

Press Release

LCQ10: Total loans of Hong Kong's banking sector

Wednesday, June 15, 2016

Following is a question by the Hon Ng Leung-sing and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (June 15):

Question:

Credit data released by the Hong Kong Monetary Authority shows that the total domestic loans from banks in Hong Kong in March 2016 dropped year-on-year by 1.5% for the first time since September 2009. Total trade finance registered negative growth since the fourth quarter of 2014, while total loans to three major sectors (namely trade financing, manufacturing, as well as wholesale and retail trade) all reported declines in the first quarter of this year as compared to the last quarter, and only the total property lending maintained a steady growth. In this connection, will the Government inform this Council:

- (1) whether it has explored the main causes for the recent decline in total domestic loans; if it has, of the details; if not, the reasons for that;
- (2) whether it has projected the movements in total domestic loans in the medium and short term; if it has, of the details; if not, the reasons for that; and
- (3) whether it has assessed the impact of the decline in total domestic loans on Hong Kong's overall economic performance this year; if it has, of the details; if not, the reasons for that?

Reply:

President,

(1) and (2) According to the statistics from the Hong Kong Monetary Authority (HKMA), the total loans of Hong Kong's banking sector decreased by 0.2% in end-March 2016 as compared with end-2015. The loan size rebounded to HK\$7,543.7 billion in end-April 2016, up by 0.1% as compared with end-2015. Trade finance and loans for use in Hong Kong increased by 0.9% and 0.7%

respectively, while loans for use outside Hong Kong decreased by 1.3%, mainly due to a reduction in loans for use on the Mainland.

The HKMA understands from banks that the slowdown of loan growth this year, as compared with the same period last year, was mainly attributable to the uncertainties over the global and Hong Kong's economic outlook (e.g. a slower growth in local retail sales and the sluggish international trade flows), coupled with a slower economic growth on the Mainland. Corporates have become more conservative in borrowing, thus weakening the loan demand. Although the banking sector generally expects the loan demand to remain on the weak side in the near future, it has not changed its risk appetite and tightened the underwriting standards.

(3) Hong Kong's overall economic performance is mainly constrained by external developments. With the unsteady external economic environment, global economic growth has recently been the slowest since 2009. As a result, economic growth in Hong Kong has slowed down since mid-2015. In the first quarter of 2016, the economy grew by 0.8% year-on-year in real terms. The slowdown of economic growth contributed to the weakening demand for loans to a large extent. In the near term, global economic growth is likely to remain modest and subject to uncertainties. In mid-May, the Government forecasted that economic growth in Hong Kong would be at 1 to 2% in 2016.

Ends