

Market Monitor – Hong Kong

Hong Kong's economic growth picked up in Q4 2024

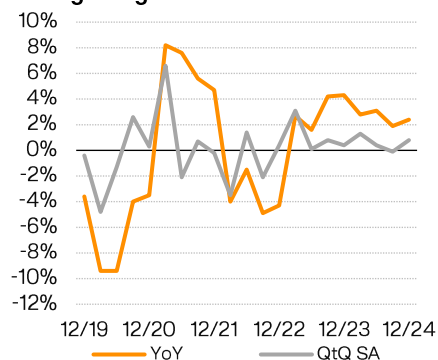


- The Hong Kong economy expanded by 2.4% YoY in Q4 2024, up from 1.9% in the preceding quarter, with the whole-year growth rate reaching 2.5%.
- Hong Kong's stock market marked a good start in 2025, with both the Hang Seng Index and stock trading activities edging higher in January.
- House prices declined for the third year in a row.

Growth momentum picked up in Q4 2024

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 growth of 1.9% in Q3 2024. On a quarter-to-quarter (QtQ) basis, the economy grew by 0.8% in Q4, reversing 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 by 2.3%. Taken 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 made 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 growth of 0.9%, following a 3.9% contraction in 2023. Overall, strong external demand helped lift Hong Kong's economic growth in 2024.

Hong Kong Real GDP Growth Rate



Sources: Census and Statistics Department

Economic Research

Retail sales were dragged down by outbound travel in December. In December 2024, the decline in total retail sales widened from 7.3% YoY in November to 9.7%, taking the full-year contraction to 7.3% as well. The performance of the retail sector continued to be affected by changes in consumption patterns and increased outbound travel during the holiday season. Nevertheless, the spill-over effects from stimulus policies in the Mainland, the resumption and expansion of the multiple-entry Individual Visit Scheme for Shenzhen, sound underlying fundamentals, and a global easing cycle should gradually benefit the retail sector in 2025.

New measures were implemented to deepen the financial connection between the Chinese Mainland and Hong Kong. In mid-January, the Hong Kong Monetary Authority and the People's Bank of China jointly announced 6 new measures to deepen financial market connectivity. Some of the key measures included an enhancement of the Southbound Bond Connect, supporting offshore RMB repurchase using Northbound Bond Connect bonds as collateral, facilitating cross-border payment using the Faster Payment System (FPS), and the introduction of an RMB trade financing facility. The new move is set to facilitate cross-border capital flows between the Chinese Mainland and Hong Kong, consolidate Hong Kong's role as a premier offshore RMB hub, and promote RMB internationalisation.

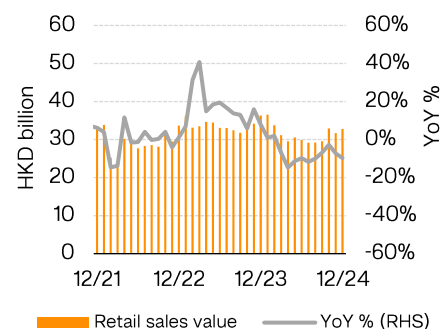
Asset markets saw mixed performance

The stock market marked a good start in 2025. In January 2025, the Hang Seng Index (HSI) closed higher by 0.8% to 20,225. Stock trading activities also increased mildly, with the average daily turnover of Hong Kong stocks increasing by 1.3% (month-on-month) MoM to about HKD 144 billion in January. Fundraising activities became more active as well, with the number and amount of initial public offerings ticking up to 8 listings and HKD 5.7 billion, respectively. In early February, the HSI surged further despite the backdrop of elevated trade policy uncertainties. This reflected that investor confidence in Hong Kong's stock market has remained resilient, especially as the Mainland authorities have progressively stepped up policy support for capital markets.

Home prices declined for three years in a row. In December 2024, the official residential property price index declined by 0.7% MoM, following a two-month uptick. For the full-year of 2024, home prices declined by 7.1%, marking a third consecutive year of decline. Meanwhile, rental rates edged higher by 0.4% MoM in December 2024, expanding the 2024 full-year growth rate to 3.9%. In contrast to home prices, rental rates have recorded gains for two straight years, driven by strong housing demand from an influx of talents. Besides, market transactions declined as the number of private residential transactions was down 12% MoM to 3,626 units in January 2025, largely due to seasonal influences during the festive season. Looking ahead, a steady increase in rental rates and a further decline in borrowing costs should enable Hong Kong's property sector to stabilise.

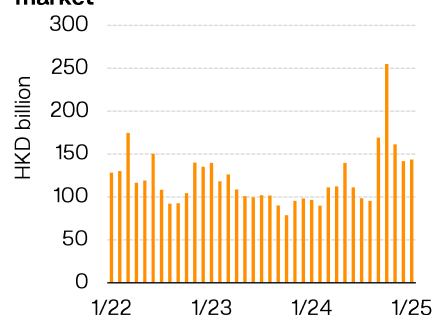
February 2025

Retail sales value



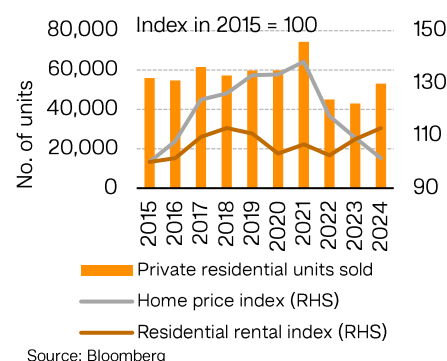
Source: CEIC

Average daily turnover of securities market



Source: Hong Kong Stock Exchange

Home sales, price and rental index



Source: Bloomberg

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