

Record of discussion of meeting of Exchange Fund Advisory Committee Currency Board Sub-Committee held on May 6

The following is issued on behalf of the Hong Kong Monetary Authority:

(Approved for Issue by the Exchange Fund Advisory Committee by circulation)

Report on Currency Board Operations (December 30, 2023 – April 24, 2024)

The Currency Board Sub-Committee (Sub-Committee) noted that the Hong Kong dollar (HKD) traded within a range of 7.8067 – 7.8369 against the US dollar (USD) during the review period. The HKD exchange rate moderated slightly between January and April amid softened liquidity but remained supported by net inflows through the Southbound Stock Connect. HKD interbank rates continued to track the USD rates while also being affected by local supply and demand. The Convertibility Undertakings were not triggered and the Aggregate Balance was stable at around HK\$45 billion. No abnormality was noted in the usage of the Discount Window. Overall, the HKD exchange and interbank markets continued to trade in a smooth and orderly manner.

The Sub-Committee noted that the Monetary Base increased to HK\$1,909.96 billion at the end of the review period. In accordance with the Currency Board principles, all changes in the Monetary Base had been fully matched by changes in foreign reserves.

The Report on Currency Board Operations for the review period is at Annex.

Monitoring of Risks and Vulnerabilities

The Sub-Committee noted that earlier market expectations of imminent cut in US policy rate had been dashed by the recent stronger-than-expected US inflation readings. While risky assets had rallied on the back of "soft landing" expectations and investor frenzy in stocks related to artificial intelligence, the elevated asset valuations could be challenged by the "high for long" interest rate environment, which had already led to some cracks in the real economy including rising customer loan delinquencies and pressures on the commercial real estate market. Meanwhile, vulnerabilities in non-bank financial institutions, including the private credit market and hedge funds, also warranted continued attention.

The Sub-Committee noted the continued, yet uneven, economic recovery in Mainland China in Q1 2024. The official economic growth target for 2024 was

set at about 5 per cent for the second consecutive year, likely bolstered by stronger fiscal support and better co-ordination of fiscal and monetary policies. However, the near-term economic outlook continued to face various challenges from a sluggish global growth outlook, an uncertain geopolitical environment, a soft domestic housing market and lingering concerns over local government financing vehicle debt risk. The Asia Pacific region remained resilient amid elevated interest rates and dampened credit and investment, although geoeconomic fragmentation might rise further in 2024 given increased appetite for trade protectionist measures and more active industrial policies.

The Sub-Committee noted that in Hong Kong, visitor arrivals continued to recover in Q1 2024 and merchandise exports registered a notable increase against a low base of comparison. Looking ahead, the domestic economy was expected to continue to recover at a moderate pace in 2024, but the growth outlook would face evolving risks and uncertainties relating to the US policy rate path, global economic prospects, the recovery pace of the global tech cycle and evolving geopolitical tensions. While the residential property market turned more active following the relaxation of policy measures announced at the 2024-25 Budget, housing prices remained soft amid the still-elevated mortgage rates and increased private housing supply.

Hong Kong Banking Sector's Exposures to Non-Bank Financial Institutions

The Sub-Committee noted a paper that reported on a deep-dive review of the Hong Kong banking sector's exposures to non-bank financial institutions completed by the Banking Supervision Department.

[Hong Kong's Gross National Income and external primary income flows for the first quarter of 2024](#)

The Census and Statistics Department (C&SD) released today (June 17) the preliminary statistics on Hong Kong's Gross National Income (GNI) and related figures for the first quarter of 2024.

Hong Kong's GNI, which denotes the total income earned by Hong Kong residents from engaging in various economic activities, increased by 9.6% in the first quarter of 2024 over a year earlier to \$831.0 billion at current market prices. The Gross Domestic Product (GDP), estimated at \$769.7 billion at current market prices in the same quarter, recorded a 7.1% increase over a year earlier. The value of GNI was larger than GDP by \$61.3 billion in the first quarter of 2024, which was equivalent to 8.0% of GDP in that quarter, mainly attributable to a net inflow of investment income.

After netting out the effect of price changes over the same period, Hong Kong's GNI increased by 6.3% in real terms in the first quarter of 2024 over a year earlier. The corresponding GDP in the same quarter increased by 2.7% in real terms.

Hong Kong's total inflow of primary income, which mainly comprises investment income, estimated at \$494.9 billion in the first quarter of 2024 and equivalent to 64.3% of GDP in that quarter, recorded a significant increase of 14.0% over a year earlier. Meanwhile, total primary income outflow, estimated at \$433.6 billion in the first quarter of 2024 and equivalent to 56.3% of GDP in that quarter, also increased by 9.9% over a year earlier.

As for the major components of investment income inflow, direct investment income (DII) increased by 6.1% over a year earlier, mainly due to the increase in earnings of some prominent local enterprises from their direct investment abroad. Portfolio investment income (PII) recorded a significant increase of 20.1% over a year earlier, mainly attributable to the increase in interest income received by resident investors from their holdings of non-resident debt securities.

Regarding the major components of investment income outflow, DII increased by 4.3% over a year earlier, mainly due to the increase in earnings of some prominent multinational enterprises from their direct investment in Hong Kong. PII increased by 8.8%, mainly attributable to the increase in interest payout to non-resident investors from their holdings of resident debt securities.

Analysed by country/territory, the mainland of China continued to be the largest source of Hong Kong's total primary income inflow in the first quarter of 2024, accounting for 40.5%. This was followed by the British Virgin Islands (BVI), with a share of 15.3%. Regarding total primary income outflow, the mainland of China and the BVI remained the most important destinations in the first quarter of 2024, accounting for 30.9% and 19.6% respectively.

Further information

GDP and GNI are closely related indicators for measuring economic performance. GDP is a measure of the total value of production of all resident producing units of an economy. GNI denotes the total income earned by residents of an economy from engaging in various economic activities, irrespective of whether the economic activities are carried out within the economic territory of the economy or outside.

Figures of GNI and primary income flows analysed by income component from the second quarter of 2022 to the first quarter of 2024 are presented in Table A, while selected major country/territory breakdowns of primary income inflow and outflow for the same quarters are presented in Tables B(1) and B(2) respectively.

Statistics on GDP and GNI from 2022 onwards and primary income flows from 2023 onwards are subject to revision when more data are incorporated.

More detailed statistics are given in the report "Gross National Income and External Primary Income Flows, First Quarter 2024". Users can browse and download this publication at the website of the C&SD (www.censtatd.gov.hk/en/EIndexbySubject.html?pcode=B1040005&scode=250).

For enquiries about GNI and related statistics, please contact the Balance of Payments Branch (2) of the C&SD (Tel: 3903 7054 or email: gni@censtatd.gov.hk).

Effective Exchange Rate Index

The effective exchange rate index for the Hong Kong dollar on Monday, June 17, 2024 is 106.5 (up 0.1 against last Saturday's index).

The effective exchange rate index for the Hong Kong dollar on Saturday, June 15, 2024 was 106.4 (down 0.1 against last Friday's index).

Judicial appointment

The following is issued on behalf of the Judiciary:

The Judiciary today (June 17) announced the appointment of Ms Phillis Loh Lai-ping as a District Judge. The appointment will take effect on June 18, 2024.

The appointment is made by the Chief Executive on the recommendation of the Judicial Officers Recommendation Commission.

Further judicial appointments will be announced in due course.

The biographical note of Ms Loh is as follows:

Ms Loh was born in Hong Kong. She obtained an LL.B. and a P.C.L.L. from the University of Hong Kong in 1987 and 1988 respectively. She was admitted as a Solicitor in Hong Kong in 1990, in the United Kingdom and in the Australian Capital Territory, both in 1991. She was called to the Bar in Hong Kong in 1998. She has been in private practice since 1990. She was appointed as Deputy District Judge and Temporary Deputy Registrar, High Court, for periods in 2014, 2016, 2018 and 2022.

Communications Authority press release

The following is issued on behalf of the Communications Authority:

This press release summarises the decisions of the Communications Authority (CA) following its 135th meeting held in June 2024.

Renewal of non-domestic television programme service (non-domestic TV) licence of One TV Media Global Limited (One TV)

The CA approved the application by One TV for renewal of its non-domestic TV licence for 12 years, from February 6, 2025, to February 5, 2037 (both dates inclusive). Currently, there are nine non-domestic TV licensees providing around 150 satellite television programme channels for the Asia Pacific region.

Broadcast complaint

The CA considered a complaint case about the television programme "Scoop" broadcast on November 25, 2023, on the Jade Channel of Television Broadcasts Limited (TVB). The CA decided that TVB should be warned to observe more closely the relevant provisions of the Generic Code of Practice on Television Programme Standards. Details of the case are at the [Appendix](#).