Economic Research Department December 2025

Market Monitor – Hong Kong

More signs of a broad-based recovery entering Q4

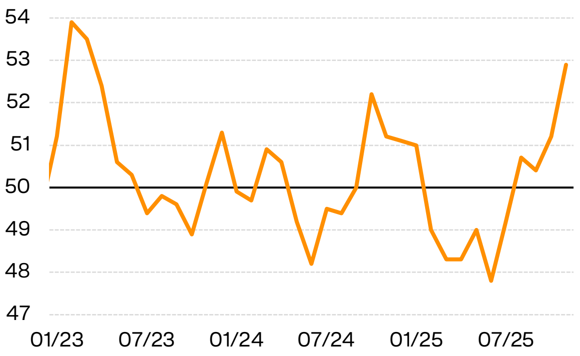
- Hong Kong's economic growth remained robust in early Q4, led by improvements in retail sales and exports.
- The labour market experienced mild relief and inflation was little changed.
- The residential property market continued its recovery trajectory, with a further uptick in prices.

Solid consumption and external trade supported growth in early Q4

The business environment improved further with more optimistic sentiment. Business receipts in many service sectors picked up noticeably in Q3. For instance, the insurance, financing (except banking), import/export trade and banking industries recorded a surge of 40.7%, 31.4%, 24.5%, and 12.9% year-on-year (YoY) in Q3, respectively. This reflected solid demand in financial services and trade. Forward-looking sentiment data also indicated a positive trend. The S&P Hong Kong PMI rose to 52.9 in November, the fastest pace in two years, signaling a stronger private confidence.

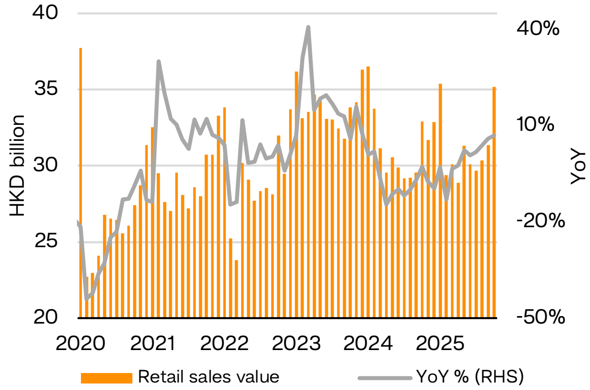
Retail sales expanded further. Retail sales growth accelerated from 6.0% YoY in September to 6.9% in October, marking the sixth consecutive monthly gain. The improvement was driven by substantial tourist inflow during the National Day Golden Week and Mid-Autumn Festival holiday, with tourist arrivals from the Chinese Mainland surging to 3.5 million in October, benefiting retail sales in tourism-related segments such as department stores, clothing and food. High-frequency data revealed continued growth of total tourist arrivals from November to early December, which should provide stronger tailwinds for the retail sector. Meanwhile, stabilising job market conditions also supported domestic spending. Looking ahead, easing trade tensions and a turnaround in housing prices, along with a host of mega-events during the Christmas festive seasons, are poised to lift consumer sentiment, sustaining the recovery in private consumption in Q4.

S&P Global Hong Kong SAR PMI



Source: S&P Global

Retail Sales

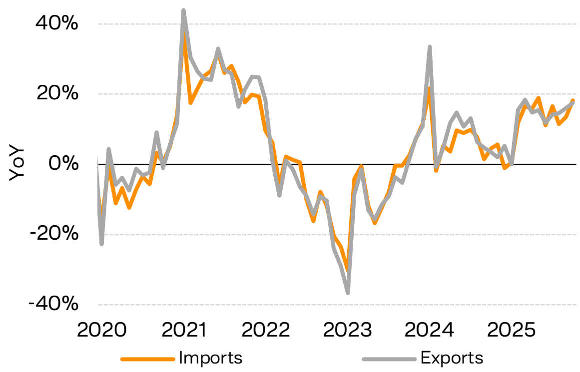


Source: CEIC

Exports remained robust. In October, merchandise exports grew by 17.5% YoY, an acceleration from 16.1% in September. The expansion was widespread among key markets. Exports to the US surged from 4.8% YoY in September to 40.5% in October, while exports to the Chinese Mainland, ASEAN and the EU also recorded notable growth of 9.8%, 46.7% and 16.4%, respectively. Meanwhile, imports growth accelerated from 13.6% YoY to 18.3% in October, resulting in a trade deficit of HKD 39.9 billion, compared to HKD 31.0 billion a year ago. Going forward, the China-US one-year trade truce is set to provide greater stability, which would bolster Hong Kong's external trade in 2026, even amid a high base partly driven by frontloading this year.

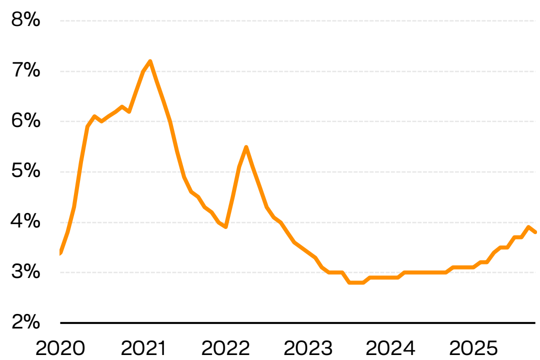
The labour market experienced mild relief. The unemployment rate for August-October decreased to 3.8%, down from 3.9% in the preceding three months. The improvement was noted across several sectors, particularly in construction and retail and food services, where unemployment rates declined from 7.2% to 7.0% and from 5.9% to 5.5%, respectively. This easing was likely supported by the strengthening recovery in both the real estate and retail sectors. In the near term, stable economic growth and improving business sentiment should further ease pressure on the overall labour market, although certain sectors may continue to face adjustment challenges during the economic rebalancing process.

Import and Export Growth



Source: CEIC

Unemployment Rate



Sources: Census and Statistics Department

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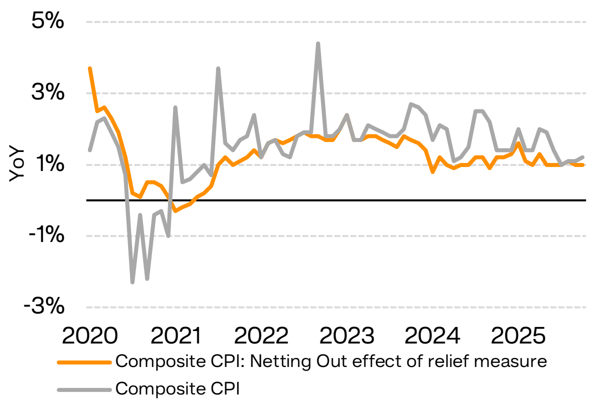
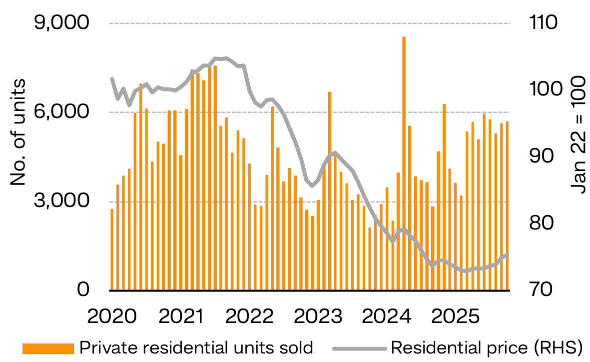
Inflation ticked up slightly but remained at a moderate level. The composite CPI edged up from 1.1% YoY in September to 1.2% in October. The main upward drivers came from miscellaneous services and food inflation, which rose from 2.2% to 3.2% and from 0.8% to 0.9%, respectively. This pickup was partially offset by the moderation in housing inflation, which eased from 1.7% to 1.5%. Netting out the government's one-off relief measures, the underlying inflation rate remained steady at 1.0% YoY in October. Given that domestic inflationary pressures remain under control along with modest imported food prices, overall inflation is likely to remain tepid.

Property market getting more traction and growth outlook revised up

The residential property market continues its rebounding trend. The official residential property price index rose by 0.4% MoM in October, marking the fifth consecutive monthly increase this year and bringing the year-to-date growth to 1.8%. In contrast, residential rents remained flat during the same month. While residential property sales eased slightly in November primarily due to seasonality, the total of 5,566 units sold still indicated an active market. The housing market outlook is turning more positive, as tailwinds such as an anticipated Fed's rate cutting cycle, continued economic recovery and sustained demand from incoming talents are likely to support the recovery in demand.



Source: Hong Kong Census and Statisitcs Department



Source: Bloomberg

Growth outlook remains sanguine. The Hong Kong economy has been holding up strongly this year, with GDP growth reaching 3.3% in the first three quarters. In mid-November, the SAR Government raised its 2025 full-year GDP forecast to 3.2% from the projected range of 2-3%. Improvements in both external trade and domestic demand, coupled with a resumption of the Fed's rate cutting cycle, are constructive drivers for a continued economic recovery. On the inflation front, as domestic and external prices pressures remain under control, the 2025 inflation forecast was revised downward to 1.5%, compared to the original projection of 1.8%. Overall, we expect the broad-based uptick in Hong Kong's economic momentum to be sustained, and full-year GDP growth could top the current official projection.

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