

Highlights of 2017

Economic and Financial Environment

The Hong Kong economy grows at a faster pace on the back of synchronised expansion of the global economy. The local stock market rallies and residential property market maintains its upward momentum, while housing affordability stretches further.

The Hong Kong banking sector remains safe and sound, with strong capital and liquidity positions and healthy asset quality.

Monetary Stability

The Hong Kong dollar eases against the US dollar as a result of the widening negative interest rate spreads between the two currencies. Nevertheless, the public remains highly confident in the Linked Exchange Rate System.

The money markets continue to operate smoothly with ample interbank liquidity. The Base Rate in Hong Kong is adjusted upwards by a total of 75 basis points to 1.75%, in tandem with the increase in the target range for the US federal funds rate.

Banking Stability

The HKMA places its supervisory focus on the effectiveness of banks' risk governance framework, including credit, liquidity and technology risk management. The eighth round of countercyclical macro-prudential measures is introduced to strengthen the resilience of the banking sector against any downturn in the property market.

On the policy side, substantial progress is made on the local implementation of international supervisory standards. The resolution regime comes into operation, establishing a new line of defence for banking stability. The Resolution Office is established as part of the HKMA's efforts to make the resolution regime operational for the Hong Kong banking sector.

