CHAPTER 4 : THE FINANCIAL SECTOR#

*Summary*

* *Interest rates in Hong Kong fell in the second quarter of 2025. As the US Federal Open Market Committee (FOMC) maintained its target range for the Federal Funds Rate unchanged during the second 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 came down notably as liquidity conditions eased following the expansion of the Aggregate Balance in early May. Interest rates on the retail front eased in tandem.*
* *The Hong Kong dollar spot exchange rate against the US dollar strengthened in the early part of the second quarter amid buoyant capital market activities, eventually triggering the strong-side Convertibility Undertaking (CU) four times. As the resultant widening in negative HKD-USD interest rate spreads amid abundant liquidity spurred carry trade activities, the Hong Kong dollar subsequently weakened. The weak-side CU was triggered once in late June. As the US dollar weakened against most major currencies, the trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices decreased by 3.3% and 3.7% respectively during the second quarter.*
* *Total loans and advances increased by 1.9% during the second quarter. Within the total, loans for use in and outside Hong Kong increased by 1.6% and 2.6% respectively.*
* *The local stock market maintained upward momentum in the second quarter. Despite a sharp sell-off alongside other major markets following the US’ announcement of the so-called “reciprocal tariffs” in early April, market sentiment improved subsequently as trade tensions eased after the US suspended most of these tariffs for 90 days. The Hang Seng Index (HSI) recouped lost grounds and sustained the uptrend to close the second quarter at 24 072, up 4.1% from end-March. Trading activities remained active, and fund raising activities stayed vibrant.*

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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 fell in the second quarter of 2025. As the US FOMC maintained its target range for the Federal Funds Rate unchanged at 4.25-4.50% during the quarter, the *Base Rate*(1) under the Discount Window operated by the HKMA was kept unchanged at 4.75%. After rising briefly in the second half of April amid expectations of higher funding demand during the peak season for dividend payout, the *Hong Kong Interbank Offered Rates* (HIBORs) came down notably in the remainder of the quarter as liquidity conditions eased following the expansion of the Aggregate Balance in early May. The overnight HIBOR and the 3-month HIBOR decreased from 3.85% and 3.88% at end-March to 0.03% and 1.68% at end-June respectively.
  2. *Hong Kong dollar yield* *curve* shifted downward in the second quarter, more so 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 117 basis points at end-March to 294 basis points at end-June, and that between the 10-year Hong Kong Government Bonds and 10-year US Treasury Notes from 72 basis points to 134 basis points.



* 1. Interest rates on the retail front eased in tandem during the second quarter. While 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 0.22% and 0.27% respectively at end-June, the *composite interest rate*(2), which indicates the average cost of funds for retail banks, decreased further from 2.07% at end-March to 1.26% at end-June. The *Best Lending Rates* among banks ranged from 5.25% to 5.75% at end-June, same as the situation at end-March.



* 1. The *Hong Kong dollar spot exchange rate against the US dollar* strengthened in the early part of the second quarter amid buoyant capital market activities. The strong-side CU was triggered four times in early May, with the HKMA selling a total of 129.4 billion Hong Kong dollars. As the resultant widening in negative HKD-USD interest rate spreads amid abundant liquidity spurred carry trade activities, the Hong Kong dollar subsequently weakened. In late June, the weak-side CU was triggered once and the HKMA purchased $9.4 billion Hong Kong dollars. As a result, the Aggregate Balance increased from $44.6 billion at end-March to $164.1 billion at end-June. The spot exchange rate closed the second quarter at 7.8499, compared with 7.7793 at end-March. The discounts of 3-month and 12-month *Hong Kong dollar forward rates* widened from 149 pips and 417 pips (each pip is equivalent to HK$0.0001) to 574 pips and 1 227 pips respectively at end-June.
  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) decreased by 3.3% and 3.7% respectively during the second quarter.



Money supply and banking sector

* 1. The Hong Kong dollar broad *money supply* (HK$M3) rose by 1.7% over end-March to $9,060 billion at end-June, and the seasonally adjusted Hong Kong dollar narrow money supply (HK$M1) increased by 16.0% to $1,886 billion(4). Meanwhile, *total deposits* with authorized institutions (AIs)(5) grew by 4.0% to $18,698 billion, within which Hong Kong dollar deposits and foreign currency deposits increased by 1.8% and 5.9% 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$(a) | Total |
|  |  |  |  |  |  |  |
| 2024 Q1 | -3.9 | -1.6 | \* | -0.1 | \* | \* |
| Q2 | 0.4 | 3.5 | 1.1 | 3.4 | 1.1 | 3.4 |
| Q3 | 3.7 | 6.7 | 1.3 | 2.4 | 1.3 | 2.4 |
| Q4 | 0.7 | -2.7 | 0.3 | 1.4 | 0.3 | 1.4 |
|  |  |  |  |  |  |  |
| 2025 Q1 | 2.1 | 4.3 | 4.9 | 3.2 | 4.9 | 3.2 |
| Q2 | 16.0 | 12.2 | 1.7 | 4.0 | 1.7 | 4.1 |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Total amount at  end-June 2025 ($Bn) | 1,886 | 3,215 | 9,044 | 19,820 | 9,060 | 19,868 |
|  |  |  |  |  |  |  |
| % change over  a year earlier | 23.7 | 21.5 | 8.4 | 11.5 | 8.4 | 11.5 |
|  |  |  |  |  |  |  |

Notes : (^) Seasonally adjusted.

(a) Adjusted to include foreign currency swap deposits.

(\*) Change within ± 0.05%.

* 1. *Total loans and advances* increased by 1.9% over end-March to $10,158 billion at end‑June. Analysed by currency, Hong Kong dollar loans and foreign currency loans increased by 1.3% and 2.7% respectively. Reflecting the relative movements in deposits and loans, the loan-to-deposit ratio for Hong Kong dollar decreased from 72.3% at end-March to 72.0% at end-June, and that for foreign currencies decreased from 41.2% to 40.0%.
  2. Loans for use in Hong Kong (including trade finance) and loans for use outside Hong Kong increased by 1.6% and 2.6% respectively over end-March to $7,651 billion and $2,508 billion at end-June. Within the former, loans to most economic segments increased. Loans to stockbrokers rose notably by 16.3%, thanks to vibrant equity market activities during the period. Loans to manufacturing and trade finance increased by 4.8% and 3.7% respectively amid resilient trade performance. Loans to financial concerns and wholesale and retail trade rose by 3.7% and 2.5% respectively. As for property-related lending, loans for purchase of residential property rose slightly by 0.6%, while loans to building, construction, property development and investment edged down by 0.1%.

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 |
| Q2 | 3.7 | 4.8 | 2.5 | -0.1 | 0.6 | 3.7 | 16.3 | 1.6 | 2.6 | 1.9 |
|  |  |  |  |  |  |  |  |  |  |  |
| Total amount at end-June 2025 ($Bn) | 377 | 325 | 294 | 1,508 | 2,031 | 910 | 63 | 7,651 | 2,508 | 10,158 |
|  |  |  |  |  |  |  |  |  |  |  |
| % change over a year earlier | -2.0 | 11.4 | 2.2 | -6.9 | 1.9 | 8.8 | 53.2 | 1.2 | 3.0 | 1.6 |

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 strong and resilient, underpinned by robust capital and liquidity positions. Hong Kong incorporated AIs were well capitalised, with the total capital adequacy ratio staying at a high level of 24.2% at end-March. The banking sector’s asset quality deteriorated slightly, but remained at a healthy level. The ratio of classified loans to total loans for all AIs edged up from 1.96% at end-2024 to 1.98% at end-March 2025, and the delinquency ratio for credit card lending also edged up from 0.35% to 0.37%. The delinquency ratio for residential mortgage loans stayed low at 0.13% at end-June, same as that in end-March.

**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) |
|  | | | | |
| 2024 | Q1 | 96.16 | 2.05 | 1.79 |
|  | Q2 | 96.18 | 1.93 | 1.89 |
|  | Q3 | 96.00 | 2.01 | 1.99 |
|  | Q4 | 95.89 | 2.15 | 1.96 |
|  |  |  |  |  |
| 2025 | Q1 | 95.77 | 2.25 | 1.98 |

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 95.67%, 2.16% and 2.17% respectively at end-March 2025.

* 1. *Offshore renminbi (RMB) business* saw mixed performance in the second quarter. RMB trade settlement transactions handled by banks in Hong Kong edged up by 0.2% over a year earlier to RMB3,709.2 billion. Meanwhile, total RMB deposits (including customer deposits and outstanding certificates of deposit) decreased by 8.6% over end-March to RMB985.1 billion at end-June. As to financing activities, outstanding RMB bank loans increased by 3.9% over end-March to RMB836.1 billion at end-June. Earlier on, RMB bond issuance (excluding certificates of deposit) amounted to RMB189.2 billion (of which RMB12.5 billion was issued by the Ministry of Finance) in the first quarter, as compared to RMB158.1 billion in the same period of 2024(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 |
|  | Q2 | 395,342 | 486,720 | | 882,061 | | 0.16 | | 0.31 | 139 | 3,709,233 |
|  | |  |  | |  | |  | |  |  |  |
| % change in  2025 Q2 over  2024 Q2 | | -8.6 | -22.6 | | -16.9 | | N.A. | | N.A. | N.A. | 0.2 |
|  | |  |  | |  | |  | |  |  |  |
| % change in  2025 Q2 over  2025 Q1 | | -6.5 | -9.3 | | -8.1 | | N.A. | | N.A. | N.A. | 2.3 |

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 2.8% over the preceding quarter to $1,433.9 billion(7) in the second quarter. The total outstanding amount of Hong Kong dollar debt securities rose by 2.7% over end-March to $3,015.7 billion at end-June, equivalent to 33.3% of HK$M3 or 29.3% 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 $12.0 billion institutional Government Bonds (GBs) were issued through tenders in the second quarter under the Infrastructure Bond Programme (IB Programme). At end-June, the total outstanding amount of Hong Kong dollar bonds under the GB Programme, Government Sustainable Bond Programme (GSB Programme), and IB Programme was around $293.8 billion, comprising 10 institutional issues totalling $72.0 billion, two retail issues (Silver Bonds) totalling $96.0 billion under the GB Programme, one institutional issue worth $2.0 billion and one retail issue (one Retail Green Bond) totalling $20.0 billion under the GSB Programme, as well as 11 institutional issues totalling $31.5 billion and two retail issues (one Silver Bond and one Retail Infrastructure Bond) totalling around $72.3 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$21.6 billion equivalent of institutional green bonds outstanding under the GSB Programme, and around US$3.1 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 | |  | Q2 | 1,060.2 | 13.5 | 1,073.7 | 85.5 | 23.9 | 221.8 | 15.2 | 13.7 | 1,433.9 | |  |  |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  |  | | % change in  2025 Q2 over 2024 Q2 | | 4.2 | 800.0 | 5.4 | -4.1 | 240.4 | 68.3 | 14.0 | 1.3 | 12.6 | | % change in  2025 Q2 over 2025 Q1 | | 1.1 | 80.0 | 1.6 | -13.5 | 209.8 | 17.6 | -0.2 | -50.5 | 2.8 | |  | | | | | | | | | | | | **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 | |  | Q2 | 1,325.3 | 293.9 | 1,619.2 | 284.5 | 134.4 | 699.8 | 94.0 | 183.9 | 3,015.7 | |  | |  |  |  |  |  |  |  |  |  | | % change in  2025 Q2 over 2024 Q2 | | 3.4 | 13.6 | 5.1 | \* | 17.6 | 16.8 | 45.4 | 6.8 | 8.7 | | % change in  2025 Q2 over 2025 Q1 | | 0.5 | -4.9 | -0.5 | -3.0 | 12.1 | 10.2 | 16.9 | 1.1 | 2.7 | |

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.

(\*) Change within ± 0.05%.

**The stock and derivatives markets**

4.13 The *local stock market* maintained upward momentum in the second quarter. Local equities experienced a sharp sell-off alongside other major markets following the US’ announcement of the so-called “reciprocal tariffs” in early April. On 7 April, the HSI plunged by 3 022 points or 13.2% to 19 828, marking the largest single-day fall on record. Yet, market sentiment improved subsequently as trade tensions eased after the US suspended most of these tariffs for 90 days. The HSI recouped lost grounds and sustained the uptrend to close the quarter at 24 072, up 4.1% from end-March. *Market capitalisation* rose further by 6.8% to $42.7 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 remained active in the second quarter. *Average daily turnover* in the securities market reached $237.7 billion, an increase of 95.5% over a year ago, though down slightly by 2.1% from the preceding quarter. Within the total, the average daily trading value of unit trusts (including Exchange-Traded Funds (ETFs))(10), callable bull/bear contracts and equities decreased by 7.0%, 5.9% and 1.3% respectively on a quarter-to-quarter basis, while that of derivative warrants rose by 9.1%. As to futures and options(11), the average daily trading volume fell by 17.7%. Within the total, trading of HSI options, stock options, HSI futures and Hang Seng China Enterprises Index futures decreased by 25.0%, 20.0%, 15.3% and 11.3% 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\* |
|  |  |  |  |  |  |
| 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 |
| Q2 | 121 666 | 13 876 | 151 409 | 771 454 | 1 534 850 |
|  |  |  |  |  |  |
| % change in  2025 Q2 over  2024 Q2 | -14.2 | -35.3 | -20.9 | 3.2 | -1.9 |
|  |  |  |  |  |  |
| % change in  2025 Q2 over  2025 Q1 | -15.3 | -25.0 | -11.3 | -20.0 | -17.7 |

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.

4.15 Fund raising activities stayed vibrant in the second quarter. *Total equity capital raised*, comprising new share floatation and post-listing arrangements on the Main Board and GEM(12), surged by 247.2% over a year earlier to $125.1 billion during the quarter, though 21.5% lower than the preceding quarter. Within the total, the amount of funds raised through IPOs surged by 386.5% over the preceding quarter, or by more than nine-fold over a year ago to $90.7 billion. Hong Kong ranked first among stock exchange markets globally in terms of the amount of funds raised through IPOs in the first half of the year(13).

4.16 Mainland enterprises remained the driving force in the Hong Kong stock market. At end-June, a total of 1 504 Mainland enterprises (including 386 H-share companies and 1 118 Non-H share Mainland enterprises) were listed on the Main Board and GEM, representing 57% of the total number of listed companies and 81% of total market capitalisation. Mainland-related stocks accounted for 91% of equity turnover and 94% of total equity funds raised on the Hong Kong Stock Exchange in the first half of 2025.

Fund management and investment funds

4.17 Performance of the fund management business saw mixed performance in the second quarter. The aggregate net asset value of the approved constituent funds under the *Mandatory Provident Fund (MPF) schemes*(14) rose by 6.9% over end-March to $1,429.4 billion at end-June. The monthly average gross retail sales of *mutual funds* fell by 6.7% over the preceding quarter to US$7.9 billion in April – May(15)(16), but were 28.1% higher than the level a year earlier.

**Insurance sector**

4.18 The *insurance sector*(17) recorded solid growth in the first quarter. New office premiums of long-term business surged by 43.1% over a year earlier, within which premium from non-investment linked individual business (which accounted for 96.4% of total premium for this segment) rose by 42.3%, and that from investment-linked business increased by 74.8%. As to general business, gross and net premiums amounted to $31.2 billion and $20.6 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 |
|  |  |  |  |  |  |  |  |  |  |  |
| 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 | 25,436 | 17,942 | 1,111 |  | 46,097 | 3,967 | 97 | 50,161 | 75,597 |
|  |  |  |  |  |  |  |  |  |  |  |
| 2025 | Q1 | 31,245 | 20,588 | 882 |  | 90,087 | 3,227 | 99 | 93,413 | 124,658 |
| % change in  2025 Q1 over  2024 Q1 | | N.A. | N.A. | N.A. |  | 42.3 | 74.8 | -29.8 | 43.1 | 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**

4.19 The HKMA and the People’s Bank of China (PBoC) launched the Payment Connect, i.e. the linkage between the Mainland’s Internet Banking Payment System and Hong Kong’s Faster Payment System (FPS), on 22 June to support secure, efficient and convenient real-time cross-boundary payment for residents and institutions in both places. The initiative will further promote Hong Kong’s position as an offshore Renminbi business hub, as well as signify a milestone for the FPS in expanding cross-boundary payment.

4.20 The Stablecoins Ordinance was implemented on 1 August, which established a licensing regime for fiat-referenced stablecoins issuers in Hong Kong and further enhanced Hong Kong’s regulatory framework on virtual-asset activities, thereby fostering financial stability and encouraging financial innovation. Earlier, the Government issued the Policy Statement 2.0 on the Development of Digital Assets in Hong Kong on 26 June, reinforcing its commitment to establishing Hong Kong as a global hub for innovation in the digital asset (DA) field.  A two-month joint public consultation on the legislative proposals for establishing licensing regimes for DA dealing and custodian service providers was also launched subsequently.

4.21 The PBoC and HKMA announced on 8 July to expand the Southbound Bond Connect investor scope to include securities firms, fund companies, insurance companies and wealth management companies. Starting from 25 August, the offshore RMB bond repurchase (repo) business will be enhanced to support re-hypothecation and cross-currency repo under the Northbound channel, and the CMU OmniClear will also enhance the operational arrangements accordingly. These measures will expand the depth and breadth of the offshore repo market, and bolster the development of Hong Kong’s bond market by widening the investor base and enhancing market liquidity.

4.22 The first sukuk exchange-traded fund (ETF) that invests in Saudi Arabia was listed in Hong Kong on 29 May, being Asia’s first investment-grade sukuk ETF. Its listing underscores Hong Kong’s commitment to deepening regional market ties as well as diversifying product offerings.

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-June 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 0.2% of the daily turnover in the securities market), trading of debt securities and its movements were not analysed.

(11) At end-June 2025, there were 132 classes of stock options contracts and 97 classes of stock futures contracts.

(12) At end-June 2025, there were 2 329 and 316 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-June 2025, there were 12 approved trustees. On MPF products, 21 master trust schemes, two industry schemes and one employer sponsored scheme, comprising altogether 378 constituent funds, were approved by the Mandatory Provident Fund Schemes Authority. A total of 354 000 employers, 2.65 million employees and 231 000 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 since 2023, the figures in this report may not be comparable with those contained in previous issues of this report.

(16) At end-June 2025, there was one SFC-authorised retail hedge fund with net asset size of US$75 million. This amount of net assets under management decreased by 9.6% from end-March, and represented a 33.0% decrease from a year earlier and a 53.1% decrease from end-2002, the year when the hedge funds guidelines were first issued.

(17) At end-June 2025, there were 158 authorized insurers in Hong Kong. Within this total, 51 were engaged in long-term insurance business, 85 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.