

# Half-Yearly Monetary and Financial Stability Report

## March 2015

### Table of Contents

<b>1. Summary and overview</b>	<b>4</b>
<b>2. Global setting and outlook</b>	<b>9</b>
2.1 External environment	9
2.2 Mainland China	22
<b>3. Domestic economy</b>	<b>32</b>
3.1 Real activities	32
3.2 Consumer prices	34
<b>4. Monetary and financial conditions</b>	<b>36</b>
4.1 Exchange rate and capital flows	36
4.2 Money and credit	39
4.3 Equity market	45
4.4 Debt market	47
4.5 Property markets	49
<b>5. Banking sector performance</b>	<b>58</b>
5.1 Profitability and capitalisation	58
5.2 Liquidity, interest rate and credit risks	60
Box 1. Interactions between currency risk and sovereign credit risk	14
Box 2. Asian export performance amid changes in US import demand pattern	17
Box 3. Why has the Mainland's corporate leverage increased fast in the past few years?	27
Box 4. Bilateral capital flows with Mainland China: Implications for Hong Kong's real economy	53
Box 5. Global liquidity and leverage management: A case in Hong Kong	72
<b>Glossary of terms</b>	
<b>Abbreviations</b>	