

Economic QuickView

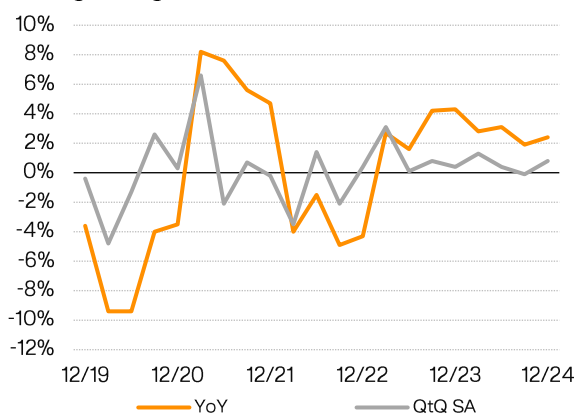


Hong Kong GDP: Hong Kong economic momentum picked up in Q4 2024

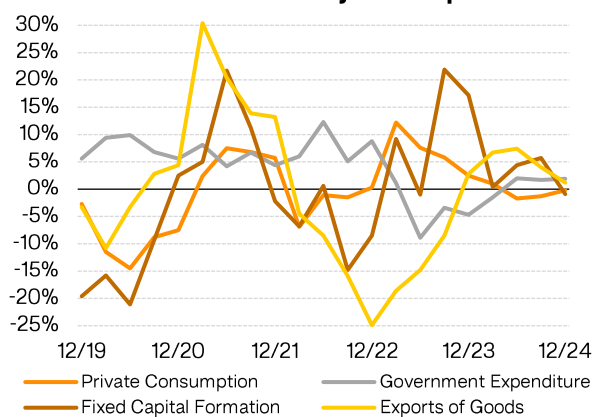
- The Hong Kong economy expanded by 2.4% YoY in Q4 2024, up from 1.9% in the preceding quarter with the whole-year growth rate reaching 2.5%.
- In Q4 2024, merchandise trades remained the major growth driver, followed by changes in inventories. Exports of services also picked up.
- Hong Kong's economic growth in 2025 is expected to reach 2.5%, bolstered by stimulus policies in Chinese Mainland, sound underlying fundamentals and the global easing cycle.

Hong Kong's economic growth reached 2.5% in 2024. The Hong Kong economy expanded by 2.4% year-on-year (YoY) in Q4 2024, improving from a 1.9% growth in Q3 2024. On a quarter-to-quarter (QtQ) basis, the economy grew by 0.8% in Q4, reversing from a 0.1% contraction in Q3. These readings reflected improving growth momentum during the quarter. Taking 2024 as a whole, the economy grew by 2.5%, matching the SAR Government's forecast. In 2024, real exports of goods rose by 4.7%, while real imports of goods increased 2.3%. Together, net exports served as the largest contributor to growth in the year. Meanwhile, real imports of services stayed robust, up by 11.8%, whereas real exports of services rose by 4.8%. This imbalance reflected the differing paces of recovery between inbound and outbound tourism and offset some of the gains from goods trades. The domestic sector was mixed. Private consumption fell slightly by 0.6% in 2024 amid subdued consumer sentiment, compared to a 6.8% growth in 2023. Growth in private investment also slowed to 2.4%, down from 11.4%. Conversely, government spending resumed to a 0.9% growth, following a 3.9% contraction in 2023. Our estimate showed that changes in inventories remained in contraction in 2024, but declining at a smaller magnitude (which would be positive for the headline growth). Overall, strong external demand helped lift Hong Kong's economic growth in 2024.

External trade moderated in Q4 2024. Due to waning favourable base effects in the same period a year ago, real exports of goods slowed to 1.2% year-on-year (YoY) in Q4, down from 4.0% in Q3. Meanwhile, real imports of goods were nearly stall with a 0.1% growth in Q4. Indeed, similar moderating export growth was noted in other Asian exporting hubs, as the ongoing global expansion cycle of technology products became mature. Looking forward into 2025, global trade is set to face significant headwinds amid heightened trade uncertainties.

Hong Kong Real GDP Growth Rate


Sources: Census and Statistics Department

YoY Growth Rate of Major Components


Sources: Census and Statistics Department

The uneven recovery between inbound and outbound tourism improved somewhat in Q4 2024.

While a notable recovery was achieved in inbound tourism, its economic contribution was outweighed by strong outbound travel demand by local residents. This resulted in a much faster growth in services imports. However, that imbalance looked set to improve ahead, as the recovery momentum of exports of services continued to build up, with growth increasing from 1.3% YoY in Q2 to 2.9% in Q3 and 5.6% in Q4, respectively. Indeed, positive drivers supporting Hong Kong's inbound tourism continue to accumulate, including the resumption of multi-entry visa scheme for Shenzhen residents, an increase in long-haul flights and an expansion of individual visit schemes. Furthermore, since September 2024, the Mainland authorities have intensified policy support with a slew of stimulus measures across multiple fronts. These policies invigorated Chinese Mainland's growth and improved confidence, thereby creating stronger demand for cross-border economic activities. Going forward, there is substantial room for Hong Kong's services exports to recover.

Private consumption retreated mildly in Q4 2024 but look set to stabilise ahead.

Real private consumption was down by 0.2% YoY in Q4, compared to a 1.3% decline in Q3. The decline reflected subdued consumer sentiment amid still elevated interest rates and the ongoing asset market consolidation. A large portion of local residents chose to spend outside Hong Kong during travel or via online platforms also put a dent to domestic consumption. On the policy side, there was no consumer voucher scheme in 2024. That said, some of the above negative factors have been subsiding in late-2024. Together with Hong Kong's sound underlying fundamentals including low unemployment rate, a steady growth in household income and benign inflation rate, private consumption is likely to see a modest recovery in 2025.

Private investment remained at low levels. Real gross domestic fixed capital expenditure recorded a small decline of 0.9% YoY in Q4, down from 5.7% in Q3. Meanwhile, changes in inventories were estimated to be positive in Q4, adding around 1.2 percentage points to the headline YoY GDP growth. While interest rate outlook remains highly uncertain, existing rate levels have come down from the recent peak in 2024. Monetary conditions are more likely to ease than to tighten. The rebound of transaction volumes in stock markets also reflected stabilising investor sentiment. We expect that an ongoing economic recovery in Chinese Mainland and a continued global rate cutting cycle should keep investment sentiment relatively positive.

Hong Kong is well-positioned to see further economic recovery in 2025. There are multiple factors that would support the Hong Kong economy to recover further. First, stimulus policies by the Mainland authorities and their positive spill-over effects would boost Hong Kong's growth. Second, various policy initiatives including a resumption of multi-entry visa scheme, ongoing enhancement of Connect Schemes in the capital market, talents and enterprises attraction policies would enhance Hong Kong's competitiveness. Third, the ongoing global rate cutting cycle would further improve both investor and consumer sentiment. The abovementioned catalysts would gain traction and bolster the Hong Kong economy to recover further. Taken together, we forecast Hong Kong economic growth in 2025 at 2.5%.

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