposit) amounted to RMB172.7 billion (of which RMB14.0 billion was issued by the Ministry of Finance) in the fourth quarter of 2024, as compared to RMB130.5 billion in the same period of 2023(6).

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 | | Total deposits | | Savings  deposits(b) | | Three-month  time deposits(b) |
|  |  | (RMB Mn) | (RMB Mn) | | (RMB Mn) | | (%) | | (%) |  | (RMB Mn) |
|  |  |  |  | |  | |  | |  |  |  |
| 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 |
|  |  |  |  | |  | |  | |  |  |  |
| 2025 | Q1 | 423,009 | 536,839 | | 959,848 | | 0.16 | | 0.31 | 138 | 3,625,469 |
|  |  |  |  | |  | |  | |  |  |  |
| % change in  2025 Q1 over  2024 Q1 | | 18.5% | -8.6% | | 1.6% | | N.A. | | N.A. | N.A. | -2.4% |
|  | |  |  | |  | |  | |  |  |  |
| % change in  2025 Q1 over  2024 Q4 | | 3.5% | 3.6% | | 3.6% | | N.A. | | N.A. | N.A. | -8.3% |

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 5.4% over the preceding quarter to $1,394.8 billion(7) in the first quarter. The total outstanding amount of Hong Kong dollar debt securities rose by 4.0% over end-2024 to $2,937.4 billion at end-March 2025, equivalent to 33.0% of HK$M3 or 29.6% 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 $7.5 billion institutional Government Bonds (GBs) were issued through tenders in the first quarter under the Infrastructure Bond Programme (IB Programme). At end-March 2025, the total outstanding amount of Hong Kong dollar bonds under the GB Programme, Government Sustainable Bond Programme (GSB Programme), and IB Programme was around $308.9 billion, comprising 12 institutional issues totalling $80.0 billion and two retail issues (two Silver Bonds) totalling around $96.3 billion under the GB Programme, one institutional issue worth $2.0 billion and two retail issues (two Retail Green Bonds) totalling $40.0 billion under the GSB Programme, as well as seven institutional issues totalling $18.0 billion and two retail issues (one Silver Bond and one Retail Infrastructure Bond) totalling around $72.5 billion under the IB 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, around US$19.8 billion equivalent of institutional green bonds outstanding under the GSB Programme, and around US$1.9 billion equivalent of institutional infrastructure bonds outstanding under the IB Programme.

Table 4.5: New issuance and outstanding value of

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  | | Exchange Fund | The HKSAR  Government | Local public  sector (a) | AIs(b) | Local corporations | Non-MDBs issuers outside Hong Kong(c) | MDBs(c) | Statutory bodies/govern-  ment-owned corporations in Hong Kong | Total | |  | | | | | | | | | | | | **New Issuance** | | | | | | | | | | | |  | | | | | | | | | | | | 2024 | Annual | 4,102.5 | 91.7 | 4,194.3 | 303.3 | 32.6 | 434.4 | 47.5 | 123.0 | 5,135.1 | |  |  |  |  |  |  |  |  |  |  |  | |  | Q1 | 1,004.5 | 5.5 | 1,010.0 | 59.7 | 6.2 | 113.0 | 18.4 | 57.0 | 1,264.3 | |  | Q2 | 1,017.4 | 1.5 | 1,018.9 | 89.2 | 7.0 | 131.8 | 13.4 | 13.6 | 1,273.8 | |  | Q3 | 1,036.2 | 1.5 | 1,037.7 | 86.2 | 13.1 | 96.6 | 8.6 | 31.5 | 1,273.7 | |  | Q4 | 1,044.6 | 83.2 | 1,127.8 | 68.1 | 6.3 | 93.0 | 7.1 | 21.0 | 1,323.3 | |  |  |  |  |  |  |  |  |  |  |  | | 2025 | Q1 | 1,049.0 | 7.5 | 1,056.5 | 98.9 | 7.7 | 188.6 | 15.3 | 27.8 | 1,394.8 | |  |  |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  |  | | % change in  2025 Q1 over 2024 Q1 | | 4.4 | 36.4 | 4.6 | 65.6 | 24.3 | 66.9 | -17.0 | -51.3 | 10.3 | |  | |  |  |  |  |  |  |  |  |  | | % change in  2025 Q1 over 2024 Q4 | | 0.4 | -91.0 | -6.3 | 45.3 | 23.1 | 102.7 | 114.0 | 32.2 | 5.4 | |  | | | | | | | | | | | | **Outstanding (as at end of period)** | | | | | | | | | | | |  | | | | | | | | | | | | 2024 | Q1 | 1,268.4 | 287.2 | 1,555.6 | 265.2 | 120.8 | 573.5 | 55.4 | 187.5 | 2,758.0 | |  | Q2 | 1,281.7 | 258.7 | 1,540.4 | 284.5 | 114.2 | 599.2 | 64.6 | 172.1 | 2,775.0 | |  | Q3 | 1,294.7 | 222.1 | 1,516.8 | 287.0 | 119.6 | 590.9 | 63.6 | 183.1 | 2,761.0 | |  | Q4 | 1,306.8 | 303.3 | 1,610.1 | 276.7 | 120.2 | 570.2 | 70.1 | 177.9 | 2,825.1 | |  |  |  |  |  |  |  |  |  |  |  | | 2025 | Q1 | 1,318.1 | 308.9 | 1,627.0 | 293.2 | 119.9 | 635.1 | 80.4 | 181.8 | 2,937.4 | |  | |  |  |  |  |  |  |  |  |  | | % change in  2025 Q1 over 2024 Q1 | | 3.9 | 7.5 | 4.6 | 10.6 | -0.8 | 10.7 | 45.2 | -3.0 | 6.5 | |  | |  |  |  |  |  |  |  |  |  | | % change in  2025 Q1 over 2024 Q4 | | 0.9 | 1.8 | 1.0 | 6.0 | -0.2 | 11.4 | 14.7 | 2.2 | 4.0 | |

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

(a) Sum of Exchange Fund and the HKSAR Government.

(b) AIs : Authorized institutions.

(c) MDBs : Multilateral Development Banks.

**The stock and derivatives markets**

4.13 After staying largely range-bound in January, the *local stock market* surged after the Chinese New Year holidays through mid-March, as market sentiment was fuelled by the Mainland’s breakthrough development in artificial intelligence and the Central Government’s measures to stimulate the domestic economy as unveiled at the “Two Sessions”. However, the market cooled down towards the end of the quarter amid concerns over the US trade policy outlook. The HSI hit a three-year high of 24 771 on 19 March, before retreating somewhat to close the first quarter at 23 120, up 15.3% from end-2024. *Market capitalisation* rose by 13.1% to $40.0 trillion during the quarter. The local stock market ranked the sixth largest in the world and the third largest in Asia(9).

4.14 Trading activities expanded visibly along with the HSI rally in the first quarter. *Average daily turnover* in the securities market jumped to $242.7 billion, 29.9% higher than the preceding quarter or 144.3% over a year ago. Within the total, the average daily trading value of unit trusts (including Exchange-Traded Funds (ETFs))(10), equities, derivative warrants and callable bull/bear contracts increased by 33.8%, 31.0%, 16.2% and 9.9% respectively on a quarter-to-quarter basis. As to futures and options(11), the average daily trading volume rose by 12.8%. Within the total, trading of stock options, HSI options and HSI futures rose by 23.1%, 22.2% and 2.8% respectively, while Hang Seng China Enterprises Index futures fell by 4.0%.



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\* |
|  |  |  |  |  |  |
| 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 |
|  |  |  |  |  |  |
| 2025 Q1 | 143 619 | 18 509 | 170 690 | 964 803 | 1 866 001 |
|  |  |  |  |  |  |
| % change in  2025 Q1 over  2024 Q1 | -4.2 | -18.1 | -18.1 | 49.6 | 24.4 |
|  |  |  |  |  |  |
| % change in  2025 Q1 over  2024 Q4 | 2.8 | 22.2 | -4.0 | 23.1 | 12.8 |

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.

4.15 Fund raising activities in Hong Kong picked up notably in the first quarter of 2025. *Total equity capital raised*, comprising new share floatation and post-listing arrangements on the Main Board and GEM(12), leaped by 141.2% over the preceding quarter or 423.4% over a year earlier to $159.4 billion. Within the total, the amount of funds raised through IPOs fell by 42.4% from the preceding quarter, but surged notably by 288.8% over a year ago to $18.7 billion. Hong Kong ranked fourth among stock exchange markets globally in terms of the amount of funds raised through IPOs in the first quarter(13).

4.16 Mainland enterprises continued to play an important role in the Hong Kong stock market. At end-March, a total of 1 484 Mainland enterprises (including 370 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 81% of total market capitalisation. Mainland-related stocks accounted for 91% of equity turnover and 92% of total equity funds raised in the Hong Kong Stock Exchange in the first quarter.

Fund management and investment funds

4.17 Performance of the fund management business continued to improve in the first quarter. The aggregate net asset value of the approved constituent funds under the *Mandatory Provident Fund (MPF) schemes*(14) rose by 3.6% over end-2024 to $1,337.5 billion at end-March 2025. The monthly average gross retail sales of *mutual funds* increased notably by 30.1% over the preceding quarter to US$8.8 billion in January – February(15)(16), and were 27.1% higher than the level a year earlier.

**Insurance sector**

4.18 The *insurance sector*(17) recorded solid growth in 2024. For the year as a whole, new office premiums of long-term business grew by 21.4%, within which premium from non-investment linked individual business (which accounted for 95% of total premium for this segment) increased by 22.8%, while that from investment-linked business remained stable. As to general business, gross and net premiums in 2024 amounted to $100.5 billion and $69.7 billion respectively(18).

Table 4.7 : 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 | Annual | N.A. | N.A. | N.A. | 169,488 | | 11,165 | 310 | 180,963 | 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 | Annual | 100,453 | 69,658 | 3,267 | 208,133 | | 11,169 | 454 | 219,756 | 320,209 | |
|  |  |  |  |  |  | |  |  |  |  | |
|  | 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. | |
|  | Q4 | N.A. | N.A. | N.A. | 46,097 | | 3,967 | 97 | 50,161 | N.A. | |
|  |  |  |  |  |  | |  |  |  |  | |
| % change in  2024 over  2023 | | N.A. | N.A. | N.A. | 22.8 | | \* | 46.5 | 21.4 | 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.

(\*) Change within ± 0.05%.

**Highlights of policy and market developments**

4.19 In view of the escalating trade tensions and challenging external environment, the HKMA and the banking sector introduced sector-specific support measures on 8 April to assist more small and medium-sized enterprises in obtaining financing and in their upgrade and transformation. These measures include (i) providing flexible extensions to trade facilities and alternative suitable credit arrangements for the import and export, and manufacturing sectors; (ii) offering flexible financial arrangements to alleviate the cashflow pressure of enterprises in the construction sector through a collaborative mechanism; and (iii) introducing financing products that are better suited to the transport sector and providing more flexible repayment arrangements.

4.20 To enhance financial connectivity and cooperation in the region, the HKMA and the People’s Bank of China announced six measures on 13 January, including (i) introducing the HKMA RMB Trade Financing Liquidity Facility to provide banks with a stable source of RMB funds in providing RMB trade finance services to corporate customers; (ii) further enhancing and expanding the Southbound Bond Connect by extending the settlement time under the Central Securities Depositories (CSDs) linkage, and, supporting multi-currency bond settlements in RMB, HKD, USD and EUR through the CSDs linkage; (iii) developing offshore RMB repo business using Northbound Bond Connect bonds as collateral; (iv) including Northbound Bond Connect bonds as eligible margin collateral for derivative transactions at OTC Clearing Hong Kong Limited; (v) facilitating cross-boundary payment, including working to implement the linkage of faster payment systems in the Mainland and Hong Kong, and publishing an FAQ at the HKMA website to clarify and explain the current policy arrangements for various cross-boundary remittance scenarios; and (vi) supporting GBA financial facilitation by including new participating banks to offer Mainland account opening by attestation services for Hong Kong residents. In addition, the HKMA and the Monetary Authority of Macao launched a direct linkage between their central securities depositories on 21 January, facilitating cross-border investment and financing between Hong Kong and Macao. These developments underscore Hong Kong’s role as a financial superconnector, enhancing regional financial integration and market access.

4.21 To elevate the security, innovation, and growth of Hong Kong’s virtual asset (VA) market, the SFC in February unveiled 12 initiatives under the “**ASPIRe**” roadmap, built upon five foundational pillars — **A**ccess, **S**afeguards, **P**roducts, **I**nfrastructure, and **Re**lationships. The initiatives will streamline market access for global liquidity, enable adaptive compliance and product frameworks focusing on security, and drive infrastructure upgrade for traditional finance to tap into blockchain efficiency. The roadmap embodies the SFC’s forward-looking commitment to tackling the most pressing challenges facing the VA market, positioning Hong Kong as a trusted nexus for global VA liquidity. New frameworks for regulating VA over-the-counter and VA custodian services will be developed, while VA product and service offerings will be expanded.

4.22 The Hong Kong Family Office Nexus Digital Knowledge Hub was launched in March as part of the Hong Kong Family Office Nexus initiative. The hub provides a comprehensive resource for family offices worldwide, offering expert insights, best practices, and practical guidance on investment strategies, governance, technology adoption, and philanthropy, making it a dynamic tool tailored to the evolving needs of family offices.

4.23 In January, Hong Kong became an approved delivery point within the London Metal Exchange’s (LME’s) global warehousing network, enabling warehouse operators to seek approval for the storage of LME-registered brands of metals in Hong Kong. LME approved the first three applications, involving four warehouse facilities, to establish approved warehouses in Hong Kong in mid-April. The establishment of LME-accredited warehouses in Hong Kong will increase the demand for Hong Kong’s trade, shipping, and related industries, strengthen Hong Kong's commodities ecosystem, and pave the way for the development of related financial transactions.

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 2025, there were 149 licensed banks, 15 restricted licence banks and 11 deposit-taking companies in Hong Kong. Altogether, 175 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 may not represent a full coverage of all the Hong Kong dollar debt securities 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-March 2025, there were 132 classes of stock options contracts and 98 classes of stock futures contracts.

(12) At end-March 2025, there were 2 308 and 319 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-March 2025, there were 12 approved trustees. On MPF products, 21 master trust schemes, two industry schemes and one employer sponsored scheme, comprising altogether 380 constituent funds, were approved by the Mandatory Provident Fund Schemes Authority. A total of 356 000 employers, 2.64 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-March 2025, there was one SFC-authorised retail hedge fund with net asset size of US$83 million. This amount of net assets under management decreased by 11.7% from end-2024, and represented a 28.4% decrease from a year earlier and a 48.1% decrease from end-2002, the year when the hedge funds guidelines were first issued.

(17) At end-March 2025, there were 157 authorized insurers in Hong Kong. Within this total, 51 were engaged in long-term insurance business, 84 in general insurance business, 19 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.