

Market Monitor – Hong Kong

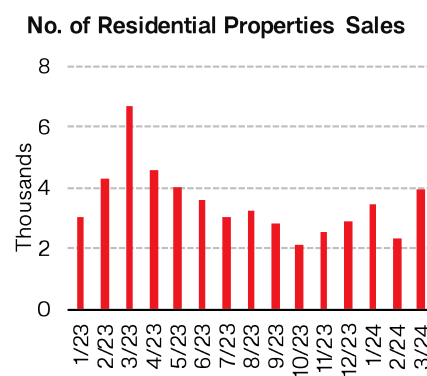
The Hong Kong Property Market Showed Signs of Stabilisation



- Property market activities recovered notably with stabilising prices.
- Economic activity broadly held up, with external trade of goods likely turning a corner.
- The Hong Kong Monetary Authority (HKMA) rolled out measures to support SMEs.

Property market activities recovered notably

The Hong Kong property market has been stabilising, with a notable rebound in market activities. Market activities visibly bounced back within the first month after the lifting of demand management measures in the Budget. The number of residential property transactions increased to 3,917 in March, up from 2,375 in February and hitting a 10-month high. This reflected the release of pent-up demand, as the easing by the Government helped reduce transaction costs, encouraging potential homebuyers, investors and new talents to purchase houses. Meanwhile, the official residential price index still registered a month-to-month (MoM) decline of 1.7% in February, representing a 2.9% year-to-date decline, but the property agency's price gauges for secondary transactions have increased steadily for three straight weeks since mid-March. This indicated an overall improvement in sentiment. With major central banks set to start cutting rates around mid-2024, lower borrowing costs are set to deliver another boost to sentiment, paving the way for a gradual recovery for the Hong Kong property market in 2H 2024.



Source: Land Registry

Economic activity broadly held up

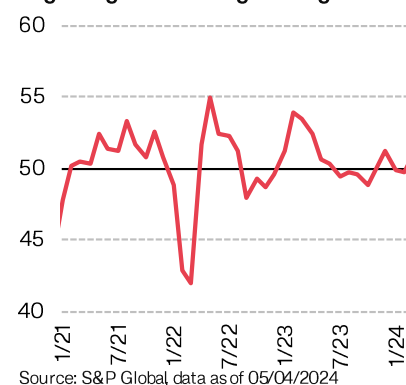
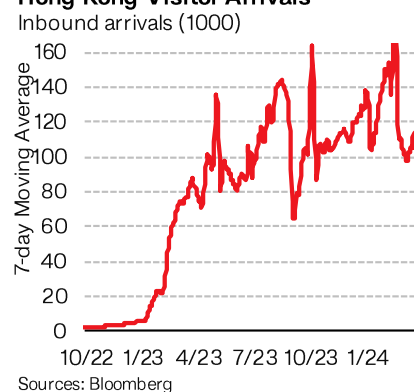
Hong Kong's external trade stabilised further. In the first two months of 2024, Hong Kong's total exports and imports of goods rose by 16.6% and 9.7% year-on-year (YoY) amid a lower base of comparison. During the period, the trade deficit was reduced to HKD 38.1 billion, down visibly from HKD 71.0 billion during the same period a year ago. Hence, the external trade of good is likely to be positive for GDP growth in Q1 2024. Furthermore, the Chinese Mainland's recent business surveys showed a notable improvement in new export orders, suggesting a slightly better outlook for trade performance in Asia, including Hong Kong.

The private sector showed improving business conditions. The S&P Global Hong Kong SAR Purchasing Manager's Index (PMI) rose to 50.9 in March, up from 49.7 in February, returning to the expansionary zone. A broad-based improvement was noted in all major components, including new orders, output, employment, suppliers' delivery times, and stocks of purchases. While the report revealed that sentiment remained subdued, a further pick-up in external demand and an expected global monetary loosening ahead are likely to support a continued recovery for Hong Kong's private sector.

Other economic indicators also pointed to momentum being steady. The recovery trend in inbound tourism remains largely intact, albeit somewhat softening in March after significant growth during the Chinese New Year Holidays. Besides, the outbound travel demand of Hong Kong residents remains robust, which could affect the recovery momentum of certain local retail and catering businesses. In the first two months of 2024, the value of total retail sales was up by 1.4% YoY, down from a 7.8% YoY growth in December 2023. The slowdown in retail sales could be attributed to a high comparison base because of the reopening and changes in spending patterns by residents as well as tourists. That said, overall consumption should be underpinned by a solid labour market. In December 2023 to February 2024, the unemployment rate stayed low at 2.9%. Moreover, a stabilising housing markets can generate positive impacts to both private spending and investment in the future.

HKMA rolled out measures to support SMEs

The HKMA announced new measures to enhance financing support for SMEs. Under the Banking Sector SME Lending Coordination Mechanism, the HKMA co-worked with 11 banks in Hong Kong to introduce 9 measures to assist SMEs in meeting their financing needs. These measures include a commitment to not demand early repayments from mortgage borrowers who make payments on schedule; providing for a transition period of at least 6 months for credit limit adjustments; expediting the application process for the 80% and 90% guarantee products under the SME Financing Guarantee Scheme, and so on.

Hong Kong Purchasing Managers' Index

Hong Kong Visitor Arrivals


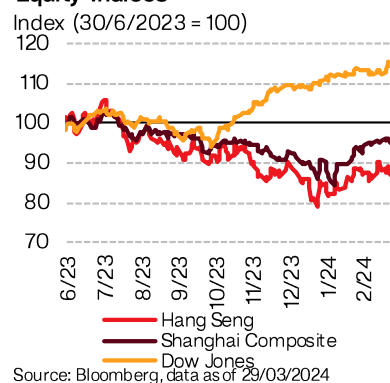
Economic Research

The equity market was little changed in March

Hong Kong stocks closed roughly flat in March. The Hong Kong stock market once surged in mid-March, driven by positive sentiment stemming from policy support in the Chinese Mainland introduced during the Two Sessions. However, there were renewed concerns about geopolitical shocks to the biotech sector, which led the broader market to retreat. In March, the Hang Seng Index edged up 0.2% MoM, while the Shanghai Composite Index and the Dow Jones Industrial Average were up by 0.9% and 2.1%, respectively.

April 2024

Equity Indices



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