

*Market Monitor – Hong Kong*

## A steady growth outlook in 2024

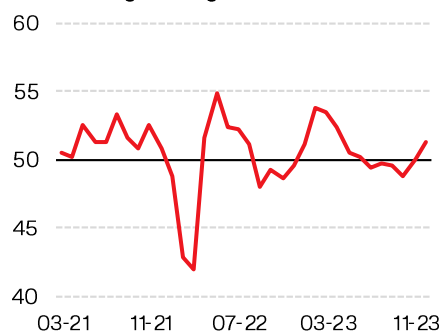


- Hong Kong's PMI held up steadily in expansion territory, with new businesses posting the first expansion since June 2023.
- Visitor arrivals in December 2023 increased further, sustaining an ongoing inbound tourism recovery during the festive period.
- The property market entered an orderly consolidation in 2023, with a mild recovery likely to be seen in 2H 2024.

### PMI signalled a further recovery in business activity

**Hong Kong's PMI held up steadily in expansion territory, with a recovery in new businesses.** The S&P Global Hong Kong Purchasing Manager's Index (PMI) rose from 50.1 in November to 51.3 in December 2023, the highest reading since April 2023. The uptick was led by higher new business, which resumed growth for the first time since June. Besides, the PMI report showed a further acceleration in employment growth. Meanwhile, other economic indicators also pointed to stable growth. For instance, total retail sales value surged by 15.9% year-on-year (YoY) in November 2023, with a broad-based expansion seen among major spending categories such as jewellery, watches & clocks, and valuables gifts (+60.8% YoY), clothing, footwear & allied products (+49.6%), and other consumer goods not elsewhere classified (+29.0%). Exports also went up by 7.4% YoY in November 2023 amid low base effects. Overall, a further recovery in GDP growth in 4Q 2023 is likely to be seen.

**Purchasing Manager's Index**



Source: S&P Global, data as of 05/01/2024

## Economic Research

**Inbound tourism recorded a solid performance during the festive period.** After a surge during the Golden Week holidays in October 2023, Hong Kong's tourism sector regained momentum in the Christmas and New Year holidays, with the daily visitor arrival on 31<sup>st</sup> December rising to 227,307, the highest number on a single day throughout 2023. Many of these tourists were attracted by the New Year's Eve fireworks display. The full-year visitor arrivals in 2023 were about 34 million. It represented merely 52% of the pre-pandemic level in 2018, suggesting ample room for further recovery. As transportation capacity and visa restrictions are set to recover further, along with a series of mega events to be held, the tourism sector is expected to grow solidly again in 2024.

**The labour market remained resilient, serving as an underlying support for economic recovery.** In September-November 2023, the unemployment and underemployment rates stayed unchanged at 2.9% and 1.0%, respectively, close to their full-employment levels. Meanwhile, private vacancies recorded a monthly average of 91,527, suggesting solid employment opportunities. With resilient labour market conditions and improved income prospects, Hong Kong's private consumption is poised to expand ahead.

**The Government released the details of the new Capital Investment Entrant Scheme (CIES).** The new CIES requires a minimal investment of HKD 30 million, of which HKD 3 million will be invested into a new portfolio of local innovation and technology industries, and the rest can be invested in assets such as equities, debt securities, non-residential real estate, funds, etc. As one of the eight policy measures to promote the growth of family offices in Hong Kong, the new scheme is expected to invite applications in mid-2024.

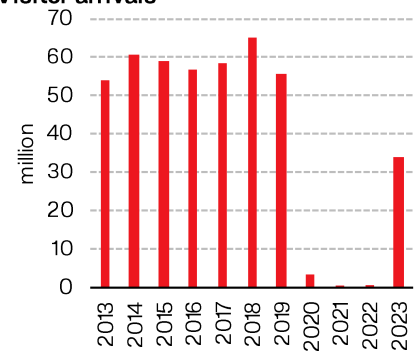
**The property market entered an orderly consolidation in 2023, with a mild recovery likely to be seen in 2H 2024.** Since the implementation of easing measures in the Policy Address, total residential property transactions have reported month-on-month increases in November and December. As a whole, total private residential transactions dropped by 4.5% YoY to around 43,000 units in 2023, marking a record low since 1996. The official private residential price index was down by 5.6% in the first 11 months of 2023, whereas the rental index was up by 6.4%. With the Government's easing measures, expected interest rate cuts, a continuous influx of incoming talent and a steady economic recovery, Hong Kong's property market outlook in 2024 is expected to start the year at low levels and steadily recover towards the year-end.

### Market sentiment turned cautious

**Hong Kong stocks continued to consolidate at low levels.** Rising expectations for the Fed to take larger and earlier rate cuts in 2024 once led Hong Kong stocks to climb. But market sentiment has turned cautious since late December 2023, as the outlook for the gaming and media sectors became more uncertain. In December 2023, the Hang Seng Index and Shanghai Composite Index were both down by about 2% MoM, while the Dow Jones Industrial Average was up 5% MoM.

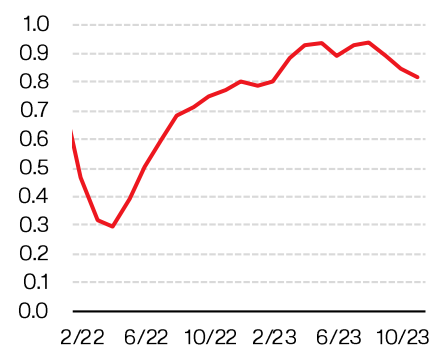
## January 2024

Visitor arrivals



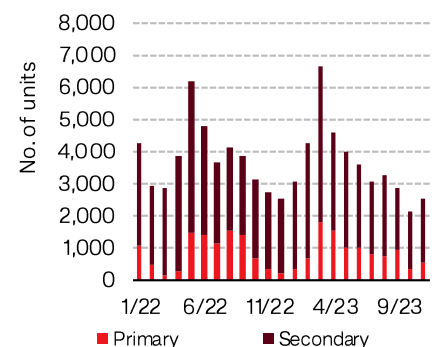
Source: Immigration Department

Vacancies to Unemployed Ratio



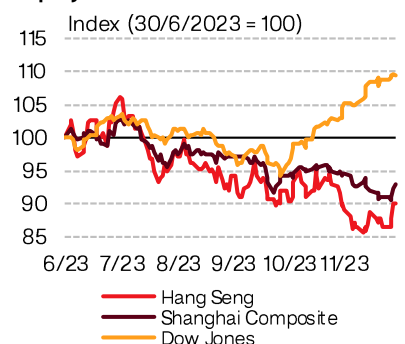
Source: Hong Kong Census and Statistics Department

Private residential sales volume



Source: Land Registry

Equity Indices



Source: Bloomberg, data as of 31/12/2023

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