

1997 back-up pot hits \$450b

By Bayani Cruz

THE total assets of the Exchange Fund, Hong Kong's first line of defence against 1997 uncertainties, stands at a healthy \$450 billion and growing.

This message of sound economic health was sounded by the Hong Kong Monetary Authority (HKMA) which said the figure was registered during the first six months of this year, representing a 10 per cent rise over December's total.

The Exchange Fund is the financial system's first line of defence against speculative attacks on the Hong Kong dollar or a sudden drop in confidence due to uncertainties surrounding the 1997 handover.

The fund can also be used to provide financial assistance to ailing banks although there is no cause for concern in this area at present.

It was the first time the authority released six-month figures.

Outgoing Financial Secretary Sir Hamish Macleod said this showed the government's "continued commitment to greater openness and transparency and to provide the commercial and financial world with more evidence of the considerable strength of Hong Kong's external position".

Analysts said they expected the fund to grow steadily in the coming years.

HKMA chief executive

	30 Jun, 1995 (Unaudited)	% change as compared with 31 Dec, 1994	% change compared with 30 Jun, 1994
ASSETS			
HK\$m			
Foreign Currency Assets	418,334	+8.84	+13.82
Hong-Kong Dollar Assets	31,454	+30.37	+51.35
	449,788	+10.11	+32.95
LIABILITIES			
Certificates of Indebtedness	74,630	+4.43	+7.27
Fiscal Reserves Account	743,808	-9.65	-9.71
Coins in Circulation	3,332	-1.19	+24.50
Exchange Fund Bills and Notes	50,820	-3.89	-29.62
Balance of Banking System	2,247	+1.77	-21.38
Other Liabilities	22,056	-0.48	-17.20
	297,013	+6.12	+12.41
ACCUMULATED SURPLUS	152,775	+18.77	+23.09

Joseph Yam said the good performance was due to focusing major investments in the national bond markets except Japan.

Hong Kong's foreign exchange reserves also increased 8.7 per cent to US\$53.6 billion (HK\$418.08 billion) at the end of June, from its previous level of US\$49.3 billion at December, based on unaudited figures.

Hong Kong now ranks seventh in the world in terms of the size of its overall foreign exchange reserves.

The foreign exchange reserves account for about 93 per cent of the Exchange Fund assets while Hong Kong dollar assets account for the balance.

The Exchange Fund's Hong Kong dollar assets also increased 30 per cent to \$31.45 billion during the first half of 1995 from its previous level of \$24.12 billion at the end of 1994.

Sir Hamish said the accumulated surplus of the Exchange Fund — total assets

minus liabilities — grew 18 per cent to \$152.7 billion during the January-June 1995 period from its previous level at the end of 1994.

He said the results compared favourably with returns generated by the fund management industry in general.

"I think you will agree that these are first-rate results indeed," Sir Hamish said.

He attributed the good results to the improved investment climate during the first six months of which the HKMA took full advantage.

The 10 per cent increase in the Exchange Fund assets was an indication of the growing strength of Hong Kong's financial system, despite the slowdown of the economy, bank analysts said.

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