



Hong Kong Monetary Authority

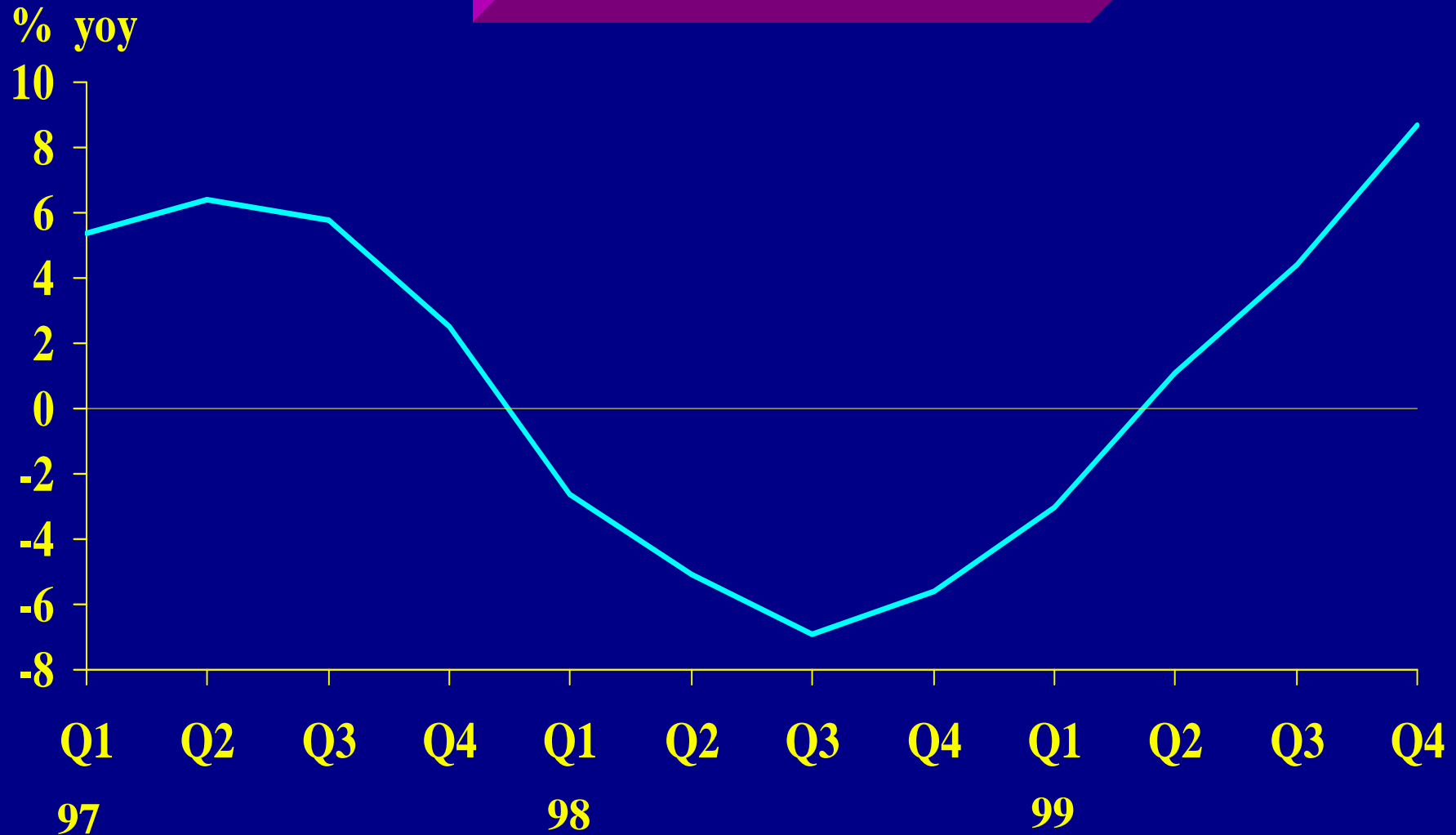
Briefing to the Legislative Council Panel on Financial Affairs

2 May 2000



Economic Recovery

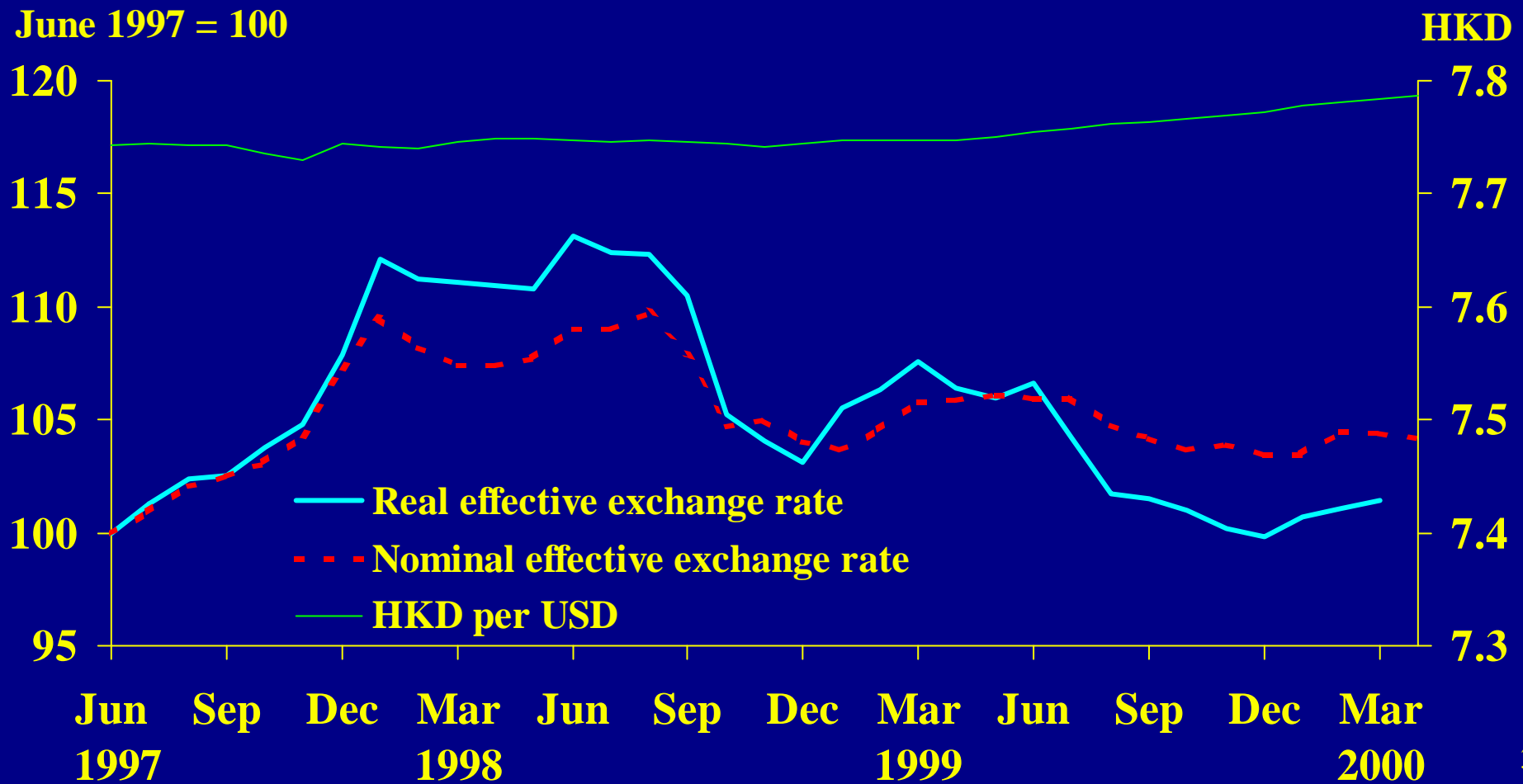
Real GDP Growth





Exchange Rates

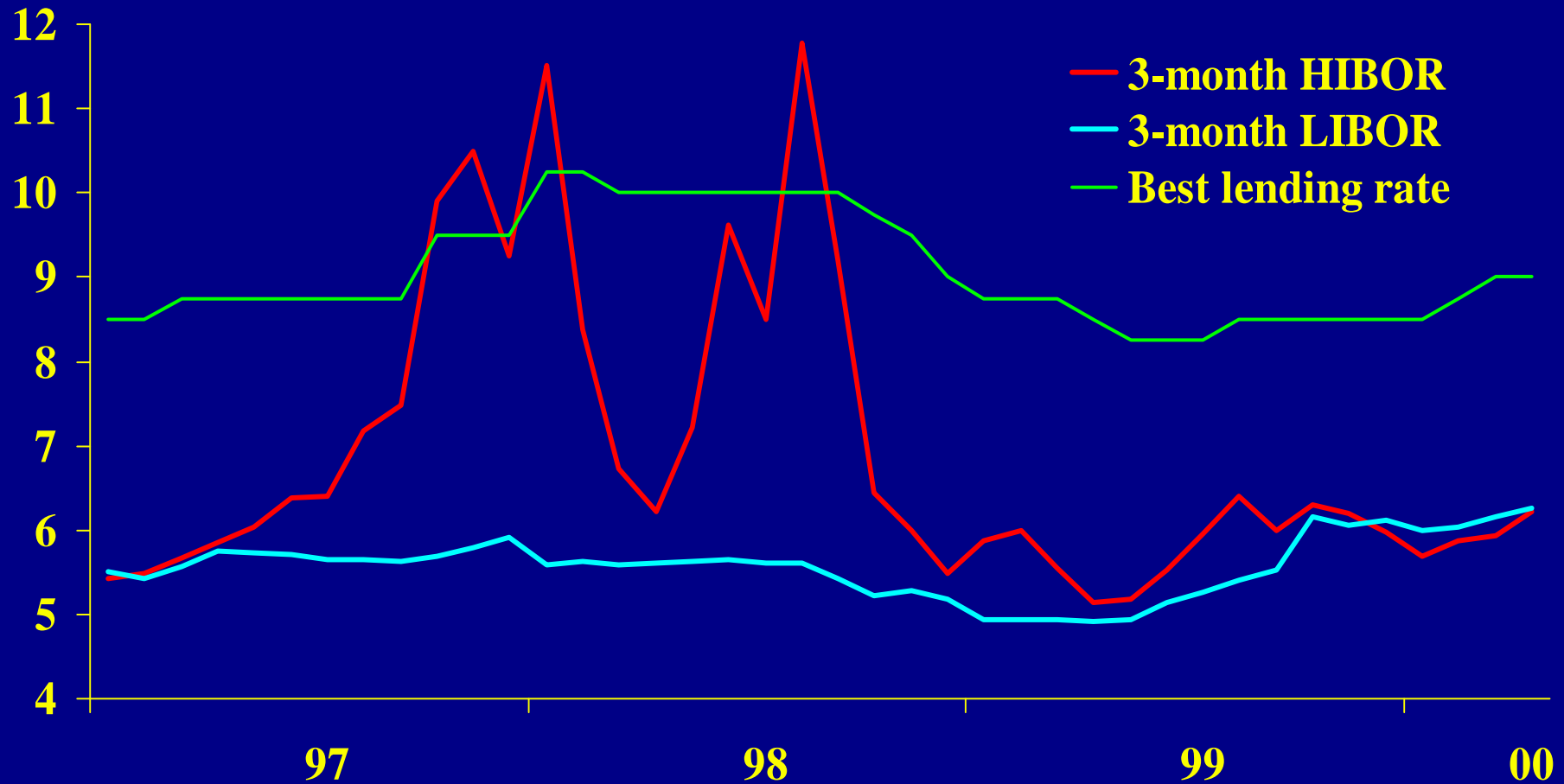
Effective Exchange Rate Indices





Interest Rates

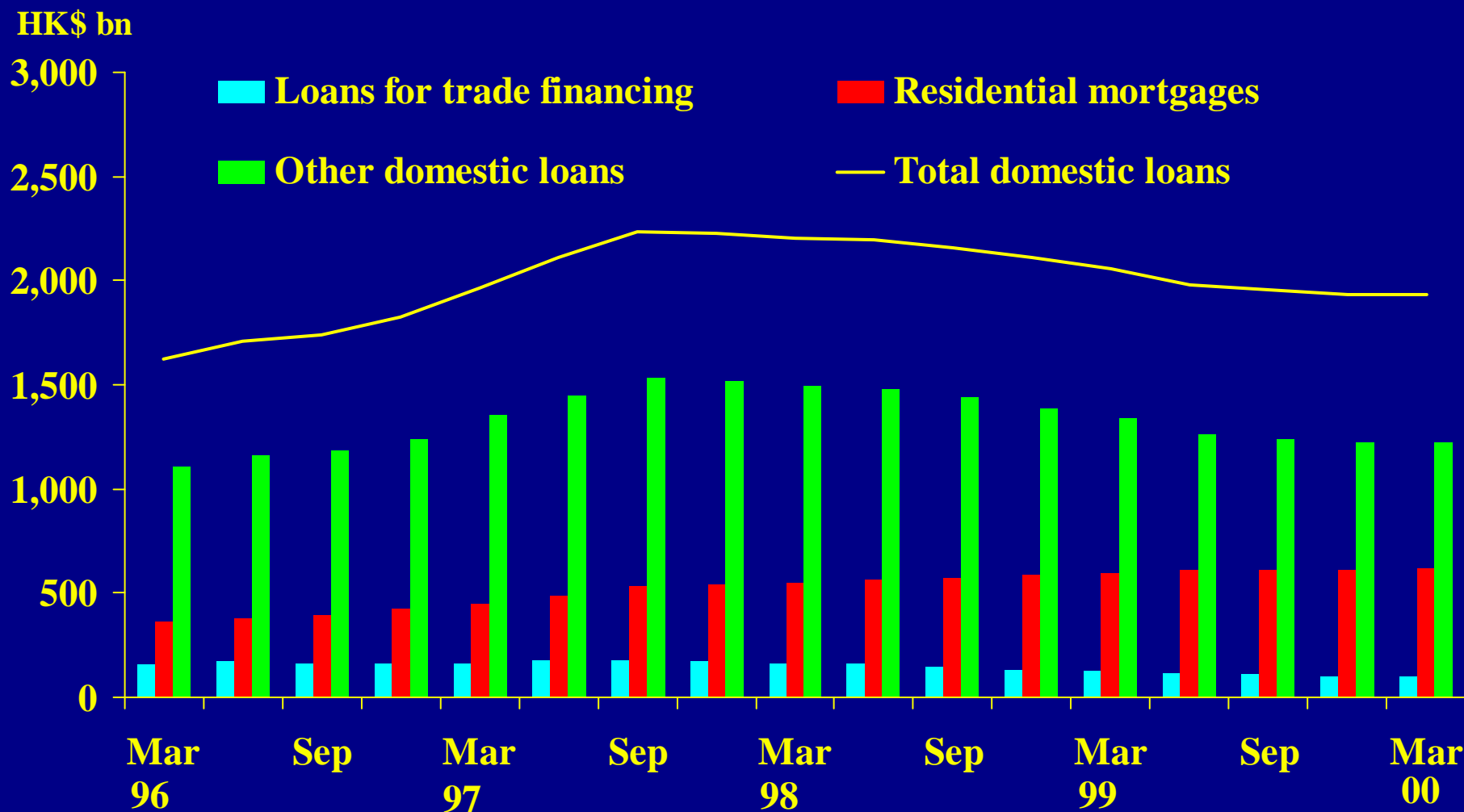
Percent





Domestic Credit

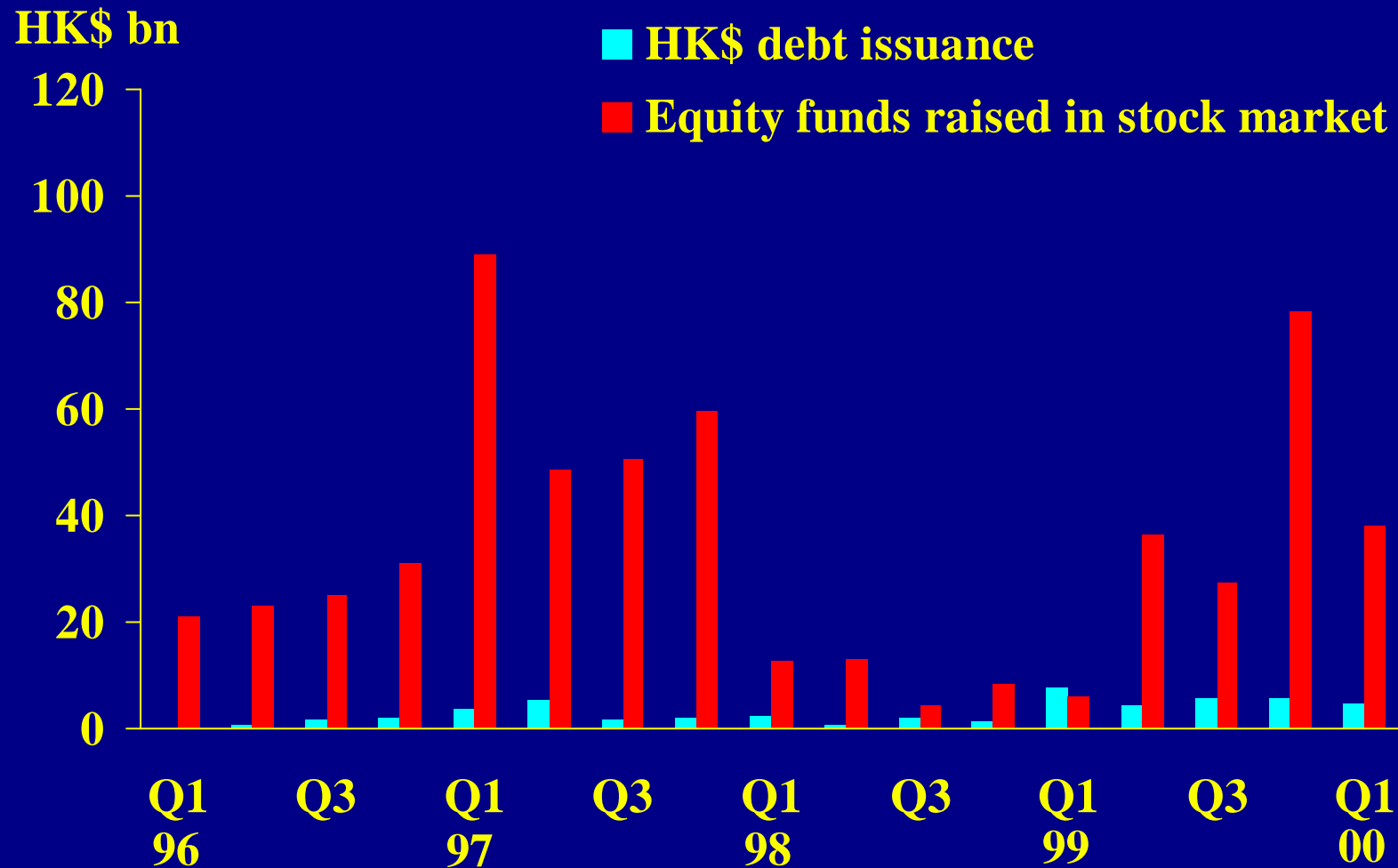
Bank Lending





Capital Markets

Funds Raised in Capital Markets





Exchange Fund (Group)

	<u>End-1999</u>	<u>End-1998</u>	<u>Increase</u>
	<i>(HK\$ bn)</i>	<i>(HK\$ bn)</i>	<i>(%)</i>
Assets	1,014.4	921.4	10.1
Liabilities	<u>723.1</u>	<u>679.1</u>	<u>6.5</u>
Accumulated Surplus	291.3	242.3	20.2



Exchange Fund (Group)

	<u>1999</u> <i>(HK\$ bn)</i>	<u>1998</u> <i>(HK\$ bn)</i>	<u>Increase</u> <i>(%)</i>
Income	105.1	94.5	11.2
Expenditure	56.1	42.3	32.6
Surplus	49.0	52.2	(6.2)
Accumulated surplus brought forward at end of previous year	242.3	190.1	27.5
Accumulated surplus carried forward at end of current year	291.3	242.3	20.2



Exchange Fund

2000 Investment Outlook - Very Difficult

- **Equity prices** : **volatile**
- **Interest rates** : **poised to go higher**
- **Bond prices** : **lower**
- **Currencies** : **volatile**



Health of Banking System

Local Banks: Profits Growth

Growth of operating profit before tax (YoY % Change)

1996	+10.6%
1997	+11.7%
1998	-32.9%
1999	+14.8%



Health of Banking System

Local Banks: Bad Debt Charge

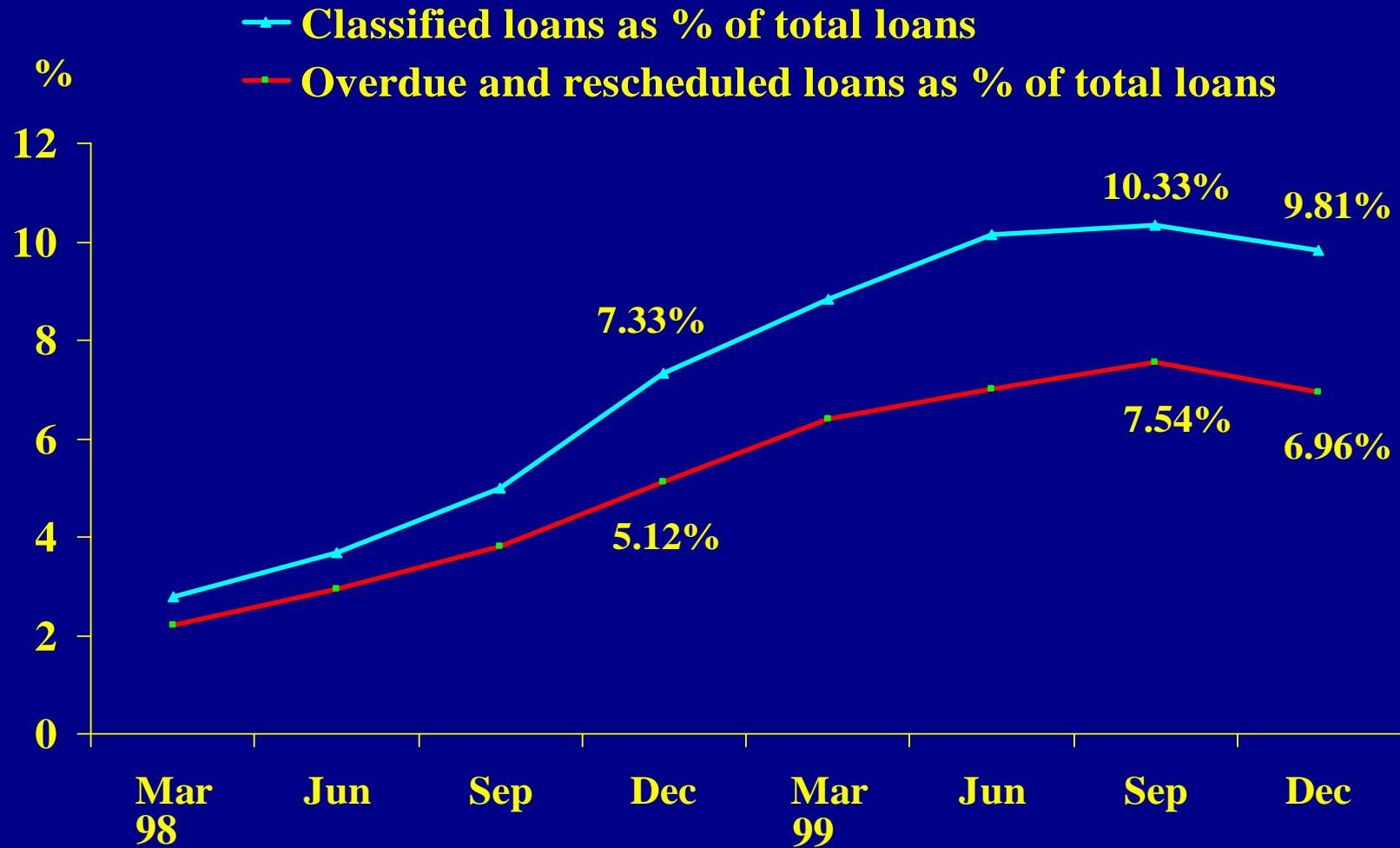
Growth of bad debt charge (YoY % Change)

1996	+123.25%
1997	-0.5%
1998	+335.1%
1999	+0.7%



Health of Banking System

Local Banks: Asset Quality





Health of Banking System

Local Banks: Key Ratios

	end-1998	end-1999
Capital adequacy ratio	18.5%	18.8%
Liquidity ratio	44%	45%



2000 Work Focus - Monetary

Currency stability

- Commitment to the link
- Continuing work of CBC
 - *convergence of Convertibility rates in August*

Banknotes

- Review of design



2000 Work Focus - Banking

IRR Deregulation

- Phase I** : **3 July 2000**
- : **Time deposits < 7 days**

- Phase II** : **2 July 2001**
- : **Savings and Current Accounts**



2000 Work Focus - Banking

Depositor Protection

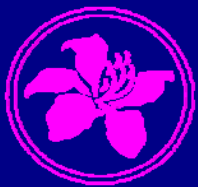
- **Consultant appointed**
- **Expected completion in early July**
- **Public consultation**

PROS

- **Consumer confidence**
- **Banking stability**

CONS

- **Moral hazard**
- **Costs**



2000 Work Focus - Infrastructure

USD Clearing



Aug 2000

- **USD RTGS**
- **USD Stock Clearing**

Sept 2000

- **USD/HKD Payment versus Payment**
- **USD Cheque Clearing**

Dec 2000

- **USD Debt Clearing**