

# Record of discussion of meeting of Exchange Fund Advisory Committee Currency Board Sub-Committee held on January 8

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

(Approved for Issue by the Exchange Fund Advisory Committee on February 5, 2025)

Report on Currency Board Operations (October 19 – December 24, 2024)

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The Currency Board Sub-Committee (Sub-Committee) noted that the Hong Kong dollar (HKD) traded within a range of 7.7656 – 7.7848 against the US dollar (USD) during the review period. The HKD exchange rate moderated slightly in the first half of November amid a pullback of the local stock market, and then recovered in December. HKD interbank rates continued to track the USD rates while also being affected by local supply and demand. Meanwhile, following the decreases in the target range for the US federal funds rate in early November and mid-December, many banks reduced their Best Lending Rates by a total of 37.5 basis points, and the Best Lending Rates in the market ranged from 5.25 per cent – 5.75 per cent at the end of the review period. 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.

â€‹The Sub-Committee noted that the Monetary Base increased to HK\$1,958.14 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.

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

## Monitoring of Risks and Vulnerabilities

The Sub-Committee noted that with the incoming US administration, uncertainties over US fiscal sustainability and trade policies, the future policy direction of the US Federal Reserve and the global economic outlook had increased considerably.

The Sub-Committee noted that in Mainland China, the introduction of a series of new policy measures since late-September 2024 had boosted asset market sentiment and led to some signs of improvement in the real economy

moving into Q4 2024. At the Central Economic Work Conference and the Politburo Meeting in December 2024, the authorities further signalled more stimulus measures. However, the economic outlook was still subject to the tussle between the challenging external environment and domestic policy response. The renminbi exchange rate had remained relatively stable against the currency basket but had recently come under pressure against the USD amid a strengthening dollar, reversing the rally in August and September 2024.

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The Sub-Committee noted that in Hong Kong, the economy continued to grow but the momentum had softened in Q3 2024 amid subdued private consumption and decelerated growth of merchandise exports. Looking ahead, Hong Kong's economy was expected to grow moderately in 2025, with downside risks stemming from the US policy rate path, global growth prospects, and the trade policies under the new US administration. Despite the sharp increase in housing market transactions in October and November 2024, market sentiment had softened in recent weeks amid increased concerns about a slower pace of US interest rate cuts. Meanwhile, the commercial real estate markets remained subdued especially in the office segment.