CHAPTER 4 : THE FINANCIAL SECTOR#

*Summary*

* *Interbank interest rates in Hong Kong rose notably in the third quarter due to tightened liquidity conditions. Yet, as the US Federal Open Market Committee (FOMC) lowered its target range for the Federal Funds Rate by 25 basis points in mid-September, the Base Rate under the Discount Window operated by the Hong Kong Monetary Authority (HKMA) was adjusted downward by the same magnitude to 4.50%. Interest rates on the retail front eased in tandem.*
* *The Hong Kong dollar spot exchange rate against the US dollar stayed close to the weak-side Convertibility Undertaking (CU) from July to mid-August, triggering the weak-side CU eleven times during the third quarter. Subsequently, the Hong Kong dollar strengthened gradually alongside the resultant rises in HIBORs. With the US dollar strengthening against most major currencies, the trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices rose by 0.6% and 1.1% respectively during the quarter.*
* *Total loans and advances decreased by 0.9% during the third quarter. Within the total, loans for use in and outside Hong Kong declined by 0.4% and 2.3% respectively.*
* *The local stock market exhibited a strong uptrend in the third quarter amid positive market sentiments on the back of a thriving technology sector, rising expectations on further US rate cuts following the one in September, as well as some easing of trade tensions. Fuelled by strong buying interests from the Mainland, the Hang Seng Index (HSI) rallied to a four-year high in mid-September and closed the quarter at 26 856, up 11.6% from end-June. Trading activities stayed buoyant, and fund raising activities remained robust.*

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

**Interest rates and exchange rates**

4.1 Interbank interest rates in Hong Kong rose notably in the third quarter. After staying low until mid-August, *Hong Kong Interbank Offered Rates* (HIBORs) rose sharply amid tightened liquidity conditions following multiple rounds of weak-side CU triggering and funding demand from vibrant stock market activities. The overnight HIBOR and the 3-month HIBOR rose from 0.03% and 1.68% at end-June to 5.02% and 3.53% at end‑September respectively. Meanwhile, as the US FOMC lowered its target range for the Federal Funds Rate by 25 basis points to 4.00-4.25% in mid-September, the *Base Rate*(1) under the Discount Window operated by the HKMA was adjusted downward by the same magnitude to 4.50%.

4.2 *Hong Kong dollar yield curve* shifted upward in the third quarter, while *US dollar* *yield* *curve* shifted downward, more so for the shorter tenors. Reflecting their relative movements, the negative yield spread between 6-month Exchange Fund Bills and 6-month US Treasury Bills narrowed from 294 basis points at end-June to 113 basis points at end-September, and that between the 10‑year Hong Kong Government Bonds and 10-year US Treasury Notes also narrowed from 134 basis points to 115 basis points.



4.3 On the retail front, many local banks lowered their *Best Lending Rates* by 12.5 basis points after the US rate cut in mid-September. At end-September, the Best Lending Rates in the market ranged from 5.125% to 5.625%. The *average savings deposit rate* for deposits of less than $100,000 quoted by major banks decreased from 0.22% at end-June to 0.11% at end-September, while the *one-year time deposit rate* decreased from 0.27% to 0.21%. The *composite interest rate*(2), which indicates the average cost of funds for retail banks, declined from 1.26% at end-June to 1.19% at end-September.



4.4 Driven by persistent carry trade selling flows amid the sizeable negative HKD-USD interest rate spreads, the *Hong Kong dollar spot exchange rate against the US dollar* stayed close to the weak-side CU from July to mid-August. The weak-side CU was triggered eleven times during the quarter, with the HKMA buying a total of $110.5 billion Hong Kong dollars. Consequently, the Aggregate Balance contracted from $164.1 billion at end-June to $54.2 billion at end-September. With the resultant rises in HIBORs amid tightened Hong Kong dollar liquidity, the negative HKD-USD interest rate spreads subsequently narrowed. Coupled with continued net buying flows through the Southbound Stock Connect, the Hong Kong dollar strengthened afterwards, closing the third quarter at 7.7804, compared with 7.8499 at end-June. The discount of 3-month *Hong Kong dollar forward rate* narrowed from 574 pips (each pip is equivalent to HK$0.0001) at end-June to 139 pips at end-September, and that of the 12-month Hong Kong dollar forward rate narrowed from 1 227 pips to 515 pips.

4.5 Under the Linked Exchange Rate System, movements in the Hong Kong dollar exchange rate against other currencies closely followed those of the US dollar. As the US dollar strengthened against most major currencies, the *trade-weighted Hong Kong dollar Nominal* *and Real* *Effective Exchange Rate Indices*(3) rose by 0.6% and 1.1% respectively during the third quarter.



**Money supply and banking sector**

4.6 The Hong Kong dollar broad *money supply* (HK$M3) decreased by 2.4% over end-June to $8,844 billion at end-September, and the seasonally adjusted Hong Kong dollar narrow money supply (HK$M1) decreased by 6.5% to $1,763 billion(4). Meanwhile, *total deposits* with authorized institutions (AIs)(5) increased by 2.4% to $19,144 billion, within which Hong Kong dollar deposits decreased by 2.7% while foreign currency deposits increased by 6.5%.



**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$(a) | Total |
|  |  |  |  |  |  |  |
| 2024 Q1 | -3.9 | -1.6 | \* | -0.1 | \* | \* |
| Q2 | 0.4 | 3.5 | 1.1 | 3.4 | 1.1 | 3.4 |
| Q3 | 3.7 | 6.7 | 1.3 | 2.4 | 1.3 | 2.4 |
| Q4 | 0.7 | -2.7 | 0.3 | 1.4 | 0.3 | 1.4 |
|  |  |  |  |  |  |  |
| 2025 Q1 | 2.1 | 4.3 | 4.9 | 3.2 | 4.9 | 3.2 |
| Q2 | 16.0 | 12.2 | 1.7 | 4.0 | 1.7 | 4.1 |
| Q3 | -6.5 | -4.5 | -2.4 | 2.1 | -2.4 | 2.1 |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Total amount at  end-September 2025 ($Bn) | 1,763 | 3,072 | 8,830 | 20,238 | 8,844 | 20,282 |
|  |  |  |  |  |  |  |
| % change over  a year earlier | 11.5 | 8.8 | 4.5 | 11.1 | 4.5 | 11.1 |
|  |  |  |  |  |  |  |

Notes : (^) Seasonally adjusted.

(a) Adjusted to include foreign currency swap deposits.

(\*) Change within ± 0.05%.

4.7 *Total loans and advances* decreased by 0.9% from end-June to $10,069 billion at end‑September. Analysed by currency, Hong Kong dollar loans and foreign currency loans decreased by 0.6% and 1.3% respectively. Reflecting the relative movements in deposits and loans, the loan-to-deposit ratio for Hong Kong dollar rose from 72.0% at end-June to 73.6% at end-September, while that for foreign currencies fell from 40.0% to 37.0%.

4.8 Loans for use in Hong Kong (including trade finance) and loans for use outside Hong Kong decreased by 0.4% and 2.3% over end-June to $7,617 billion and $2,451 billion respectively at end-September. Within the former, loans to various economic segments saw mixed performance. Loans to financial concerns and stockbrokers increased by 3.0% and 0.4% respectively amid vibrant stock market activities, while those to wholesale and retail trade, trade finance, and manufacturing decreased by 3.8%, 0.7% and 0.6% respectively. As for property-related lending, loans for purchase of residential property edged up by 0.8% in tandem with the relatively active property transactions during the quarter, while loans to building, construction, property development and investment fell by 3.2%.

**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 | 3.5 | 4.8 | 2.5 | -0.2 | 0.6 | 3.8 | 16.3 | 1.6 | 2.6 | 1.9 |
| Q3 | -0.7 | -0.6 | -3.8 | -3.2 | 0.8 | 3.0 | 0.4 | -0.4 | -2.3 | -0.9 |
|  |  |  |  |  |  |  |  |  |  |  |
| Total amount at  end-September 2025 ($Bn) | 374 | 323 | 282 | 1,459 | 2,047 | 938 | 64 | 7,617 | 2,451 | 10,069 |
|  |  |  |  |  |  |  |  |  |  |  |
| % change over  a year earlier | -1.3 | 8.4 | -4.9 | -7.1 | 2.0 | 13.7 | -0.6 | 1.6 | -1.0 | 0.9 |

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.

4.9 The Hong Kong banking sector remained strong, underpinned by solid capital and liquidity positions. Hong Kong incorporated AIs were well capitalised, with the total capital adequacy ratio staying at a high level of 24.4% at end-June. The local banking sector’s asset quality remained at a healthy level. The ratio of classified loans to total loans for all AIs edged down from 1.98% at end-March to 1.97% at end-June, though the delinquency ratio for credit card lending edged up from 0.37% to 0.40%. The delinquency ratio for residential mortgage loans stayed low at 0.13% at end-September, same as that at end-June.

**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 | 95.88 | 2.15 | 1.96 |
|  |  |  |  |  |
| 2025 | Q1 | 95.77 | 2.25 | 1.98 |
|  | Q2 | 95.87 | 2.16 | 1.97 |

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 95.74%, 2.12% and 2.13% respectively at end-June 2025.

4.10 *Offshore renminbi (RMB) business* saw mixed performance in the third quarter. RMB trade settlement transactions handled by banks in Hong Kong decreased by 12.1% from a year earlier to RMB3,353.4 billion. Total RMB deposits (including customer deposits and outstanding certificates of deposit) nonetheless increased by 11.6% over end-June to RMB1,099.0 billion at end-September. As to financing activities, outstanding RMB bank loans increased by 5.4% to RMB881.4 billion during the same period. Earlier on, RMB bond issuance (excluding certificates of deposit) amounted to RMB127.8 billion (of which RMB25.0 billion was issued by the Ministry of Finance) in the second quarter, as compared to RMB157.8 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 |
|  | Q3 | 471,341 | 530,430 | | 1,001,771 | | 0.16 | | 0.31 | 141 | 3,353,375 |
|  | |  |  | |  | |  | |  |  |  |
| % change in  2025 Q3 over  2024 Q3 | | 2.6 | -4.7 | | -1.4 | | N.A. | | N.A. | N.A. | -12.1 |
|  | |  |  | |  | |  | |  |  |  |
| % change in  2025 Q3 over  2025 Q2 | | 19.2 | 9.0 | | 13.6 | | N.A. | | N.A. | N.A. | -9.6 |

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**

4.11 As to the Hong Kong dollar *debt market*, total gross issuance of Hong Kong dollar debt securities increased by 9.7% over the preceding quarter to $1,573.3 billion(7) in the third quarter. The total outstanding amount of Hong Kong dollar debt securities rose by 6.4% over end-June to $3,208.6 billion at end-September, equivalent to 36.3% of HK$M3 or 31.0% of Hong Kong dollar-denominated assets of the banking sector(8).

4.12 As to the Hong Kong dollar bonds issued by the Government, a total of $7.25 billion institutional Government Bonds (GBs) were issued through tenders in the third quarter under the Infrastructure Bond Programme (IB Programme). At end-September, the total outstanding amount of Hong Kong dollar bonds under the GB Programme, Government Sustainable Bond Programme (GSB Programme) and IB Programme was around $257.3 billion, comprising nine institutional issues totalling $70.5 billion and one retail issue (Silver Bond) worth $53.8 billion under the GB Programme, one institutional issue worth $2.0 billion and one retail issue (Retail Green Bond) worth $20.0 billion under the GSB Programme, as well as 12 institutional issues totalling $38.8 billion and two retail issues (one Silver Bond and one Retail IB) totalling $72.2 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$4.3 billion equivalent of institutional IBs 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 |
|  | Q3 | 1,074.3 | 7.3 | 1,081.5 | 123.8 | 11.1 | 312.5 | 24.6 | 19.8 | 1,573.3 |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
| % change in  2025 Q3 over  2024 Q3 | | 3.7 | 383.3 | 4.2 | 43.5 | -15.5 | 223.4 | 186.1 | -37.0 | 23.5 |
| % change in  2025 Q3 over  2025 Q2 | | 1.3 | -46.3 | 0.7 | 44.7 | -53.5 | 40.9 | 61.1 | 44.3 | 9.7 |
|  | | | | | | | | | | |
| **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 |
|  | Q3 | 1,331.4 | 257.3 | 1,588.7 | 313.1 | 138.3 | 870.1 | 114.1 | 184.3 | 3,208.6 |
|  |  |  |  |  |  |  |  |  |  |  |
|  | |  |  |  |  |  |  |  |  |  |
| % change in  2025 Q3 over  2024 Q3 | | 2.8 | 15.9 | 4.7 | 9.1 | 15.6 | 47.2 | 79.5 | 0.6 | 16.2 |
| % change in  2025 Q3 over  2025 Q2 | | 0.5 | -12.4 | -1.9 | 10.1 | 2.9 | 24.3 | 21.4 | 0.2 | 6.4 |

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 Government of the HKSAR.

(b) AIs : Authorized institutions.

(c) MDBs : Multilateral Development Banks.

**The stock and derivatives markets**

4.13 The *local stock market* exhibited a strong uptrend in the third quarter. Market sentiment improved amid a thriving technology sector, rising expectations on further US rate cuts following the one in September, as well as some easing of trade tensions following trade deals between the US and many economies. Fuelled by strong buying interests from the Mainland, the HSI rallied to a four-year high in mid-September before closing the quarter at 26 856, up 11.6% from end-June. *Market capitalisation* rose notably by 16.8% to $49.9 trillion during the quarter. The local stock market ranked the fifth largest in the world and the third largest in Asia(9).

4.14 Trading activities stayed buoyant in the third quarter. *Average daily turnover* in the securities market reached $286.4 billion, increasing by 141.0% over a year ago and 20.5% over the preceding quarter. Within the total, the average daily trading value of equities, callable bull/bear contracts and unit trusts (including Exchange-Traded Funds (ETFs))(10) increased by 25.6%, 16.8% and 2.5% respectively on a quarter-to-quarter basis, while that of derivative warrants decreased by 6.7%. As to futures and options(11), the average daily trading volume increased by 7.3%. Within the total, trading of stock options and Hang Seng Index futures rose by 19.2% and 0.5% respectively, while that of Hang Seng Index options and Hang Seng China Enterprises Index futures fell by 8.8% and 8.5% 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 |
| Q3 | 122 289 | 12 656 | 138 573 | 919 912 | 1 647 307 |
|  |  |  |  |  |  |
| % change in  2025 Q3 over  2024 Q3 | -6.0 | -35.1 | -20.4 | 30.5 | 11.1 |
|  |  |  |  |  |  |
| % change in  2025 Q3 over  2025 Q2 | 0.5 | -8.8 | -8.5 | 19.2 | 7.3 |

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 remained robust in the third quarter. *Total equity capital raised*, comprising new share floatation and post-listing arrangements on the Main Board and GEM(12), leaped by 181.5% over a year earlier to $167.9 billion during the quarter, up 34.3% over the preceding quarter. Within the total, the amount of funds raised through IPOs increased by 86.8% over a year ago to $78.9 billion, though fell back by 13.1% from the preceding quarter. Hong Kong ranked first among stock exchange markets globally in terms of the amount of funds raised through IPOs in the first nine months of the year(13).

4.16 Mainland enterprises remained the driving force in the Hong Kong stock market. At end-September, a total of 1 518 Mainland enterprises (including 401 H-share companies and 1 117 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 87% of total equity funds raised on the Hong Kong Stock Exchange in the first nine months of 2025.

Fund management and investment funds

4.17 Performance of the fund management business improved in the third quarter. The aggregate net asset value of the approved constituent funds under the *Mandatory Provident Fund (MPF) schemes*(14) rose by 7.0% over end-June to $1,529.7 billion at end-September. The monthly average gross retail sales of *mutual funds* increased by 23.0% over the preceding quarter to US$10.5 billion in July – August(15)(16), and was 35.5% higher than the level a year earlier.

**Insurance sector**

4.18 The *insurance sector*(17) recorded strong growth in the second quarter. New office premiums of long-term business surged by 58.8% over a year earlier, within which premium from non-investment linked individual business (which accounted for 95.3% of total premium for this segment) rose by 59.5%, and that from investment-linked business increased by 50.2%. As to general business, gross and net premiums amounted to $27.2 billion and $19.3 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 |
|  | Q2 | 27,203 | 19,269 | 761 |  | 76,545 | 3,691 | 91 | 80,327 | 107,530 |
| % change in  2025 Q2 over  2024 Q2 | | N.A. | N.A. | N.A. |  | 59.5 | 50.2 | -27.2 | 58.8 | 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 In the 2025 Policy Address, the Chief Executive set out various measures to consolidate Hong Kong’s position as an international financial centre. Notably, the Government will continuously strengthen the stock market by enhancing the listing and structured products issuance mechanism, facilitating listing of overseas enterprises, improving trading arrangements and efficiency, and promoting issuance and trading of Renminbi securities in Hong Kong. The Government will also expedite the building of an international gold trading market through establishing a central clearing system for gold and encouraging more financial institutions to expand gold storage facilities in Hong Kong. On green and sustainable finance, the Hong Kong Exchanges and Clearing Limited will deepen pilot co-operation with carbon markets in the Greater Bay Area to test out cross-boundary trade settlement and jointly build a regional carbon market ecosystem. On fintech, following the implementation of the regulatory regime for stablecoin issuers on 1 August, the Government is formulating legislative proposals regarding licensing regimes for digital asset dealing and custodian service providers. The Securities and Futures Commission (SFC) is also studying the possibility of offering a wider range of digital asset products and services to professional investors on the premise of sufficient investor protection.

4.20 The HKMA and the SFC jointly announced Hong Kong’s Roadmap for the Development of Fixed Income and Currency (FIC) Markets on 25 September to position Hong Kong as a global FIC hub by fostering demand, liquidity and innovation. The roadmap outlines 10 initiatives across four pillars, including primary market issuance, secondary market liquidity, offshore RMB business, and next-generation infrastructure, with a view to supporting the sustainable and diversified growth of Hong Kong’s capital markets.

4.21 The People’s Bank of China announced its support for further deepening mutual access between the Mainland and Hong Kong financial markets on 25 September, including supporting various types of offshore institutional investors to conduct repurchase business in the Mainland bond market, expanding the list of Swap Connect dealers and enhancing relevant management mechanisms, more than doubling the daily quota of Northbound trading of Swap Connect to RMB45 billion, working with relevant authorities to provide more RMB assets in the Hong Kong market including treasury bonds, and continuing to communicate and co-operate closely with different parties to accelerate the launch of RMB treasury bond futures in Hong Kong. Subsequently, the cross-boundary bond repurchase (repo) business between the Mainland and Hong Kong was officially launched on 26 September, as one of the key initiatives to continuously enhance the Bond Connect business.

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-September 2025, there were 149 licensed banks, 16 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 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 AIs 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-September 2025, there were 132 classes of stock options contracts and 97 classes of stock futures contracts.

(12) At end-September 2025, there were 2 341 and 314 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-September 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, 2.66 million employees and 228 000 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-September 2025, there was one SFC-authorised retail hedge fund with net asset size of US$83 million. This amount of net assets under management increased by 10.7% from end-June, and represented a 16.2% 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-September 2025, there were 159 authorized insurers in Hong Kong. Within this total, 51 were engaged in long-term insurance business, 86 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.