

Exchange Fund Abridged Balance Sheet and Currency Board Account

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

The Hong Kong Monetary Authority (HKMA) announced today (September 29) that the total assets of the Exchange Fund amounted to HK\$3,975.7 billion as at August 31, 2023, HK\$35.8 billion lower than that at the end of July 2023. Foreign currency assets decreased by HK\$22.8 billion and Hong Kong dollar assets decreased by HK\$13.0 billion.

The decline in foreign currency assets was mainly due to withdrawals of Fiscal Reserves placements and mark-to-market revaluation on investments, which were partly offset by an increase in interest income on investments. The decline in Hong Kong dollar assets was mainly due to mark-to-market revaluation on Hong Kong equities.

The Currency Board Account shows that the Monetary Base at the end of August 2023 was HK\$1,876.6 billion, increased by HK\$6.9 billion, or 0.4 per cent, from the end of July 2023. The rise was mainly due to amortisation of discount on Exchange Fund Bills and Notes and an increase in the market value of Exchange Fund Bills and Notes outstanding.

The amount of Backing Assets increased by HK\$19.1 billion, or 0.9 per cent, to HK\$2,061.8 billion at the end of August 2023. The increase was mainly attributable to the translation effect of foreign currency investments into Hong Kong dollars and interest from investments. The backing ratio increased from 109.26 per cent at the end of July 2023 to 109.87 per cent at the end of August 2023.

At present, four press releases relating to the Exchange Fund's data are issued by the HKMA each month. Three of these releases are issued to disseminate monetary data in accordance with the International Monetary Fund's Special Data Dissemination Standard (SDDS). The fourth press release, on the Exchange Fund's Abridged Balance Sheet and Currency Board Account, is made in accordance with the HKMA's policy of maintaining a high level of transparency. For the month of September 2023, the scheduled dates for issuing the press releases are as follows:

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|--------------------------|--|
| September 7
(Issued) | SDDS International Reserves
(Hong Kong's Latest Foreign Currency Reserve
Assets Figures) |
| September 14
(Issued) | SDDS Analytical Accounts of the Central Bank
(Analytical Accounts of the Exchange Fund) |
| September 29 | SDDS Template on International Reserves and
Foreign Currency Liquidity |

Financial results for the five months ended August 31, 2023

The Government announced today (September 29) its financial results for the five months ended August 31, 2023.

Expenditure for the period April to August 2023 amounted to HK\$300.7 billion and revenue HK\$117.9 billion, resulting in a cumulative year-to-date deficit of HK\$136.2 billion after taking into account the proceeds of HK\$46.6 billion received from issuance of green bonds under the Government Green Bond Programme (Green Bond).

A Government spokesperson said that the cumulative year-to-date deficit for the period was mainly due to the fact that some major types of revenue including salaries and profits taxes are mostly received towards the end of a financial year.

The fiscal reserves stood at HK\$698.6 billion as at August 31, 2023.

Detailed figures are shown in Tables 1 and 2.

TABLE 1. CONSOLIDATED ACCOUNT (Note 1)

	Month ended August 31, 2023 HK\$ million	Five months ended August 31, 2023 HK\$ million
Revenue	18,151.4	117,864.2
Expenditure	(57,222.6)	(300,665.6)
Deficit before issuance of Green Bond	(39,071.2)	(182,801.4)
Proceeds received from issuance of Green Bond	—	46,632.0

Deficit after issuance of Green Bond	(39,071.2)	(136,169.4)
Financing		
Domestic		
Banking Sector (Note 2)	39,528.0	129,500.3
Non-Banking Sector	(456.8)	6,669.1
External	–	–
Total	39,071.2	136,169.4

Government Debts as at August 31, 2023 (Note 3)

HK\$168,149 million

Debts Guaranteed by Government as at August 31, 2023 (Note 4)

HK\$147,627 million

TABLE 2. FISCAL RESERVES

	Month ended August 31, 2023 HK\$ million	Five months ended August 31, 2023 HK\$ million
Fiscal Reserves at start of period	737,691.6	834,789.8
Consolidated Deficit after issuance of Green Bond	(39,071.2)	(136,169.4)
Fiscal Reserves at end of period (Note 5)	698,620.4	698,620.4

Notes:

1. This Account consolidates the General Revenue Account and the following eight Funds: Capital Works Reserve Fund, Capital Investment Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Land Fund, Loan Fund and Lotteries Fund. It excludes the Bond Fund, the balance of which is not part of the fiscal reserves. The Bond Fund balance as at August 31, 2023, was HK\$310,748 million.

2. Includes transactions with the Exchange Fund and resident banks.

3. These were the Green Bonds (equivalent to HK\$168,149 million as at August 31, 2023) issued under the Government Green Bond Programme. They were

denominated in US dollars (US\$9,750 million with maturity from May 2024 to January 2053), euros (4,500 million euros with maturity from January 2025 to November 2041), Renminbi (RMB30,000 million with maturity from November 2024 to June 2033) and Hong Kong dollars (HK\$20,800 million with maturity from February 2024 to May 2025). They do not include the outstanding bonds with nominal value of HK\$268,107 million and alternative bonds with nominal value of US\$1,000 million (equivalent to HK\$7,846 million as at August 31, 2023) issued under the Government Bond Programme (with proceeds credited to the Bond Fund). Of these bonds under the Government Bond Programme (including Silver Bonds with nominal value of HK\$140,107 million, which may be redeemed before maturity upon request from bond holders), bonds with nominal value of HK\$103,862 million will mature within the period from September 2023 to August 2024 and the rest within the period from September 2024 to May 2042.

4. Includes guarantees provided under the SME Loan Guarantee Scheme launched in 2001, the Special Loan Guarantee Scheme launched in 2008, the SME Financing Guarantee Scheme launched in 2012 and a commercial loan of the Hong Kong Science and Technology Parks Corporation.

5. Includes HK\$307,545 million, being the balance of the Land Fund held in the name of "Future Fund", for long-term investments up to December 31, 2030. The Future Fund also includes HK\$4,800 million, being one-third of the actual surplus in 2015-16 as top-up.

Residential mortgage survey results for August 2023

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

The Hong Kong Monetary Authority announced the results of the residential mortgage survey for August 2023.

The number of mortgage applications in August increased month-on-month by 6.6 per cent to 8,617.

Mortgage loans approved in August increased by 26.9 per cent compared with July to HK\$35.6 billion. Among these, mortgage loans financing primary market transactions decreased by 19.8 per cent to HK\$4.7 billion and those financing secondary market transactions increased by 7.6 per cent to HK\$14.4 billion. Mortgage loans for refinancing increased by 86.9 per cent to HK\$16.6 billion.

Mortgage loans drawn down during August decreased by 20.5 per cent compared with July to HK\$20.9 billion.

The ratio of new mortgage loans priced with reference to HIBOR increased from 94.6 per cent in July to 95.4 per cent in August. The ratio of new mortgage loans priced with reference to best lending rates decreased from 1.6 per cent in July to 1.5 per cent in August.

The outstanding value of mortgage loans increased month-on-month by 0.2 per cent to HK\$1,854.4 billion at end-August.

The mortgage delinquency ratio remained unchanged at 0.07 per cent and the rescheduled loan ratio remained unchanged at nearly 0 per cent.

Monetary statistics for August 2023

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

According to statistics published today (September 29) by the Hong Kong Monetary Authority, total deposits with Authorized institutions increased by 0.6 per cent in August 2023. Among the total, Hong Kong dollar deposits and foreign currency deposits increased by 0.4 per cent and 0.8 per cent respectively in August. In the year to end-August, total deposits and Hong Kong dollar deposits grew by 2.0 per cent and 1.9 per cent respectively. Renminbi deposits in Hong Kong increased by 6.0 per cent in August to RMB962.5 billion at the end of August, mainly reflecting fund flows of corporates. The total remittance of renminbi for cross-border trade settlement amounted to RMB1,121.2 billion in August, compared with RMB1,022.1 billion in July. It should be noted that changes in deposits are affected by a wide range of factors, such as interest rate movements and fund-raising activities. It is therefore more appropriate to observe the longer-term trends, and not to over-generalise fluctuations in a single month.

Total loans and advances decreased by 0.3 per cent in August, and decreased by 1.7 per cent in the year to end-August. Among the total, loans for use in Hong Kong (including trade finance) and loans for use outside Hong Kong decreased by 0.2 per cent and 0.5 per cent respectively in August. The Hong Kong dollar loan-to-deposit ratio decreased to 87.1 per cent at the end of August from 87.8 per cent at the end of July, as Hong Kong dollar deposits increased while Hong Kong dollar loans decreased.

Hong Kong dollar M2 and M3 both rose by 0.3 per cent in August and both increased by 1.4 per cent when compared to a year ago. The seasonally-adjusted Hong Kong dollar M1 decreased by 0.4 per cent in August and decreased by 18.5 per cent compared to a year ago, reflecting in part investment-related activities. Total M2 and total M3 both increased by 0.4 per cent in August. Compared to a year earlier, total M2 and total M3 both increased by 2.8 per cent.

As monthly monetary statistics are subject to volatilities due to a wide range of transient factors, such as seasonal and IPO-related funding demand as well as business and investment-related activities, caution is required when interpreting the statistics.

Provisional statistics of retail sales for August 2023

The Census and Statistics Department (C&SD) released the latest figures on retail sales today (September 29).

The value of total retail sales in August 2023, provisionally estimated at \$32.4 billion, increased by 13.7% compared with the same month in 2022. The revised estimate of the value of total retail sales in July 2023 increased by 16.7% compared with a year earlier. For the first 8 months of 2023 taken together, it was provisionally estimated that the value of total retail sales increased by 19.3% compared with the same period in 2022.

Of the total retail sales value in August 2023, online sales accounted for 7.3%. The value of online retail sales in that month, provisionally estimated at \$2.4 billion, decreased by 9.0% compared with the same month in 2022. The revised estimate of online retail sales in July 2023 increased by 1.6% compared with a year earlier. For the first 8 months of 2023 taken together, it was provisionally estimated that the value of online retail sales decreased by 5.6% compared with the same period in 2022.

After netting out the effect of price changes over the same period, the provisional estimate of the volume of total retail sales in August 2023 increased by 11.0% compared with a year earlier. The revised estimate of the volume of total retail sales in July 2023 increased by 14.2% compared with a year earlier. For the first 8 months of 2023 taken together, the provisional estimate of the total retail sales increased by 17.3% in volume compared with the same period in 2022.

Analysed by broad type of retail outlet in descending order of the provisional estimate of the value of sales and comparing August 2023 with August 2022, the value of sales of jewellery, watches and clocks, and valuable gifts increased by 57.2%. This was followed by sales of other consumer goods not elsewhere classified (+23.4% in value); wearing apparel (+40.0%); commodities in department stores (+14.9%); medicines and cosmetics (+42.9%); footwear, allied products and other clothing accessories (+24.2%); books, newspapers, stationery and gifts (+10.2%); Chinese drugs and herbs (+32.0%); and optical shops (+22.4%).

On the other hand, the value of sales of commodities in supermarkets decreased by 3.0% in August 2023 over a year earlier. This was followed by

sales of food, alcoholic drinks and tobacco (-1.4% in value); electrical goods and other consumer durable goods not elsewhere classified (-15.9%); motor vehicles and parts (-5.8%); fuels (-15.5%); and furniture and fixtures (-15.1%).

Based on the seasonally adjusted series, the provisional estimate of the value of total retail sales decreased by 3.8% in the three months ending August 2023 compared with the preceding three-month period, while the provisional estimate of the volume of total retail sales decreased by 4.0%.

Commentary

A government spokesman said that the value of total retail sales continued to register visible year-on-year growth in August, thanks to a further increase in visitor arrivals.

The spokesman added that the retail sector would continue to benefit from the ongoing recovery of inbound tourism in the near term. Positive consumer sentiment amid improved labour market conditions and the "Night Vibes Hong Kong" Campaign, which features a variety of activities and consumption offers, should also provide support.

Further information

Table 1 presents the revised figures on value index and value of retail sales for all retail outlets and by broad type of retail outlet for July 2023 as well as the provisional figures for August 2023. The provisional figures on the value of retail sales for all retail outlets and by broad type of retail outlet as well as the corresponding year-on-year changes for the first 8 months of 2023 taken together are also shown.

Table 2 presents the revised figures on value of online retail sales for July 2023 as well as the provisional figures for August 2023. The provisional figures on year-on-year changes for the first 8 months of 2023 taken together are also shown.

Table 3 presents the revised figures on volume index of retail sales for all retail outlets and by broad type of retail outlet for July 2023 as well as the provisional figures for August 2023. The provisional figures on year-on-year changes for the first 8 months of 2023 taken together are also shown.

Table 4 shows the movements of the value and volume of total retail sales in terms of the year-on-year rate of change for a month compared with the same month in the preceding year based on the original series, and in terms of the rate of change for a three-month period compared with the preceding three-month period based on the seasonally adjusted series.

The classification of retail establishments follows the Hong Kong Standard Industrial Classification (HSIC) Version 2.0, which is used in various economic surveys for classifying economic units into different industry classes.

These retail sales statistics measure the sales receipts in respect of

goods sold by local retail establishments and are primarily intended for gauging the short-term business performance of the local retail sector. Data on retail sales are collected from local retail establishments through the Monthly Survey of Retail Sales (MRS). Local retail establishments with and without physical shops are covered in MRS and their sales, both through conventional shops and online channels, are included in the retail sales statistics.

The retail sales statistics cover consumer spending on goods but not on services (such as those on housing, catering, medical care and health services, transport and communication, financial services, education and entertainment) which account for over 50% of the overall consumer spending. Moreover, they include spending on goods in Hong Kong by visitors but exclude spending outside Hong Kong by Hong Kong residents. Hence they should not be regarded as indicators for measuring overall consumer spending.

Users interested in the trend of overall consumer spending should refer to the data series of private consumption expenditure (PCE), which is a major component of the Gross Domestic Product published at quarterly intervals. Compiled from a wide range of data sources, PCE covers consumer spending on both goods (including goods purchased from all channels) and services by Hong Kong residents whether locally or abroad. Please refer to the C&SD publication "Gross Domestic Product (Quarterly)" for more details.

More detailed statistics are given in the "Report on Monthly Survey of Retail Sales". Users can browse and download this publication at the website of the C&SD (www.censtatd.gov.hk/en/EIndexbySubject.html?pcode=B1080003&scode=530).

Users who have enquiries about the survey results may contact the Distribution Services Statistics Section of C&SD (Tel: 3903 7400; email: mrs@censtatd.gov.hk).