

Market Monitor – Hong Kong

External trade held up in early 2025

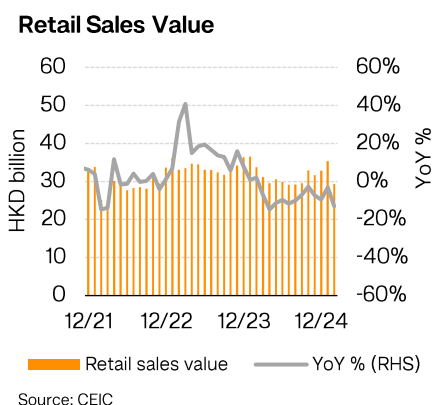
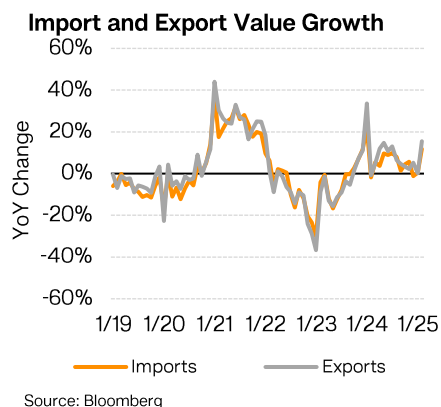


- Hong Kong's trade performance remained solid in early 2025.
- The job market stayed stable amid a continued recovery in inbound tourism.
- The stock market exhibited volatility in March, and property sales improved following the stamp duty reduction.

Net exports were slightly positive, labour market held steadily

Hong Kong's trade performance remained solid in early 2025. Exports and imports grew by 6.6% year-on-year (YoY) and 5.7%, respectively, in the first two months of 2025. With export growth surpassing import growth, the trade deficit narrowed to HKD 34.2 billion in the first two months of 2025, compared to HKD 38.1 billion in the same period last year. This indicates that net exports remained slightly positive to GDP growth in early 2025. Despite the US trade tariffs, Hong Kong traders' sentiment generally held up, with the HKTDC Confidence Index for Q1 2025 rising slightly from the prior quarter. Moving forward, as the US imposes additional reciprocal tariffs on its trading partners, tariff impacts on the regional trade and economy are likely to gradually emerge.

The job market stayed stable amid a continued inbound tourism recovery. The unemployment rate ticked up slightly to 3.2% in December 2024 to February 2025, up by 0.1 percentage points from the preceding three-month period. Meanwhile, retail sales remained subdued, falling by 7.8% YoY in the first two months of 2025, although its trend is set to stabilise ahead. Notably, visitor arrivals grew at a solid pace, up by 12.2% YoY in March. This was likely driven by the opening of the Kai Tak Sports Park and a series of mega-events such as the Hong Kong Sevens rugby tournament. Together, with a stable job market, a continued inbound tourism recovery should support local retail spending to stabilise.



Deepening Hong Kong's role in international exchanges and cooperation

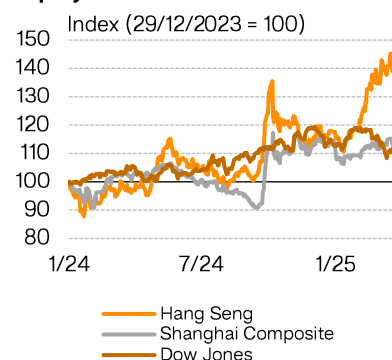
The 2025 Government Work Report (GWR) affirms support for Hong Kong's critical role in deepening international exchanges and cooperation. The Central Government is committed to facilitating the integration of Hong Kong into the broader national development framework and enhancing the livelihoods of Hong Kong residents. The 2025 GWR highlighted boosting innovation capacities in the Greater Bay Area, positioning them as key drivers for growth in surrounding regions. Besides, a notable addition in this year's GWR is the support for Hong Kong to enhance international exchanges and cooperation, solidifying its position as a "super-connector" linking the Mainland with global markets. Amid global uncertainties, the GWR positions Hong Kong as a key platform for the Chinese Mainland's opening-up, leveraging its legal and institutional advantages to attract foreign investment and enhance financial connectivity.

The stock market exhibited volatility

The stock market remained at elevated levels in March. Following a strong surge beginning from mid-January, the Hang Seng Index went up by 0.8% month-on-month (MoM) in March, closing at 23,119.6, with turnover remaining strong. Expectations of economic stimulus from the Mainland and trade policy uncertainties continued to induce volatility in the stock market. Besides, the Hong Kong Monetary Authority announced that the Cross-boundary Wealth Management Connect (WMC) 3.0 is in discussion with Mainland authorities, with enhancements such as higher investment quotas, more eligible products, and simplified sales processes. The scheme would also be expanded to investors in regions outside the Greater Bay Area.

Hong Kong maintained its position as a leading international financial centre. In the latest Global Financial Centres Index 37 report published in March 2025, Hong Kong maintained its overall ranking as the third spot among 119 global financial centres. Among various financial industry sectors, Hong Kong ranked top globally in investment management, insurance, and finance, while placing third in banking, and saw its ranking in fintech move up five spots to fourth. Additionally, recent statistics showed that Hong Kong has reinforced its status as a green and sustainable finance hub in Asia, with a total issuance volume of USD 43.1 billion and a market share of 45% in 2024. Furthermore, capital market activities in Hong Kong remain active. In Q1 2025, the initial public offering (IPOs) market raised USD 2.3 billion, an almost fourfold increase from the USD 612.7 million raised in Q1 2024, propelling Hong Kong to fourth in the global IPO rankings. This revival was driven by accelerated regulatory approvals, improved market sentiment, and stronger financial results of listed companies, enabling better valuations for companies to raise funds.

Equity Indices



Economic Research

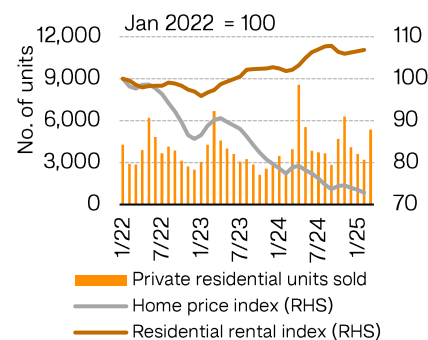
April 2025

Property prices declined further, but sales showed improvement

Property prices declined further. The official residential property price index fell by 0.9% MoM in February, with a year-to-date drop of 1.6%. Rental rates continued to trend upward, rising by 0.3% MoM in February, supported by sustained demand from incoming talents. That said, there was a revival in demand for flats with small sale values (up to HK 4 million) after the stamp duty cuts (from up to HKD 60,000 to HK 100) in the Budget FY24/25. Property sales surged by 67.7% MoM to 5,367 transactions in March.

Private property completions and vacancy rates both rose in 2024. According to the Hong Kong Property Review 2025 by the Rating and Valuation Department, private residential completions in 2024 surged by 75.2% YoY, reaching 24,260 units, with 48% located in the New Territories, 45% in Kowloon, and 7% on Hong Kong Island. Going forward, the report projects completions to decline slightly to 20,860 units in 2025 and 20,100 in 2026. In terms of market demand, there was a 10.5% increase in take-up to 17,310 units, with the vacancy rates rising to 4.5% by the end of 2024. This suggests that it would take time for take-up to reach a balance with completions.

Private Residential Sales, Price and Rental Rate Indices



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