Economic Research

September 2025

Market Monitor – Hong Kong

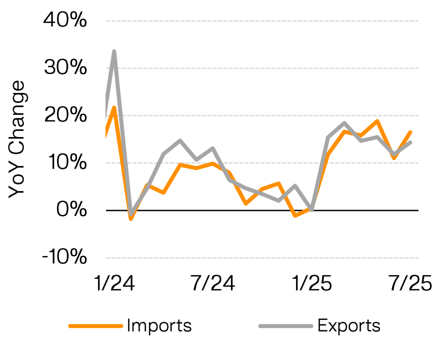
External trade remained resilient in July

- Hong Kong's merchandise trade continued to grow strongly. Inbound tourism also rose markedly.
- HIBORs rebounded sharply as the Aggregate Balance shrank significantly.
- Asset markets in Hong Kong experienced further gains in August.

External trade held up in July

Hong Kong's merchandise trade continued to grow strongly. Nominal goods exports and imports grew by 14.3% and 16.5% year-on-year (YoY), respectively, in July. Strong export growth was driven by robust shipments to the Mainland and other major Asian markets, including Taiwan, Malaysia, Singapore, Vietnam, and the Philippines, while exports to the US fell by 7.6% YoY, reflecting the impacts of higher tariffs. With import growth surpassing that of exports, the trade deficit stood at HKD 34.1 billion in July, compared to HKD 21.8 billion a year ago. While higher tariffs and US trade policy uncertainty will pose downside risks to Hong Kong's external trade, resilient demand from the Mainland and Hong Kong's enhanced trade ties with non-US markets are expected to render support to Hong Kong's trade performance ahead.

Import and Export Value Change



Source: Bloomberg

Inbound tourism recorded a notable expansion in August. Monthly visitor arrivals surged by 15.7% YoY to 5.2 million in August, fuelled by the summer holiday season and the government's efforts to host a series of mega events. Besides, spending at local stores showed further signs of stabilisation, with retail sales rising by 1.8% YoY in July, the third consecutive monthly increase. Looking ahead, a continued expansion in the tourism sector and the revival of financial and property market activities would bolster retail and consumption growth.

The labour market softened. The unemployment rate rose to 3.7% in May–July, up from 3.5% in April–June, and marked the highest rate since August–October 2022. Specifically, the number of unemployed persons increased to 145,000 for May–July, partly due to an influx of fresh graduates and school leavers entering the labour market. The rise of the unemployment rate from a low level of 2.8% in July–September 2023 will warrant close monitoring, given the close link between labour market conditions and private consumption.

HIBORs rebounded amid shifting market liquidity. Following the rapid fund inflows into the HKD in early May, market liquidity in the banking sector rose along with a surge in the Aggregate Balance. This caused HIBORs to decline to low levels from mid-May to early August. This also widened the interest rate differential between the HKD and the USD. As a result, market forces drove the HKD exchange rate lower toward the weak side of the Convertibility Zone at 7.85. By the end of August, the Aggregate Balance had retreated to HKD 54.1 billion, returning to the level seen in May. As market liquidity declined, HIBORs went up, and the HKD exchange rate appreciated to around 7.80. In early September, 1-month and 3-month HIBORs stood in a range of around 2.85% -3.25%.

1-month HIBOR

Source: Bloomberg

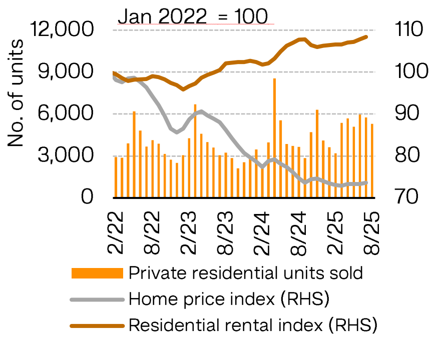
Strengthening position as an innovation and technology centre

The Shenzhen-Hong Kong-Guangzhou innovation cluster has emerged as the world's leading innovation cluster. According to the Global Innovation Index 2025 by the World Intellectual Property Organisation, the cluster claimed the top spot among the world's top 100 innovation clusters, rising from its ranking of 2nd in 2024. Over the past five years, the cluster has made remarkable achievements, including 2,292 Patent Cooperation Treaty applications, 3,775 published scientific articles, and 135 venture capital deals per million inhabitants. These milestones highlight Hong Kong's growing prominence in innovation and technology, driven by the Greater Bay Area's vibrant innovation and technology ecosystem.

The property market stabilised further

The property market continued to stabilise. The official residential property price index edged up by 0.4% month-on-month (MoM) in July, marking the fourth consecutive monthly gain. On a year-to-date basis, the decline in the property price index narrowed to 0.5% as of July. In the meantime, rental rates rose by 0.6% MoM, reaching the highest level since September 2019. The rise reflected both seasonal factors and solid demand from incoming talents. Property transactions in August remained relatively active at 5,291. Moving forward, Hong Kong's housing market could further stabilise, underpinned by the Fed's monetary easing cycle and improving homebuyer sentiment.

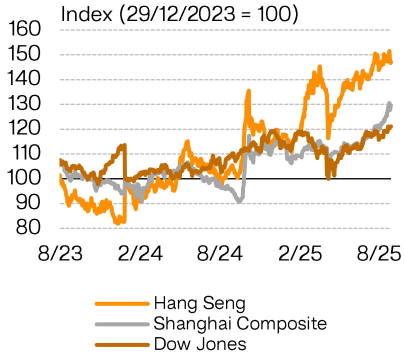
Private Residential Sales, Price and Rental Rate Indices



Source: Bloomberg

The stock market posted a modest gain in August. The Hang Seng Index rose by 1.2% MoM in August, supported by expectations of rate cuts by the Federal Reserve, solid corporate earnings, and optimism surrounding the Mainland's technological development. A continued recovery in the financial market is expected to bolster the Hong Kong economy by lifting private confidence and generating positive wealth effects, which will fuel investment and consumption.

Equity Indices



Source: Bloomberg

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