

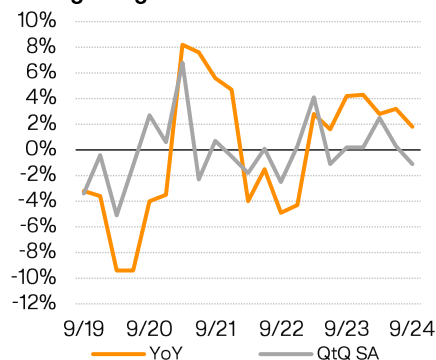
Market Monitor – Hong Kong
Growth moderated in Q3, with the outlook turning somewhat better


- The Hong Kong economy expanded by 1.8% YoY in Q3, moderating from the 3.2% growth registered in Q2.
- The Policy Address outlines a comprehensive blueprint to enhance Hong Kong's competitiveness and foster new growth drivers.
- The stock market slipped as investors cautiously stayed on the side-lines ahead of the US presidential election.

Growth in Q3 moderated as goods trade softened

Hong Kong's real GDP growth softened in Q3 2024. Real GDP grew by 1.8% year-on-year (YoY) in Q3, moderating from the 3.2% growth in Q2. GDP growth for the first three quarters of 2024 reached 2.6% YoY. In Q3 2024, Hong Kong's economy remained largely supported by net exports of goods, but its contribution to GDP growth decreased due to fading favourable base effects and slowing external demand. Private investment stabilised with a rebound in inventories, whereas private consumption expenditures contracted. Services exports continued to outpace services imports, reflecting the imbalances between residents' outbound travel and inbound tourism. Looking ahead, Hong Kong's economic outlook is expected to improve modestly, supported by the implementation of forceful stimulus policies by Mainland authorities, resilient economic fundamentals and the global easing cycle.

The 2024 Policy Address outlines a comprehensive blueprint for Hong Kong. In mid-October, the Chief Executive announced his third Policy Address to solidify Hong Kong's economic recovery and develop new growth drivers. First, policy support for the property market is intensified, with further easing on mortgage loan policies. Specifically, the maximum loan-to-value ratio and debt servicing ratio limit are both adjusted to the pre-2009 levels before the countercyclical macroprudential measures were first introduced. These changes lower financing burdens, encouraging homebuyers and investors to enter the property market,

Hong Kong Real GDP Growth Rate


Sources: Census and Statistics Department

Economic Research

and potentially increasing transactions and stabilising prices. Second, there are proposals to enhance Hong Kong's role as an international financial centre. For instance, there is a plan to develop an international gold trading centre in Hong Kong to attract global investors and broaden its financial service offerings. Besides, the arrangements for linking the Faster Payment System (FPS) in Hong Kong and the Internet Banking Payment System (IBPS) in the Mainland will be expedited, facilitating real-time cross-border fund transfers. Third, the Government seeks to promote the development of new industries, such as a low-altitude economy and a silver economy. Overall, the Policy Address proposes a holistic plan for Hong Kong's long-term economic development while providing a timely boost to support the property market.

Visitor arrivals during the National Day Holiday grew notably. Inbound tourism recovered further in October, driven by the week-long National Day Holiday. Particularly, visitor arrivals for the first 7 days of October 2024 were up 37% YoY to 1.4 million. As such, total visitor arrivals for October jumped by 34% MoM (or 18% YoY) to 4.1 million, marking the second-best monthly figures since January 2023. Meanwhile, demand for outbound travel remains robust as the number of outbound trips logged by local residents increased 8% MoM to 9.1 million in October 2024. Moving forward, inbound tourism is set to recover further as the peak traveling season in Q4 approaches. Besides, retail sales momentum showed mild improvements, with a narrower decline of 6.9% YoY in September, compared to a 10.0% drop in August. Business confidence improved further, with the S&P Global Hong Kong PMI rising to 52.2 in October from 50.0 in September. With rising expectations for a further recovery ahead, Hong Kong's consumer spending is likely to improve in the near term.

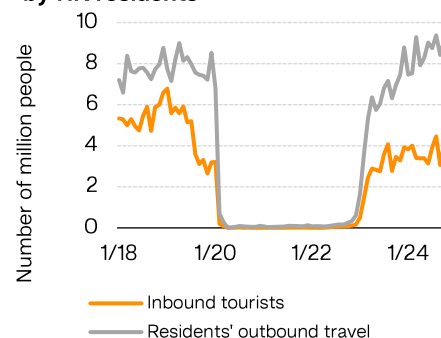
Investors turned cautious ahead of the US presidential election

The stock market retreated on US election uncertainties. Since the release of new stimulus measures by Mainland authorities in late-September, market sentiment has revived notably, as seen by soaring trading activities. In October, the average daily turnover of the Hong Kong securities market increased by 51% MoM to HKD 255 billion, marking the most active month on record. However, as the US presidential election approaches, investors turned risk-off and took profit. The Hang Seng Index retreated by 3.9% MoM in October after a surge of 17.5% in September.

Increasing transaction activities were also seen in the property market. In October, home sales volume jumped 65% MoM to 4,697 units, marking the highest home sales figures in the past five months. Meanwhile, home prices and rental rates continue to exhibit diverging trends. In September, the official home price index fell by 1.7% MoM, the fifth consecutive month of decline, whereas the official rental price index grew by 0.1% MoM, just around 2.0% shy of the record high in Q3 2019. As the Mainland authorities are expected to announce further details on stimulus policies; the global economy enters a new rate cut cycle; and the Policy Address introduced new initiatives to enhance Hong Kong's economic competitiveness, Hong Kong asset markets are poised to see further improvements ahead.

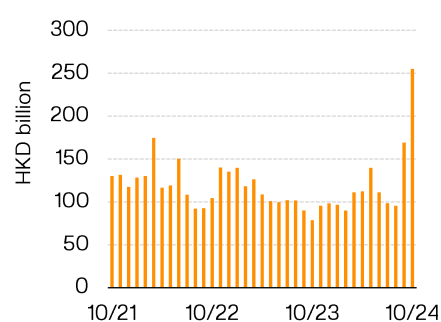
November 2024

Inbound tourist vs outbound travel by HK residents



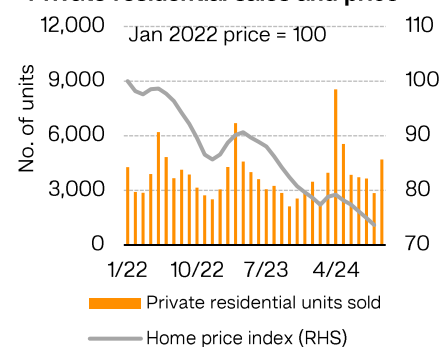
Source: CEIC

Average daily turnover of securities market



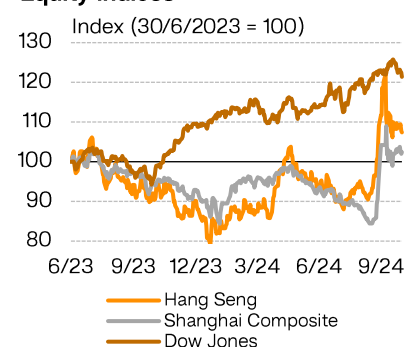
Source: Hong Kong Stock Exchange

Private residential sales and price



Source: Bloomberg

Equity Indices



Source: Bloomberg

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