



DAILY INFORMATION BULLETIN

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Exchange Fund figures

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The Hong Kong Monetary Authority (HKMA) today (Wednesday) announced figures on Exchange Fund as at the end of June 1996. The figures, which are unaudited, show that:

- * the Total Assets of the Fund stood at \$484.9 billion at end June, an increase of 5.3% from end 1995,
- * the Accumulated Surplus of the Fund stood at \$161.6 billion at end-June, an increase of \$1,520 million or 0.95% from end 1995, and
- * the underlying foreign currency reserves held in the Fund reached US\$60 billion at end-June, the seventh largest in the world.

Commenting on the figures, Mr Joseph Yam, HKMA's Chief Executive said: "We are very satisfied with them. Despite less favourable market condition, we have continued to preserve and increase the Fund. The Fund is a major asset of the people of Hong Kong and I am pleased that we have once again increased the accumulated surplus to a new record level."

Mr Yam noted that while 1995 had seen rising prices in all the markets that the Exchange Fund invested in, the first half of 1996 had been much harder for investors in fixed income markets.

"The uncertainty in US interest rate movements and concerns that interest rates will rise have caused bond markets to shed much of last year's gains. The US dollar has also appreciated against the major currencies which affected the value of non-US dollar foreign currency assets held by the Exchange Fund. And the US equity market has lately also begun to show some price losses. Under these conditions, it is inevitable that the Exchange Fund will show smaller returns than the exceptional results we had in 1995. But by appropriate defensive action early in the year, we have managed to limit the impact of falling markets and preserve all of last year's gains," said Mr Yam.

On the prospects for the rest of 1996, Mr Yam declined to speculate on any future move in US interest rates but said that "the widespread market expectations that US interest rates will rise in the second half of the year will continue to influence the investment of the Exchange Fund. We shall maintain a relatively defensive position, in keeping with our conservative and prudent management style."

Mr Yam conceded that returns for the whole of 1996 were likely to remain subdued, but added it is inevitable that the Exchange Fund will show lower returns in difficult markets.

"Our style is to protect the accumulated surplus in difficult years, and seek to capitalise when markets are more favourable," said Mr Yam.

"I think our record in the last three-and-a-half years since the establishment of the HKMA - during which time the accumulated surplus has grown by over 51% -- speaks for itself," Mr Yam added.

End

New Measures by Buildings Department to speed up services

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The Buildings Department will introduce two new measures to speed up restaurant licensing and demolition consent procedures.

Announcing the details today (Wednesday), the Director of Buildings, Dr Choi Yu-leuk, said that the new measures, to be effective from August 1, will reduce significantly the time required in processing and approving the two types of application.

In restaurant licensing, Dr Choi explained that a simplified three-tier system for verification of compliance with Government's safety requirements would be implemented:

Tier 1: all applicants to verify compliance direct to the licensing authority, the Urban Services Department (USD) and Regional Services Department (RSD) in respect of requirements relating to matters of fact, for example, an increase in the width of an exit door.

Tier 2: the applicant's authorised persons (AP) or registered structural engineer (RSE) to verify compliance direct to USD/RSD in respect of requirements involving a professional appraisal relative to well-established standards, such as means of escape, fire resisting construction, or structural stability and integrity standards.

Tier 3: the applicant's AP/RSE to verify compliance to Buildings Department in cases involving of more serious concerns on building safety, for example, approval of plans for extensive alteration and additional works prior to licensing.

"Both the licensing authorities and the restaurant trade welcome and pledge strong support for the new systems. We aim to shorten the processing time eventually to 30 days, compared to about four months in the past year.

"If the new programme proves to be effective, we will consider how the approach can be applied to other licensing areas, such as cinemas or child-care centres," Dr Choi said.

Regarding the application for demolition work consent, Dr Choi said that a set of simplified procedures and requirements was adopted to shorten the time required for agreeing to the demolition proposals.

After consulting the building professions and the building industry, a new simplified system will be implemented on August 1, 1996.

"The improvement measures work by providing more standard design and guidelines for precautionary and protective measures to meet the safety assurance requirements.

"Practice notes have been issued to the building professionals to enable them to better plan their demolition works.

"We aim to shorten the required processing time eventually to 60 days, as compared to the existing time of about six months," he said.

Dr Choi pointed out that the Buildings Department was committed to continual review of the department's working practices regularly to cut the unnecessary red-tapes.

"We thrive to serve the public in a more business-friendly environment while providing a safe and healthy built environment to the community.

"The two new measures will not only help in the deployment of resources to other areas of services but also directly benefit the restaurant and business community, and the general public as a whole," he said.

End

Monetary statistics for June

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According to statistics published today (Wednesday) by the Hong Kong Monetary Authority, total deposits and total loans and advances both rose during June 1996. Table 1 summarises figures for June 1996 and comparisons with earlier months. Table 2 provides an analysis of loans and advances for use in Hong Kong by major economic sector in the June quarter.

Deposits

Total deposits rose by 1.3% in June, reversing the decline of 1.3% in the previous month. The increase was attributable to a 2.5% growth in HK\$ deposits, which more than offset the slight fall of 0.2% in foreign currency deposits.

The rise in HK dollar deposits was across-the-board. Partly fuelled by new share subscription activities, demand and time deposits grew rapidly by 3.5% and 2.3% respectively in June, in sharp contrast to their respective declines of 3.1% and 0.4% in May. Savings deposits also grew faster by 2.7% in June, following an increase of 0.9% in the previous month. The decline in foreign currency deposits was due entirely to a 0.3% fall in US dollar deposits, while non-US\$ foreign currency deposits increased slightly during the month.

Notwithstanding the pick-up in June, total deposits on the whole rose more slowly in the June quarter. However, as the slow-down in non-US dollar foreign currency deposits reflects to a large extent exchange rate valuation effects, the underlying trend was a more moderate slow-down. The growth in HK dollar deposits during the year to June remained broadly in line with that in nominal GDP and domestic credit expansion.

Loans and Advances

Total loans and advances rose by 0.5% in June, following a 0.4% decline in May. The rise reflects primarily a further expansion in domestic credit, which grew by 1.2% in June after an increase of 2.0% in the previous month. Offshore lending was static, as the value of yen loans continued to be eroded by a further depreciation of the Japanese yen.

Analysed by currency, HK\$ loans increased by 1.2% during the month while foreign currency loans rose by 0.2%. As HK dollar deposits grew faster than HK dollar loans, HK\$ loan-to-deposit ratio fell from 109.6% at end-May to 108.2% at end-June.

Quarterly Analysis of Loans for use in Hong Kong by Major Economic Sector

Loans for use in Hong Kong accelerated further in the June quarter to 5.1%, from 3.4% in the March quarter, underpinned by buoyant residential mortgage loans and other property- and construction-related lending. Loans to most other sectors also rose strongly. In particular, spurred by two share floatations close to the end of June, loans to stockbrokers rose sharply by 30.2%, while loans for wholesale and retail trade increased further by 3.7%, in line with the gradual pick-up in consumer spending. On the other hand, while loans for trade financing registered a strong rise during the June quarter, they continued to decelerate in terms of annual growth, reflecting the slowdown in external trade.

Money Supply

With currency held by the public rising by 0.5% in June and HK\$ demand deposits by 3.5%, HK\$M1 recorded a 2.2% increase in June. Compared to a year earlier, HK\$M1 rose by 5.1%, slightly faster than 4.5% in May. The pick-up in transaction demand for money was in line with the gradual revival of retail sales and favourable responses to new share floatations. HK\$M2 and HK\$M3 both increased by 2.5% in June, having declined by 0.1% in May.

TABLE 1 : MONETARY STATISTICS - JUN 1996

	(HK\$mn)			
	Jun 1996	Earlier months (% change to Jun 1996)		
		May 1996	Mar 1996	Jun 1995
Money Supply				
M1 - HK\$	177,433	173,538 (2.2)	175,267 (1.2)	168,763 (5.1)
Foreign currency	20,008	18,460 (8.4)	20,360 (-1.7)	17,264 (15.9)
Total	197,440	191,998 (2.8)	195,627 (0.9)	186,027 (6.1)
M2 - HK\$@	1,350,452	1,317,528 (2.5)	1,314,764 (2.7)	1,190,182 (13.5)
Foreign currency*	1,006,823	1,009,682 (-0.3)	1,022,952 (-1.6)	975,212 (3.2)
Total	2,357,275	2,327,210 (1.3)	2,337,716 (0.8)	2,165,394 (8.9)
M3 - HK\$@	1,366,826	1,333,917 (2.5)	1,330,061 (2.8)	1,207,471 (13.2)
Foreign currency*	1,071,752	1,073,433 (-0.2)	1,086,448 (-1.4)	1,036,884 (3.4)
Total	2,438,578	2,407,350 (1.3)	2,416,509 (0.9)	2,244,355 (8.7)
Notes and coins in circulation	82,537	82,304 (0.3)	84,454 (-2.3)	78,432 (5.2)
of which held by public	73,231	72,860 (0.5)	74,476 (-1.7)	69,095 (6.0)
Total Deposits				
Total Demand deposits	124,210	119,138 (4.3)	121,151 (2.5)	116,932 (6.2)
Total Savings deposits	470,423	455,088 (3.4)	457,356 (2.9)	405,645 (16.0)
Total Time deposits	1,698,876	1,690,168 (0.5)	1,694,071 (0.3)	1,593,178 (6.6)
With licensed banks	1,638,055	1,630,462 (0.5)	1,637,055 (0.1)	1,535,630 (6.7)
With restricted licence banks	44,666	43,481 (2.7)	40,338 (10.7)	37,938 (17.7)
With deposit-taking companies	16,155	16,225 (-0.4)	16,678 (-3.1)	19,610 (-17.6)
HK\$ deposits@	1,251,137	1,220,336 (2.5)	1,215,932 (2.9)	1,108,159 (12.9)
Demand deposits	104,202	100,678 (3.5)	100,791 (3.4)	99,668 (4.5)
Savings deposits	327,043	318,498 (2.7)	320,018 (2.2)	278,915 (17.3)
Time deposits@	819,892	801,160 (2.3)	795,123 (3.1)	729,576 (12.4)
US\$ deposits*	510,611	512,311 (-0.3)	526,159 (-3.0)	504,671 (1.2)
Other foreign currency deposits*	531,761	531,747 (0.0)	530,487 (0.2)	502,925 (5.7)
Foreign currency deposits*	1,042,372	1,044,059 (-0.2)	1,056,646 (-1.4)	1,007,596 (3.5)
All deposits	2,293,508	2,264,395 (1.3)	2,272,578 (0.9)	2,115,755 (8.4)
Foreign currency swap deposits	42,595	43,183 (-1.4)	44,948 (-5.2)	62,989 (-32.4)
Total Loans and advances				
Loans for use in H.K.	1,708,171	1,687,185 (1.2)	1,624,518 (5.1)	1,505,251 (13.5)
To finance H.K.'s visible trade	169,638	166,835 (1.7)	158,651 (6.9)	157,735 (7.5)
To finance merchandising trade not touching H.K.	20,474	20,281 (1.0)	20,369 (0.5)	18,522 (10.5)
Other loans for use in H.K.	1,518,059	1,500,069 (1.2)	1,445,498 (5.0)	1,328,993 (14.2)
Loans for use outside H.K.#	2,076,842	2,077,444 (0.0)	2,076,130 (0.0)	2,350,444 (-11.6)
Other loans for use outside H.K.	2,035,308	2,037,268 (-0.1)	2,036,558 (-0.1)	2,309,290 (-11.9)
Other loans where the place of use is not known	41,534	40,176 (3.4)	39,572 (5.0)	41,155 (0.9)
Loans in HK\$	1,354,134	1,337,965 (1.2)	1,287,790 (5.2)	1,190,476 (13.7)
Loans in foreign currencies	2,430,879	2,426,663 (0.2)	2,412,858 (0.7)	2,665,219 (-8.8)
Total loans and advances	3,785,013	3,764,628 (0.5)	3,700,648 (2.3)	3,855,695 (-1.8)

* Adjusted to exclude foreign currency swap deposits.
 @ Adjusted to include foreign currency swap deposits.
 # Including those where place of usage is unknown.

Note : Data may not add up to total due to rounding.

TABLE 2 : QUARTERLY ANALYSIS OF LOANS FOR USE IN HONG KONG BY SECTOR - JUN 1996

<u>Sectors</u>	<u>Jun 1996</u>	<u>Adjusted# % change from earlier quarters to Jun 1996</u>		
	(HK\$ Mn)	<u>Mar 1996</u>	<u>Dec 1995</u>	<u>Jun 1995</u>
Trade Financing	190,112	6.2	9.5	7.9
Manufacturing	105,830	3.6	5.7	10.1
Transport and transport equipment	77,423	9.7	12.2	10.8
Building, construction, property development and investment	292,050	4.7	11.5	12.7
Wholesale and retail trade	173,739	3.7	4.5	9.8
Financial concerns *	185,691	4.3	5.3	16.7
<u>Individuals:</u>				
to purchase flats in the Home Ownership Scheme and Private Sector Participation Scheme	50,291	3.8	5.9	24.7
to purchase other residential property	330,319	5.1	10.0	17.8
other purposes	123,584	6.8	8.9	10.1
Others	179,133	5.4	9.8	16.3
Total	1,708,171	5.1	8.7	13.5

With the introduction of the new Return on Loans and Advances and Provisions (as revised from the Return on Loans and Advances for Use in Hong Kong) as from December 1994, a number of AIs have reclassified certain components. As a result, the figures are not strictly comparable with those of previous quarters. The percentage changes given above have been adjusted, so far as possible, to remove the reclassification effect and therefore cannot be calculated directly from the published figures.

* This excludes funds advanced to authorized institutions.

New telephone job matching service

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A telephone job matching service for job-seekers would be introduced in the Labour Department's Job Matching Centre tomorrow (Thursday).

Job-seekers who have registered with any office of the Local Employment Service within two years or with the Job Matching Centre can make use of the Telephone Job Matching Hotline 2576 1424 during office hours to apply for vacancies registered under the Supplementary Labour Scheme (SLS).

The Job Matching Centre was opened this February to tie in with the commencement of the SLS. Local job-seekers interested in vacancies registered under SLS can approach the Centre for free placement services.

Placement officers will assist them identify a most suitable job according to their academic qualifications, job skills, work experience and job expectations.

End

Survey of external factor income flows for 1995 launched

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The Census and Statistics Department announced today (Wednesday) that the Survey of External Factor Income Flows for 1995 has been launched.

The survey collects data for reference year 1995 on income flows arising from external investment and employment activities of Hong Kong enterprise groups. The data are required for compiling Gross National Product statistics.

The acting Commissioner for Census and Statistics, Mr Joseph Lee, appealed to the management of all sampled companies to fulfil their legal and social responsibilities by returning promptly the completed questionnaires and co-operating with officers of the department in the course of the survey.

He stressed that information pertaining to individual companies would be treated in strict confidence under the Census and Statistics Ordinance. Only aggregated information, which does not reveal details of individual companies, will be released.

About 20,000 companies in various kinds of business are selected for inclusion in the present round of the survey. Survey questionnaires have been mailed to the sampled companies. These companies are required by law to return the completed questionnaires to the Census and Statistics Department by December 31.

The survey is conducted under the Census and Statistics (Annual Survey of External Factor Income Flows) Order 1994, made under Section 11 of the Census and Statistics Ordinance (Chapter 316) and gazetted as Legal Notice No. 341 of 1994 on June 3, 1994.

Census officers of the Census and Statistics Department will visit individual companies to assist them in completing the questionnaires. These officers will carry a Government Identity Card and a certificate for conducting the survey. These documents are available for inspection.

Any enquiries regarding the survey may be directed to the National Income Branch (2) of the Census and Statistics Department on 2332 7417 or 2332 7513.

End

Three lots of land to let

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The Lands Department is inviting tenders for the short-term tenancies of three pieces of government land in Kowloon and the New Territories.

The first lot, located in Fung Shing Street, Ngau Chi Wan, has an area of about 1.25 hectares, and the second lot, which covers an area of about 2,034 square metres, is in Area 6B, Sheung Shui.

Both lots are earmarked for use as a fee-paying public car park for the parking of motor vehicles and lorries, excluding container vehicles with trailers and chassis attached.

Covering an area of about 1,010 square metres, the third lot is situated at Sam Shing Street, Area 27, Tuen Mun. It is also intended for use as a fee-paying public car park for the parking of private cars and goods vehicles, excluding coaches, container tractors and trailers.

The tenancies for all three lots are for two years, renewable quarterly.

The closing date for submission of tenders is noon on August 16.

Tender forms, tender notices and conditions can be obtained from the Lands Department, 14th floor, Murray Building, Garden Road, and the respective district lands offices of Kowloon, North and Tuen Mun.

Tender plans can also be inspected at these offices.

End

Flushing water cut on Hong Kong Island

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The flushing water supply to all premises in Aberdeen, Tin Wan and Shum Wan will be temporarily suspended from 10 pm on August 2 (Friday) to 8 am the following day for repair work on water mains.

The suspension will affect Aberdeen, Tin Wan and Shek Pai Wan Estate area including all premises bounded by Tin Wan Hill Road, Yue Kwong Road and Aberdeen Praya Road; as well as Shum Wan area including all premises along Shum Wan Road, Welfare Road and Nam Long Shan Road.

End

Hong Kong Monetary Authority money market operations

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	<u>\$ million</u>	<u>Time (hours)</u>	<u>Cumulative change (\$million)</u>
Opening balance in the account	1,958	0930	Nil
Closing balance in the account	1,886	1000	Nil
Change attributable to :		1100	Nil
Money market activity	-2	1200	+5
LAF today	-70	1500	+5
		1600	-2

LAF rate 4.00% bid/6.00% offer TWI 123.8 *-0.1* 31.7.96

Hong Kong Monetary Authority

EF bills		EF notes				
Terms	Yield	Term	Issue	Coupon	Price	Yield
1 week	5.05	2 years	2805	6.30	100.05	6.36
1 month	5.08	3 years	3907	6.80	100.22	6.83
3 months	5.27	5 years	5106	7.23	99.65	7.45
6 months	5.46	7 years	7305	7.60	99.84	7.77
12 months	5.86	5 years	M502	7.30	99.22	7.65

Total turnover of EF bills and notes - \$11,442 million

Closed July 31, 1996

End