

Highlights of 2002



Economic and Banking Environment

Hong Kong's real GDP grows by 2.3% in 2002, reflecting strong external trade. But domestic demand is constrained by high unemployment and weak asset prices.

Hong Kong's banking system remains safe and stable despite an increasing trend in bankruptcies, sluggish loan growth and narrowing lending margins.

The Hong Kong SAR Government issues a new ten-dollar note.



Monetary Stability

Although the external and internal environment continues to be difficult, the Hong Kong dollar remains stable within a narrow range of 7.7980 - 7.8000.



Banking Stability

The frameworks for establishing a deposit protection scheme and a commercial credit reference agency in Hong Kong are finalised.

Market entry criteria for the banking sector are relaxed to attract a broader range of institutions to Hong Kong.



Market Infrastructure

Hong Kong's external financial linkages are strengthened by a two-way link between Euroclear and the CMU.

Preparations for a euro RTGS clearing system and a two-way linkage between Clearstream and the CMU reach their final stages.



International Financial Centre

The HKMA chairs the EMEAP Working Group on Financial Markets, which designs the structure of the Asian Bond Fund. The first of its kind, the Asian Bond Fund allows a small part of the official reserves to be invested in Asian bonds.

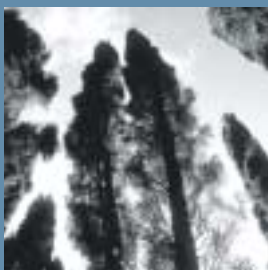
The HKMA co-chairs the APEC initiative on the development of securitisation and credit guarantee markets in Asia.



Reserves Management

The Exchange Fund achieves a 5.1% investment return in 2002, 120 basis points above the investment benchmark.

Hong Kong's foreign currency reserve assets stand at US\$111.9 billion at the end of 2002.



Professional and Corporate Services

The HKMA cuts expenditure by 9% and headcount by 5% in 2002.