

On Government Reserves

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Requirements

- Operating
- Contingency
- Monetary

Large reserves

- ◆ Stability vs. opportunity costs
- ◆ Could not prevent crisis

Indicators(I)

- Reserves-to-imports ratios improved for most of the Asian economies. (Table 1)
- Reserves –to-GDP and reserve-to-expenditure increased with the inclusion of Land Fund in 1997. (Figures 1 and 2)

Table 1

Ratio of reserves to imports across countries

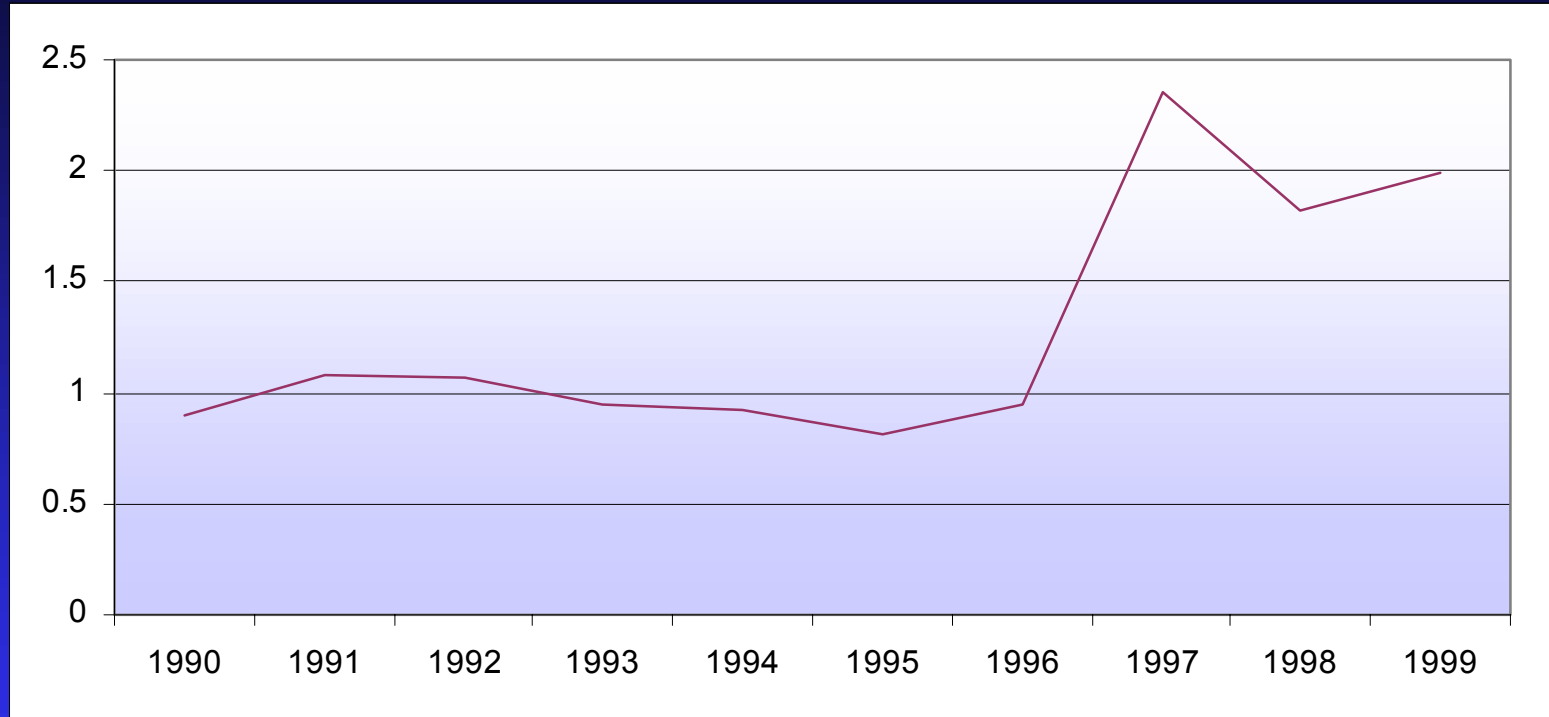
(in months)

	1996-2000	2000
China	8.60	7.80
Korea	3.58	6.00
Thailand	5.80	6.70
Taiwan	8.60	8.60
Hong Kong	4.80	5.10
Japan	5.20	5.30
Singapore	6.50	6.50

Source: Standard & Poor's Sovereign Risk Indicators, 2000

Figure 1

Ratio of reserves^a to expenditure^b, 1990-1999



Source: Hong Kong Annual Digest of Statistics 1990-2000

Finance Bureau, Government Secretariat

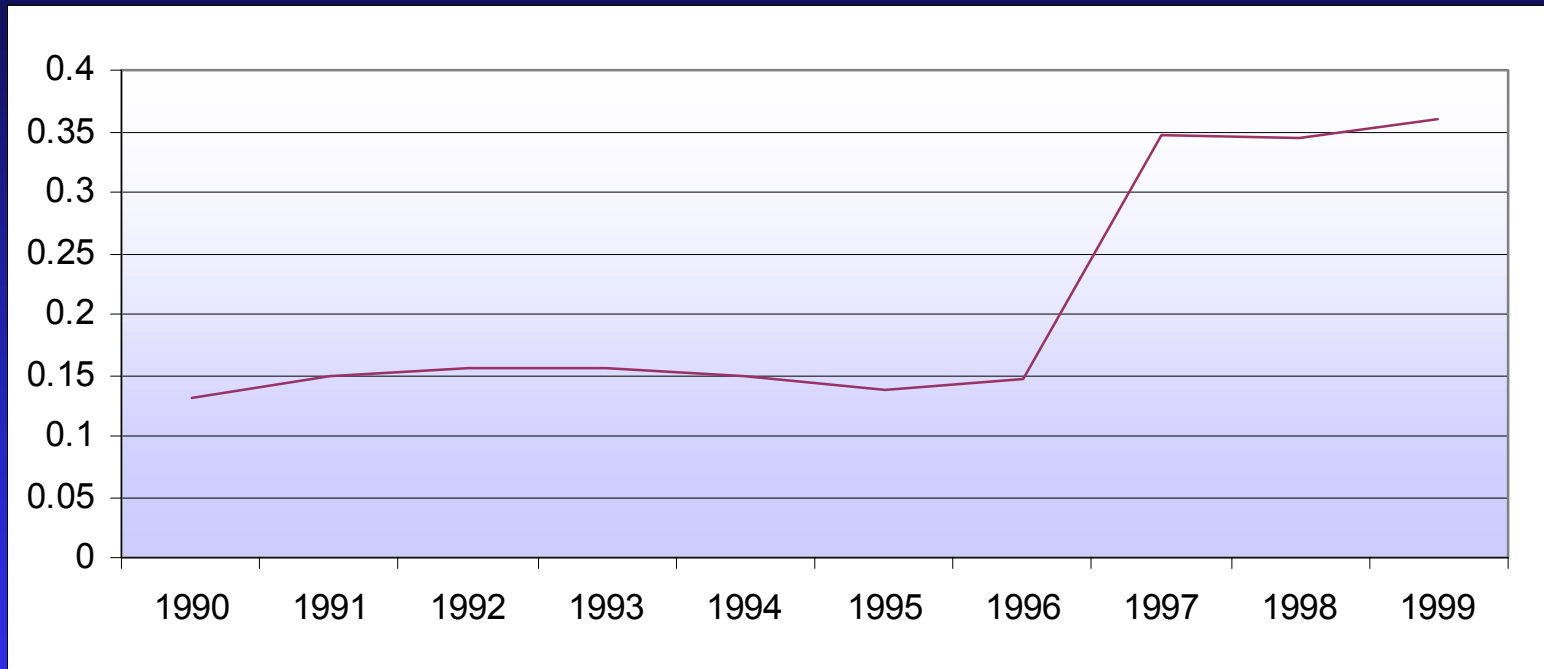
Census and Statistics Department

^a Figures of reserves refer to fiscal year 1990/91, 1991/92...1999/00

^b Figures of GDP refer to 1990, 1991,...,1999

Figure 2

Ratio of reserves^a to GDP^b, 1990-1999



Source: Hong Kong Annual Digest of Statistics 1990-2000

Finance Bureau, Government Secretariat

Census and Statistics Department

^a Figures of reserves refer to fiscal year 1990/91, 1991/92...1999/00

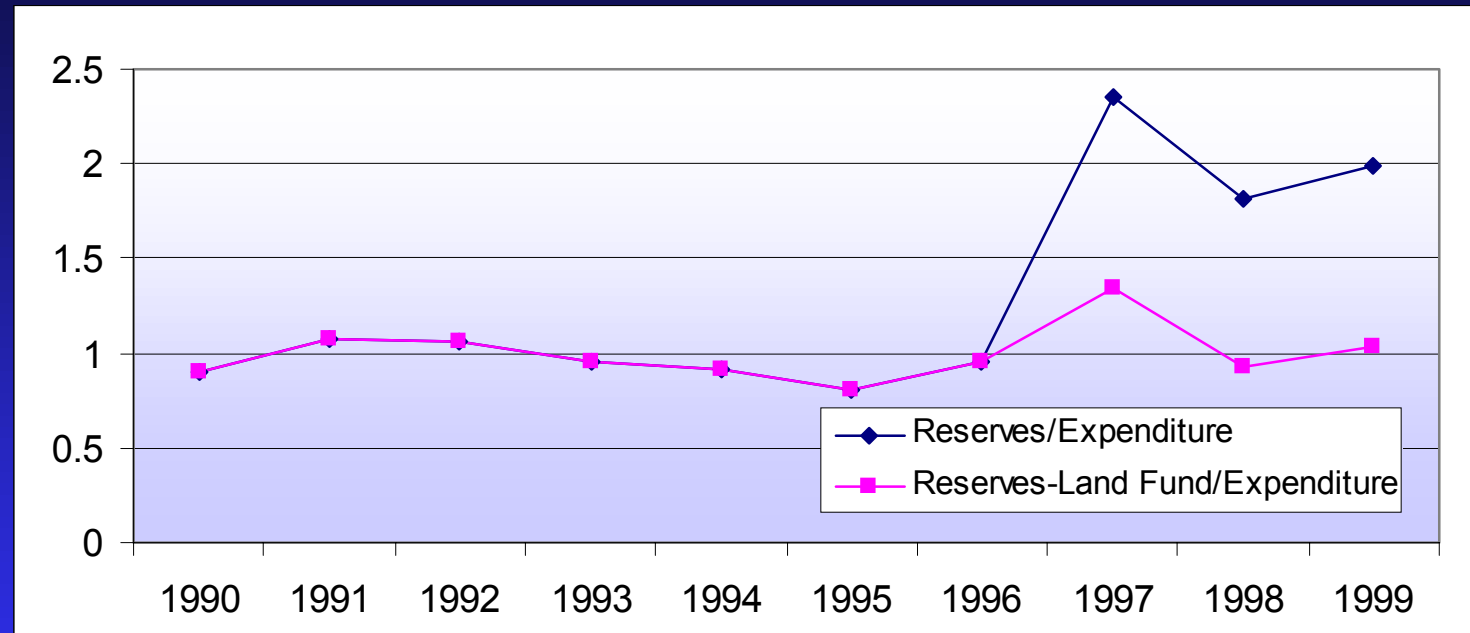
^b Figures of GDP refer to 1990, 1991,...,1999

Indicators(II)

- Without the Land Fund (Figures 3 and 4)
 - ◆ Reserves-to-expenditure = 1
 - ◆ Reserves-to-GDP = 0.2

Figure 3

Ratio of reserves^a less Land Fund^b to government expenditure^c, 1990-1999



Source: Hong Kong Annual Digest of Statistics 1990-2000
Finance Bureau, Government Secretariat
Census and Statistics Department
HKMA Annual reports, 1998-1999

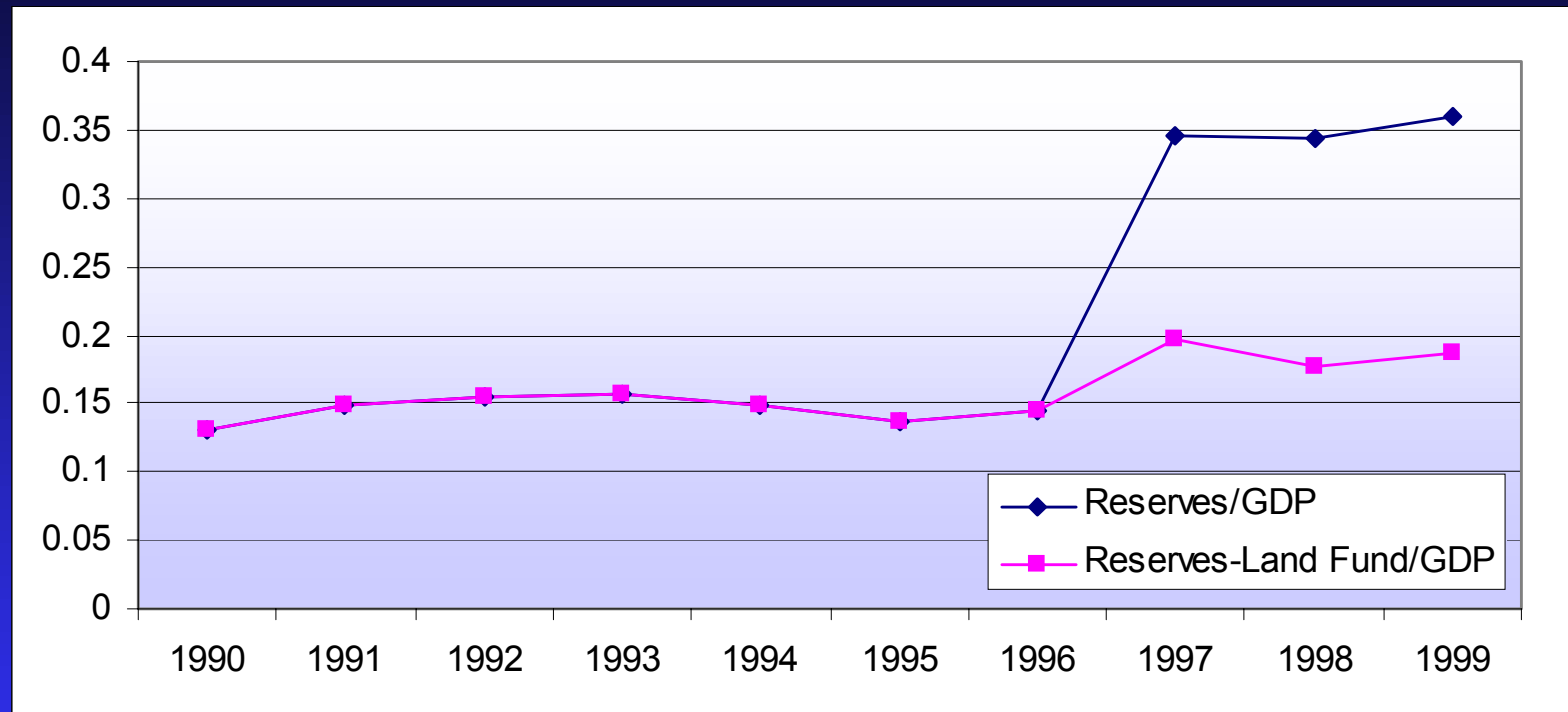
^a Figures of reserves refer to fiscal year 1990/91, 1991/92...1999/00

^b Figures of Land Fund refer to 1990, 1991,...,1999

^c Figures of government expenditure refer to 1990, 1991,...,1999

Figure 4

Ratio of reserves^a less Land Fund^b to GDP^c, 1990-1999



Source: Hong Kong Annual Digest of Statistics 1990-2000

Finance Bureau, Government Secretariat

Census and Statistics Department

HKMA Annual reports, 1998-1999

^a Figures of reserves refer to fiscal year 1990/91, 1991/92...1999/00

^b Figures of Land Fund refer to 1990, 1991,...,1999

^c Figures of GDP refer to 1990, 1991,...,1999

Hypothetical situation

- Based on Year 2000
- Total government reserves = HKD 444,254m

(in million)

Total gov't reserves (a)	Investment Fund (b)	Reserves (a) – (b)	Reserves / GDP	Reserves/ Expenditure
444,254	20,000	424,254	0.3445	1.9021
444,254	50,000	394,254	0.3202	1.7676
444,254	100,000	344,254	0.2796	1.5434

Investment projects

- Investment for the future of the Hong Kong with higher return
 - ◆ Higher than the benchmark return
- Difficult to quantify
 - ◆ social projects

THE END