

Market Monitor – Hong Kong

Reviving Merchandise Trade Boosted Recovery in Q1



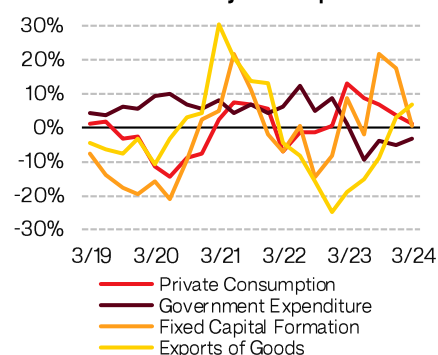
- The Hong Kong economy grew modestly in Q1, led by improving goods trade.
- Property market activities revived significantly.
- Private sector business sentiment remained largely steady.

Hong Kong's GDP rose modestly in Q1, with a steady outlook

The Hong Kong economy grew by 2.7% year-on-year (YoY) in Q1 2024. The economic growth in Q1 2024 was primarily driven by net exports of goods amid rebounding global trade. During the quarter, the growth of real exports of goods outpaced that of imports, leading to a narrower trade deficit. In addition, inbound tourism recovered further, but its boost was partially offset by residents' strong demand for outbound travel. Due to a high comparison base, an elevated interest rate environment and generally subdued asset markets, consumption and investment moderated visibly. Meanwhile, government spending retreated, reflecting a post-Covid normalising trend.

Hong Kong is anticipated to stage a stable recovery for the rest of 2024. The risks to Hong Kong's economic outlook are roughly balanced. On the positive side, a stable global economy should continue to benefit trade performance. Moreover, the enhanced and well-coordinated policy support in the Chinese Mainland to shore up their economy should generate positive spill over effects for Hong Kong. Besides, the notable revival in property and financial market activities should lend additional support to the recovery of private consumption and investment. Yet, these positive drivers could be partially offset by Hong Kong residents' rising demand for outbound travel and prolonged global monetary tightening. Moving forward, the Hong Kong economy is on track to achieve the SAR Government's forecast of 2.5% to 3.5% in 2024.

YoY Growth of Major Components



Sources: Census and Statistics Department

Economic Research

Property market activities revived significantly

The property market sentiment stabilised further with a notable increase in transactions. The official residential property price index ended its trend of 10 consecutive months of decline and posted a modest month-to-month (MoM) growth of 1.1% in March, narrowing its decline to 1.8% as compared to the end of 2023. Meanwhile, residential property transactions surged to 8,551 in April, the highest level since October 2012. With the relaxation of demand-side management measures and a stable economic recovery, the demand from first-time buyers, investors and foreign talents is likely to drive the further stabilisation of residential property markets, despite delayed rate cut expectations.

Business sentiment remained largely steady

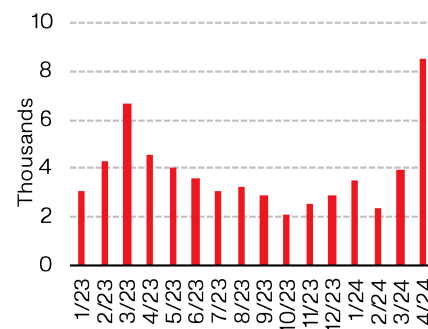
Business sentiment in Hong Kong stayed roughly stable in early Q2. The Quarterly Business Tendency Survey for Q2 2024 indicated that business confidence in Hong Kong's large enterprises stabilised, with the share of respondents expecting a better business situation edging up from 13% in Q1 to 14% in Q2, whereas the share expecting a worse situation remained unchanged in Q2. Meanwhile, the S&P Global Hong Kong SAR Purchasing Manager's Index retreated slightly from 50.9 in March to 50.6 in April, remaining in expansionary territory. Both output and employment continued to expand, whilst new orders fell marginally in April.

Risk-on sentiment strengthened because of supportive measures

The Hong Kong stock market ended notably higher in April. Hong Kong stocks soared near the end of April. The Hang Seng Index once rose above 18,000, hitting a 5-month high, before closing at 17,763 in April. Market sentiment was boosted by the news that the China Securities Regulatory Commission would roll out new initiatives to bolster the development of financial markets, such as the inclusion of REITs into Stock Connect and supporting leading Chinese enterprises to be listed in Hong Kong, etc. In April, the Hang Seng Index and Shanghai Composite Index rose by 7.4% and 2.1% MoM, respectively, whilst the Dow Jones Industrial Average Index declined by 5.0%.

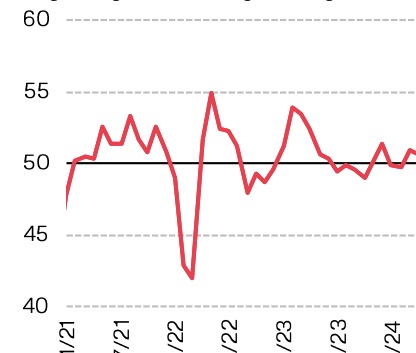
May 2024

No. of Residential Properties Sales



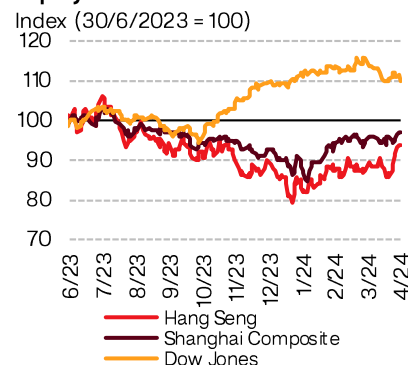
Source: Land Registry

Hong Kong Purchasing Managers' Index



Source: S&P Global, data as of 06/05/2024

Equity Indices



Source: Bloomberg, data as of 30/04/2024

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