

# Highlights of 2008

## Economic and Banking Environment

Economic activities slow in the second half of 2008 as Hong Kong and its trading partners are affected by the global financial crisis. Real GDP growth moderates to 2.5%.

The Hong Kong banking sector remains financially sound and well capitalised. Asset quality remains good but signs of deterioration increase towards the end of the year.

## Monetary Stability

The Hong Kong dollar remains stable against the US dollar.

The HKMA introduces temporary measures to increase the supply of liquidity and reduce borrowing costs to relieve stress in the money market and help restore the normal functioning of the interbank market.

## Banking Stability

The Review of the HKMA's Work on Banking Stability is published.

The failure of the US investment bank Lehman Brothers results in losses to investors around the world including in Hong Kong. The HKMA deploys resources to deal with complaints about the sale by banks of investment products related to Lehman Brothers.

A temporary 100% deposit guarantee and Contingent Bank Capital Facility are introduced to help support market confidence amid increasing tension in global credit markets.

## Market Infrastructure

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New measures are introduced to make the RTGS systems and Central Moneymarkets Unit more efficient.

Agreements are reached with Indonesia and Mainland China to establish cross-border RTGS links.

Memorandums of Understanding are agreed with Dubai and Malaysia on promoting Islamic finance.

## International Financial Centre

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The Mainland authorities agree to expand renminbi business in Hong Kong.

New measures under CEPA are introduced to assist Hong Kong banks in operating their businesses in China.

Hong Kong's credit rating is raised to AA+ by Standard & Poor's.

## Reserves Management

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The Exchange Fund sees an investment loss of 5.6% amid the global financial crisis.

Total assets of the Exchange Fund are \$1,560.3 billion at the end of 2008.