

Repayment of trade facilities deferred by banking sector for another 90-day period

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

The Hong Kong Monetary Authority (HKMA) together with the Banking Sector SME Lending Coordination Mechanism (Mechanism) today announced a 90-day repayment deferment for trade facilities under the Pre-approved Principal Payment Holiday Scheme (Scheme).

Under the Scheme, which was launched in May last year, trade loans have been granted 90-day extension respectively in May, August and November last year. Some of these loans will start to fall due in February 2021. As the evolving COVID-19 pandemic continues to weigh on economic activities, some trade customers are still facing cash-flow pressure. The Mechanism has agreed that corporate customers in need can further extend their trade facilities for another 90-day period. Eligible corporate customers can also apply for a 90-day extension of trade facilities drawn down from November 2020 to end-January 2021. For facilities which are self-liquidating in nature, banks may require the loan to be settled when the underlying payment has been received by the customer.

Given the short-term nature of trade facilities, most of the underlying trade transactions entered into before the Scheme was launched should have been completed by now. In order to strike a balance between catering for the unique circumstances facing individual customers and the need for prudent risk management, the Mechanism has agreed that, for a trade loan which has been extended for 270 days or more cumulatively since it was first drawn down, banks can adopt a flexible approach and consider on a case-by-case basis whether other forms of relief (such as repaying the trade loans by instalments) are more suitable to help the customers ride out the current difficulties, subject to prudent risk-management principles.

Similar to previous extensions of the Scheme, banks will not issue individual notifications to eligible customers regarding the deferment arrangement. Interested corporate customers may contact their banks. Banks will handle deferment requests on a "pre-approved" basis. Banks may request customers to provide up-to-date operational and financial information to better understand their needs when processing their requests.

The Mechanism has also discussed the difficulties facing customers in the transportation sector and the assistance banks can provide. In view of the difficulties of public light bus (PLB) operators in obtaining new financing to upgrade their vehicles from 16 seats to 19 seats, the Mechanism has agreed that banks will be more flexible in handling the relevant new financing applications. The HKMA has also clarified that banks did not need

to rigidly adhere to the 85 per cent loan-to-value ratio cap provided that prudent risk management principles are observed and that the new loans are only used for purchase of new vehicles. As regards new loans granted for taxis, PLBs and other non-franchised buses, participating banks agreed that they would actively consider extending the maximum loan tenors for taxis and PLBs to 30 years, and the maximum loan tenors for non-franchised buses to 10 years, on a temporary basis for the next two years. They may provide other forms of relief to help alleviate the repayment burden of relevant commercial vehicle owners, subject to prudent risk management. Participating banks have also agreed to apply the same principles under the Scheme in handling requests for principal payment holiday and extension for taxis, PLBs and relevant commercial vehicles loans held in the name of personal customers.

The HKMA will continue to engage banks and the commercial sectors through the Mechanism to determine as soon as possible the way forward for the Scheme, which is going to expire at end-April.

The Scheme covers all corporate customers that have an annual sales turnover below HK\$800 million and that have no seriously overdue loan payments. For enquiries about the Scheme, please contact the HKMA via the dedicated email account (ppphs@hkma.gov.hk) or enquiry hotline (2878 1199).

Background

The Banking Sector SME Lending Coordination Mechanism was established by the HKMA in October 2019. Participants include 11 banks that are most active in SME lending. The Hong Kong Association of Banks and the HKMC Insurance Limited are also represented in the Mechanism. Since its establishment, the Mechanism has rolled out several rounds of relief measures for corporate customers, including the Scheme, loan tenor extensions, and the conversion of trade financing lines into temporary overdraft facilities. At the end of December 2020, banks had granted over 58,000 applications for loan tenor extension and other forms of relief, involving an aggregate amount of over HK\$740 billion.

Around 100 banks participate in the Pre-approved Principal Payment Holiday Scheme, which took effect in May 2020. The Scheme covers more than 120,000 eligible corporate customers. During November and December 2020, 4,600 eligible customers participated in the extended Scheme, representing a participation rate of 4 per cent. All corporate loans including mortgages, vehicle loans and trade facilities are covered by the Scheme. The HKMA has also reminded banks to be sympathetic to customers who are not eligible for the Scheme and to help tide them over this difficult time as long as it is consistent with prudent risk management principles to do so.

The HKMA together with the Mechanism announced at the beginning of September last year a six-month extension of the Scheme to April 2021.

Monetary Statistics for December 2020

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

According to statistics published today (January 29) by the Hong Kong Monetary Authority, total deposits with authorised institutions decreased by 0.9 per cent in December 2020. Among the total, Hong Kong dollar deposits and overall foreign currency deposits declined by 0.4 per cent and 1.4 per cent respectively. Renminbi deposits in Hong Kong increased by 0.5 per cent to RMB721.6 billion at the end of December. The total remittance of renminbi for cross-border trade settlement amounted to RMB535.8 billion in December, compared with RMB526.3 billion in November.

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. Fluctuations in monthly deposit changes are therefore normal. There was a rebound in total deposits according to the latest data up to the first three weeks of January 2021.

Total loans and advances decreased by 0.4 per cent in December. Among the total, while loans for use in Hong Kong (including trade finance) stayed virtually unchanged, loans for use outside Hong Kong decreased by 1.5 per cent. The Hong Kong dollar loan-to-deposit ratio increased to 83.5 per cent at the end of December from 82.7 per cent at the end of November, as Hong Kong dollar deposits decreased while Hong Kong dollar loans increased.

In the fourth quarter of 2020, loans for use in Hong Kong (including trade finance) decreased by 5.3 per cent following growth of 4.7 per cent in the previous quarter. Analysed by economic use, the decrease in loans during the fourth quarter was mainly led by loans to stockbrokers.

Hong Kong dollar M2 and M3 both dropped by 0.3 per cent in December, but grew by 6.5 per cent compared to a year ago. The seasonally-adjusted Hong Kong dollar M1 decreased by 1.0 per cent in December, but rose by 28.7 per cent compared to a year ago, reflecting in part investment-related activities. Total M2 and M3 both declined by 0.8 per cent in December, but expanded by 5.8 per cent from a year earlier.

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.

Advance estimates on Gross Domestic Product for fourth quarter and whole year of 2020

The Census and Statistics Department (C&SD) released today (January 29) the advance estimates on Gross Domestic Product (GDP) for the fourth quarter and the whole year of 2020.

According to the advance estimates, GDP decreased by 3.0% in real terms in the fourth quarter of 2020 from a year earlier, compared with the decrease of 3.6% in the third quarter of 2020. The moderation in the decline was attributable to the improvement in both domestic and external demand. For 2020 as a whole, GDP decreased by 6.1% in real terms from 2019.

Analysed by major GDP component, private consumption expenditure (PCE) decreased by 7.6% in real terms in the fourth quarter of 2020 from a year earlier, smaller than the 8.2% decline in the third quarter. For 2020 as a whole, PCE decreased by 10.2% in real terms from 2019.

Government consumption expenditure (GCE) measured in national accounts terms grew by 5.6% in real terms in the fourth quarter of 2020 over a year earlier, after the increase of 7.1% in the third quarter. For 2020 as a whole, GCE increased by 7.8% in real terms over 2019.

Gross domestic fixed capital formation (GDFCF) increased by 2.6% in real terms in the fourth quarter of 2020 over a year earlier, as against the decrease of 10.9% in the third quarter. For 2020 as a whole, GDFCF decreased by 11.6% in real terms from 2019.

Over the same period, total exports of goods measured in national accounts terms recorded an increase of 5.6% in real terms over a year earlier, compared with the increase of 3.9% in the third quarter. Imports of goods measured in national accounts terms grew by 6.9% in real terms in the fourth quarter of 2020, compared with the increase of 1.9% in the third quarter. For 2020 as a whole, total exports of goods and imports of goods recorded decreases of 0.3% and 2.1% respectively in real terms from 2019.

Exports of services fell by 29.6% in real terms in the fourth quarter of 2020 from a year earlier, compared with the decrease of 33.5% in the third quarter. Imports of services decreased by 35.9% in real terms in the fourth quarter of 2020, compared with the decrease of 36.0% in the third quarter. For 2020 as a whole, exports of services and imports of services decreased by 36.8% and 35.2% respectively in real terms from 2019.

On a seasonally adjusted quarter-to-quarter comparison basis, GDP increased by 0.2% in real terms in the fourth quarter of 2020 when compared with the third quarter.

Commentary

A Government spokesman said that the Hong Kong economy recovered further in the fourth quarter of 2020, albeit at a slow pace due to the fourth wave of the local epidemic. The strengthening of exports of goods and active financial market activity continued to render support. According to the advance estimates, GDP fell by 3.0% in real terms in the fourth quarter of 2020 on a year-on-year comparison, narrowing slightly from the 3.6% decline in the third quarter. On a seasonally adjusted quarter-to-quarter comparison, real GDP grew mildly by 0.2% in the fourth quarter, having rebounded by 2.7% in the third quarter.

For 2020 as a whole, real GDP fell by 6.1%. As social stability in Hong Kong has been restored, the severe economic contraction last year was mainly due to the fallout from the COVID-19 pandemic. Consumption- and tourism-related sectors such as accommodation, food services and retail trade were particularly hard-hit by the pandemic and recorded much steeper contractions than the overall economy. In contrast, financial market activity stayed robust and activities relating to exports and imports of goods picked up visibly in recent periods. It is thus of pivotal importance for the community as a whole to spare no effort to fight the virus and keep the epidemic under control at the soonest possible in order to attain a broad-based economic recovery.

Analysing the economic performance in the fourth quarter of 2020 by major expenditure component, Hong Kong's total exports of goods recorded accelerated growth thanks to the further revival of import demand in many major markets, especially the Mainland. Yet, exports of services plunged further as inbound tourism remained at a standstill. Regarding domestic demand, as the threat of COVID-19 and austere labour market conditions continued to weigh on consumer sentiment, private consumption expenditure stayed subdued though registered a slightly narrowed decline. Meanwhile, overall investment expenditure resumed growth against a low base of comparison after eight consecutive quarters of fall.

The Hong Kong economy is expected to see positive growth for 2021 as a whole, but the economic situation in the first half of the year will remain challenging and the degree and speed of recovery is subject to a host of uncertainties, especially those about the pandemic situation. While the Mainland economy is poised to strengthen further and render support to Hong Kong's exports, the pace of recovery in other major economies will hinge on the success of their mass vaccination campaigns. Evolving China-US relations and persistent geopolitical tensions also warrant attention. Locally, the prospect of domestic economic activities depends critically on how fast the local epidemic situation can be contained. The Government will monitor the situation closely and adopt appropriate countercyclical measures to support economic recovery and relieve people's financial burdens.

The revised figures on GDP and more detailed statistics for the fourth quarter and the whole year of 2020, as well as the real GDP growth forecast

for 2021 will be released on February 24, 2021 when the 2021-22 Budget is announced.

Further information

The year-on-year percentage changes of GDP and selected major expenditure components in real terms from the fourth quarter of 2019 to the fourth quarter of 2020 are shown in Table 1.

When more data become available, the C&SD will compile revised figures on GDP. The revised figures on GDP and more detailed statistics for the fourth quarter and the whole year of 2020 will be released at the C&SD website (www.censtatd.gov.hk/hkstat/sub/sp250.jsp), the Gross Domestic Product (Yearly) Report (www.censtatd.gov.hk/hkstat/sub/sp250.jsp?productCode=B1030002) and the Gross Domestic Product (Quarterly) Report (www.censtatd.gov.hk/hkstat/sub/sp250.jsp?productCode=B1030001) on February 24, 2021.

For enquiries about statistics on GDP by expenditure component, please contact the National Income Branch (1) of the C&SD (Tel: 2582 5077 or email: gdp-e@censtatd.gov.hk).

Financial results for the nine months ended December 31, 2020

The Government announced today (January 29) its financial results for the nine months ended December 31, 2020.

Expenditure for the period April to December 2020 amounted to HK\$620.1 billion and revenue HK\$351.3 billion, resulting in a cumulative year-to-date deficit of HK\$268.8 billion.

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, and the payments in respect of the Cash Payout Scheme and various measures under the Anti-epidemic Fund. The revised estimates for the current financial year will be published along with the 2021-22 Budget on February 24, 2021.

The fiscal reserves stood at HK\$891.5 billion as at December 31, 2020.

Detailed figures are shown in Tables 1 and 2.

TABLE 1. CONSOLIDATED ACCOUNT (Note 1)

	Month ended December 31, 2020 HK\$ million	Nine months ended December 31, 2020 HK\$ million
Revenue	112,465.0	351,265.8
Expenditure	(62,841.7)	(620,048.2)
Surplus/(Deficit)	49,623.3	(268,782.4)
Financing		
Domestic		
Banking Sector (Note 2)	(52,290.9)	267,677.8
Non-Banking Sector	2,667.6	1,104.6
External	—	—
Total	(49,623.3)	268,782.4

Government Debts as at December 31, 2020 (Note 3)

HK\$7,753 million

Debts Guaranteed by Government as at December 31, 2020 (Note 4)

HK\$72,316.7 million

TABLE 2. FISCAL RESERVES

	Month ended December 31, 2020 HK\$ million	Nine months ended December 31, 2020 HK\$ million
Fiscal Reserves at start of period	841,902.1	1,160,307.8
Consolidated Surplus/(Deficit)	49,623.3	(268,782.4)
Fiscal Reserves at end of period (Note 5)	891,525.4	891,525.4

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 December 31, 2020, was HK\$150,832 million.

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

3. These were the Green Bonds of US\$1,000 million (equivalent to HK\$7,753 million as at December 31, 2020) which were denominated in US dollars with maturity in May 2024. They do not include the outstanding bonds with nominal value of HK\$116,501 million and alternative bonds with nominal value of US\$1,000 million (equivalent to HK\$7,753 million as at December 31, 2020) 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\$20,901 million, which may be redeemed before maturity upon request from bond holders), bonds with nominal value of HK\$17,441 million will mature within the period from January 2021 to December 2021 and the rest within the period from January 2022 to March 2034.

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\$219,691 million being the balance of the Land Fund held in the name of "Future Fund", for long-term investments initially up to December 31, 2025. The Future Fund also includes HK\$4,800 million, being one-third of the actual surplus in 2015-16 as top-up.

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 (January 29) that the total assets of the Exchange Fund amounted to HK\$4,500.8 billion as at December 31, 2020, HK\$49.0 billion higher than that at the end of November 2020. Foreign currency assets increased by HK\$40.3 billion and Hong Kong dollar assets increased by HK\$8.7 billion.

The rise in foreign currency assets was mainly due to the mark-to-market revaluation on foreign currency investments and an increase in unsettled purchase of securities. The rise in Hong Kong dollar assets was mainly due to the mark-to-market revaluation on Hong Kong equities.

The Currency Board Account shows that the Monetary Base at the end of

December 2020 was HK\$2,098.0 billion, decreased by HK\$11.6 billion, or 0.5 per cent, from the end of November 2020. The decline was mainly due to a decrease in the outstanding amount of Certificates of Indebtedness.

The amount of Backing Assets decreased by HK\$10.4 billion, or 0.4 per cent, to HK\$2,306.3 billion. The decrease was mainly attributable to the redemption of Certificates of Indebtedness. The backing ratio increased from 109.82 per cent at the end of November 2020 to 109.93 per cent at the end of December 2020.

The figures in the Exchange Fund Abridged Balance Sheet and the Currency Board Account are unaudited. The audit of the Exchange Fund's annual financial statements by the Director of Audit is in progress.

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 January 2021, the scheduled dates for issuing the press releases are as follows:

January 7 (Issued)	SDDS International Reserves (Hong Kong's Latest Foreign Currency Reserve Assets Figures)
January 14 (Issued)	SDDS Analytical Accounts of the Central Bank (Analytical Accounts of the Exchange Fund)
January 29	SDDS Template on International Reserves and Foreign Currency Liquidity
January 29	Exchange Fund Abridged Balance Sheet and Currency Board Account