

Market Monitor – Hong Kong

Asset markets revitalized on rate cut and stimulus policies



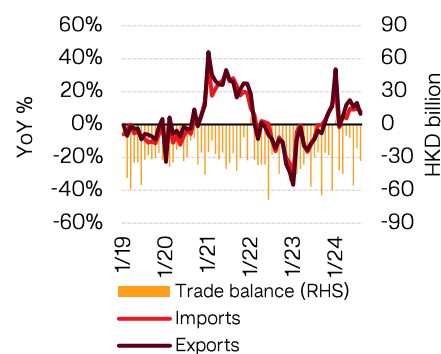
- Hong Kong's merchandise trade expanded for the sixth consecutive month, but growth momentum moderated in August and may slow further as the low base effect fades.
- Inbound tourism retreated slightly in September after a strong recovery over the summer.
- Asset market activities rebounded notably on strong stimulus policies introduced by Mainland authorities.

External trade momentum is slowing down

Trade growth may slow down in late 2024, given a higher base of comparison.

In August, Hong Kong's total exports grew 6.4% year-on-year (YoY), marking six consecutive months of growth. Export growth was driven by key trading partners, including the Chinese Mainland (+12.9% YoY) and the US (+2.8%). Meanwhile, total imports jumped by 7.9% YoY during the same period, with import growth outpacing exports for the first time in five months. Consequently, the trade deficit widened YoY in August, bucking the trend of a narrowing trade deficit since the beginning of this year. Given the high comparison base in late 2023, growth momentum for merchandise trade may slow further later this year. A potential slowdown in merchandise trade could impact Hong Kong's GDP growth, as it was a major growth driver in 1H 2024.

Trade growth and trade balance



Source: Bloomberg

Economic Research

Tourism recovery retreated slightly. After reaching a year-to-date high in visitor arrivals in August, arrivals in September dropped notably by 31% month-on-month (MoM) (or up 10% YoY) to 3.1 million. Total arrivals jumped by 40% YoY to 33 million in the first 9 months of 2024, but this figure remained around 30% lower than the same period in 2018. Besides, total outbound trips by local residents declined by 10% MoM to 8.4 million, possibly due to the adverse weather conditions and the beginning of a new school year. Nevertheless, the National Day holidays in early October are expected to see a significant boost in visitor arrivals from the Chinese Mainland. As we enter the peak travel season in Q4, inbound tourism is set to recover further. Besides, retail sales momentum remained weak, declining for six straight months with the value of retail sales down 10.1% YoY to HKD 29.2 billion in August (the second-lowest figure so far in 2024). Nevertheless, the swift rebound of the asset markets should bolster consumer sentiment and a recovery in retail sales ahead.

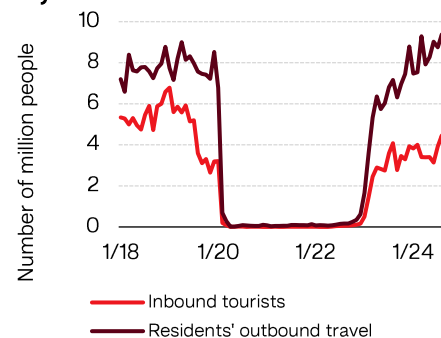
Risk-on sentiment was boosted by rate cuts and stimulus policies. Following an outsized 50 basis points (bps) cut of the US Federal Funds rate in mid-September, Hong Kong banks reduced their respective HKD prime rates by 25 bps. The earlier-than-expected rate cut in Hong Kong, coupled with strong stimulus policies announced by Mainland authorities, notably boosted investor sentiment. The average daily turnover of the securities market increased significantly by 68% MoM to HKD 160 billion in September, marking the most active trading month since April 2022. In the property market, home prices and sales volumes remained subdued before the rate cut. In August, the official home price index declined by 1.7% MoM, marking four consecutive months of decline. In contrast, rental rates edged up another 1.1% MoM in August, increasing for six consecutive months and standing just 1% below the historical peak seen in Q3 2019. This was supported by strong housing demand from an influx of talents. Private home sales volume in September stayed low at 2,848 units, down 22% MoM. Looking ahead, the expectation of further rate cuts by the US Federal Reserve and the supportive measures from the Mainland are likely to sustain buoyant sentiment in Hong Kong's asset markets.

Hong Kong's stock market soared on forceful supportive measures

The Hang Seng Index reached a 20-month high. Rate cuts in Hong Kong and stimulus policies by Mainland authorities propelled Hong Kong stock indices notably higher. By the end of September, the Hang Seng Index had touched a 20-month high, concluding the month with a 17% MoM increase. The Hong Kong dollar (HKD) exchange rate also strengthened notably in September to 7.7730 against 1 US dollar, mainly reflecting stronger HKD demand due to more optimism about the stock market outlook.

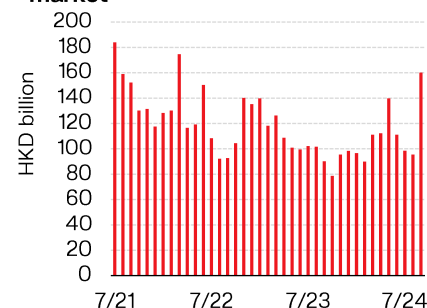
October 2024

Inbound tourist vs outbound travel by HK residents



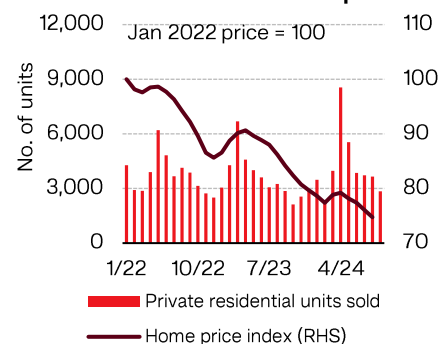
Source: CEIC

Average daily turnover of securities market



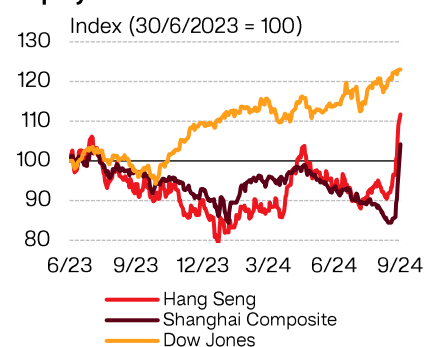
Source: Hong Kong Stock Exchange

Private residential sales and price



Source: Bloomberg

Equity Indices



Source: Bloomberg

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