Market Monitor – Hong Kong

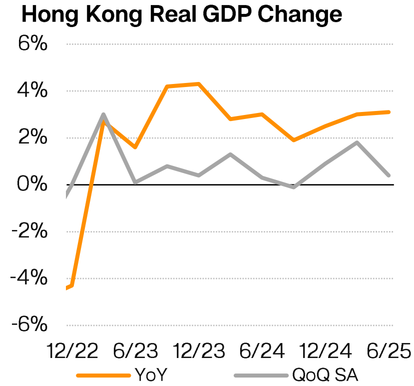
Growth momentum remained strong in Q2

- Hong Kong's economic growth expanded solidly by 3.1% YoY in Q2, up from 3.0% in Q1.
- Hong Kong's merchandise trade remained resilient, while inbound tourism surged markedly.
- The stock market gained in July, while the property market showed further signs of stabilisation.

Strong growth momentum in Q2 driven by improving domestic demand

Hong Kong's economic growth expanded solidly in Q2. Real GDP grew by 3.1% year-on-year (YoY) in Q2, up from 3.0% in Q1. On a quarter-on-quarter (QoQ) basis, growth slowed from 1.8% in Q1 to 0.4% in Q2. During the quarter, improving domestic demand helped lift Hong Kong's economic growth. Notably, private consumption expenditure rose by 1.9% YoY in Q2, after four consecutive quarters of contraction. The rebound in consumption was supported by lower interest rates and improved financial and property market performance. Gross domestic fixed capital formation also grew by 2.9% YoY, driven by public construction activities and a higher number of property transactions. In addition, exports of services expanded notably by 7.5% YoY thanks to a robust tourism recovery, and imports of services rose by 7.0% YoY on the back of strong outbound travel demand. Exports of goods posted a strong 11.5% YoY growth, led by resilient external demand and front-loading of shipments, while imports of goods increased by 12.7% YoY. Taken together, the Hong Kong economy is on track to meet the SAR Government's growth forecast of 2% to 3% for 2025.

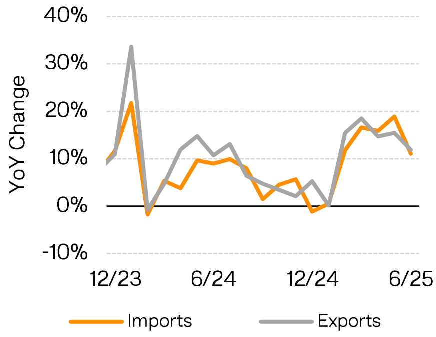
Hong Kong Real GDP Change



Source: Census and Statistics Department

Hong Kong's merchandise trade remained resilient in June. Goods exports and imports grew by 11.9% YoY and 11.1%, respectively, in June. Export growth was driven by strong demand from the Chinese Mainland and other major Asian markets such as Malaysia, the Philippines, and Vietnam. However, exports to the US declined by 12.1% YoY due to higher tariffs. Looking ahead, although Hong Kong's external trade is expected to face persistent headwinds from tariff uncertainties, its strengthened trade ties with non-US markets will help offset some of the tariff impacts and stabilise trade performance.

Import and Export Value Change

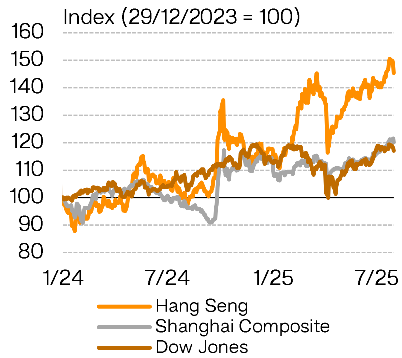


Source: Bloomberg

Inbound tourism surged markedly in July. Monthly visitor arrivals rose strongly by 12.0% YoY to 4.4 million in July, driven by summer holidays as well as a series of mega-events like Hong Kong Football Festival and the Ani-Com & Games Hong Kong. Besides, retail sales recorded 0.7% YoY growth in June, the second monthly increase in a row. Total restaurant receipts also resumed a mild increase of 0.8% YoY in Q2 after a decline of 0.6% YoY in Q1. These figures highlighted stabilising trends in the retail and catering sector. Looking ahead, a continued recovery in the tourism sector would inject a stronger impetus to the economy.

Business sentiment improved. The S&P Global Hong Kong SAR PMI recovered to 49.2 in July, up notably from 47.8 in June, supported by softer declines in output and new orders. On the other hand, the Census and Statistics Department's Quarterly Business Tendency Survey for Q3 2025 showed a slight uptick in the portion of respondents expecting a better business situation (from 9% for Q2 to 10% for Q3). These trends would support an ongoing recovery in private investment.

Equity Indices



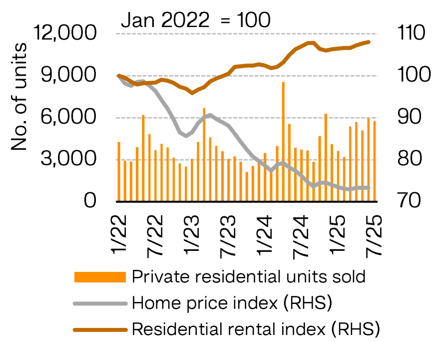
Source: Bloomberg

Asset markets showed a firmer footing

The stock market gained in July. The Hang Seng Index (HSI) rose by 2.9% in July. The gains were linked to the Mainland authorities' commitment to extending pro-growth policies and progress in US-China trade negotiations. Rising stock prices are expected to generate positive wealth effects, boosting private consumption.

The residential property market showed further signs of stabilisation. The official residential property price index ticked up for the third consecutive month, edging up by 0.03% in June. On a year-to-date basis, the property price index's decline narrowed to 0.86% as of June. Meanwhile, residential property sales moderated slightly to 5,766 in July. The rental rate upheld its upward momentum and rose by 0.3% in June, fuelled by strong demand from incoming talents. Looking ahead, a continued economic expansion, lower interest rates and improving homebuyer sentiment are expected to support a gradual recovery in the property market.

Private Residential Sales, Price and Rental Rate Indices



Source: Bloomberg

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