

Highlights of 2007

Economic and Banking Environment

Hong Kong's economy remains strong in 2007, registering above-trend growth for the fourth consecutive year. Real GDP grows by 6.3%.

The banking sector remains sound, with stable macroeconomic conditions underpinning profitability and keeping credit losses low.

Monetary Stability

Monetary conditions remain stable and Hong Kong's foreign-exchange and money markets are orderly despite increased volatility during the year.

The HKMA's market operations in October 2007 help maintain the stability of the Hong Kong dollar and demonstrate the resilience of the Linked Exchange Rate system.

Banking Stability

Authorized institutions continue to be well capitalised under the capital reporting framework of Basel II.

The HKMA strengthens its supervisory work and monitoring of the impact of the US sub-prime problem on Hong Kong's banking sector.

A review of the HKMA's work on banking stability has begun.

Market Infrastructure

The renminbi RTGS system is launched.

Hong Kong's US-dollar RTGS system and Malaysia's debt securities settlement system are linked.

The first 15-year Exchange Fund Notes are issued.

International Financial Centre

Significant progress is achieved in the implementation of the recommendations of the Action Agenda of "China's 11th Five-Year Plan and the Development of Hong Kong".

The credit ratings given to Hong Kong by all major international credit rating agencies are at an all-time high of "AA".

Reserves Management

The Exchange Fund achieves an investment income of \$142.2 billion in 2007 and a return of 11.8%, exceeding the benchmark investment return by more than 1.2%.

Total assets of the Exchange Fund reach \$1,414.4 billion at the end of 2007.