

Market Monitor – Hong Kong

Recovery in External Trade Underpins a Steady Outlook



- Hong Kong's external trade stabilised further, while the tourism sector is set to recover steadily with the launch of mega events.
- Home sales momentum has been slowing down modestly but remains at an elevated level.
- A recent upturn in both the financial and property markets is expected to bolster the Hong Kong economy ahead.

Further stabilisation of external trade supports growth

External trade has stabilised with improving demand. In April, Hong Kong's external trade beat expectations, as merchandise exports saw a notable rise of 11.9% year-on-year (YoY), accelerating from a 4.7% increase in March. This strong growth was largely driven by surging exports to the Chinese Mainland and the US. For the first four months of 2024, Hong Kong's exports and imports of goods rose by 11.9% YoY and 6.9%, respectively, with a trade deficit of HKD 94 billion, down visibly from HKD 148 billion during the same period a year ago. In recent months, the Chinese Mainland's business surveys have been rather steady, pointing to a positive outlook for trade performance in Asia, including Hong Kong. Looking ahead, external trade is expected to remain a key economic growth driver for Hong Kong in 2024.



Economic Research

Home sales momentum softened but remained at an elevated level. In April, the official home price index registered a mild month-on-month (MoM) increase of 0.3% and a year-to-date drop of 0.8%. Competitive pricing, combined with a sharp increase in new project launches, has kept overall home prices in check. Meanwhile, home sales momentum moderated but stayed elevated, with the number of private residential property transactions down from a decade-high of 8,551 in April to 5,546 in May. Solid home sales are largely attributed to the continuous release of pent-up demand, as the recent easing of home buying policies has encouraged home purchases from a wide range of buyers, including owner-occupiers, investors and foreign talents. Nevertheless, high interest rates still pose a major concern for many potential homebuyers. Going forward, the Hong Kong property market is expected to stabilise further in 2H 2024 as major central banks are likely to start cutting their policy rates.

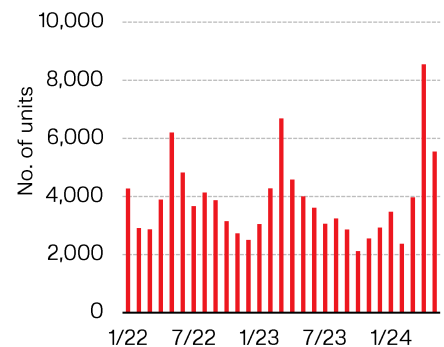
Inbound tourism continues to serve as another key growth driver. Total visitor arrivals in May amounted to 3.4 million, up by 20.2% YoY and 0.2% MoM, fuelled by the Labour Day holiday, which brought a significant increase in Mainland tourists. Currently, Hong Kong is pushing ahead a variety of mega events to enrich its tourism offerings, which should support a continued recovery of tourism-related sectors. Meanwhile, most economic indicators pointed to modest growth momentum, but retail sales and Purchasing Managers' Index (PMI) remained soft. In April, Hong Kong's retail sales value declined by 14.7% YoY, which reflected strong outbound travel demand from local residents during the Easter Holiday and a high base of comparison in 2023. Besides, the S&P Global Hong Kong SAR PMI fell to a contractionary territory of 49.2 in May, indicating some slowing in business activities. Nevertheless, the unemployment rate remained unchanged at 3.0% in February – April as the labour market stayed solid amid a steady economic recovery.

Stabilising asset markets bolsters the economy

Investor sentiment was buoyed by policy support for the Chinese Mainland. At one point in May, the Hang Seng Index surpassed 19,600, reaching a peak not seen in 9 months, before settling at 18,079 at the end of May with a MoM increase of 1.8%. Investor sentiment was boosted by various factors, such as the stable recovery of the Chinese Mainland economy, a comprehensive package of policy support for the Chinese Mainland property sector, improving earnings for Mainland companies, and diminished concerns about resurging inflation in the US. A steady recovery of both financial and property markets is expected to bolster the Hong Kong economy through stronger confidence and positive wealth effects, generating an impetus for investment and consumption activities ahead.

June 2024

Private residential sales volume



Source: Bloomberg

S&P Global Hong Kong SAR PMI



Source: S&P Global

Equity Indices



Source: Bloomberg

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