

Economic performance and outlook

Overview

- The Hong Kong Special Administrative Region, with its ideal location in fast-growing Asia and riding on the opportunities brought by the Mainland economy, has developed into an international business, trade and financial hub, as well as a renowned tourist city, providing high value-added and knowledge-intensive services to the globalised world.
- Hong Kong also serves as the gateway to the Mainland for overseas investors as well as a platform for Mainland enterprises to go global.
- Being a small open economy, Hong Kong has many areas of strength - level playing field for businesses, simple and low tax regime, free flow of capital and information, highly efficient markets, world-class infrastructure, a fine tradition of the rule of law, etc., all being the cornerstones of Hong Kong's economic success. Meanwhile, our unique position under "one country, two systems" will continue to create enormous development potential for the Hong Kong economy.

World rankings

- **Stock market: World No. 8** and **Asia No. 5** by market capitalisation among exchanges (end-April 2024)
- **IPO funds raised: World No. 6** for IPO funds raised among exchanges in 2023
- **GDP per capita at current prices: World No. 20** (2021: US\$49,800) [IMF's World Economic Outlook (October 2023)]

Credit ratings

- Moody's: Aa3; S&P: AA+, Fitch: AA-
- **Superior credit ratings** because:
 - Prudent fiscal policy
 - Sizable fiscal reserves and external asset position
 - Sound regulatory framework
 - Market confident in the credit quality of corporate bond issuers; and
 - Flexible economy
- Moody's downgraded credit outlook of Hong Kong to "negative" from "stable" on December 6, 2023, on the ground of tight linkage of credit profiles with the Mainland, and the potential spillovers from the developments in the Mainland (while affirming Hong Kong's long-term issuer rating at Aa3). The HKSAR Government rebutted the assessments of Moody's, pointing out that Hong Kong's deepening and expanding economic and financial ties with the Mainland are a source of strength for Hong Kong's long-term development. Hong Kong's institutional strengths and core competitiveness are unscathed and that "one country, two systems" was being successfully implemented and safeguarded under the Basic Law of Hong Kong.

Key advantages

- Under "one country, two systems", Hong Kong will benefit from deepening reform in the Mainland towards a consumption and services-oriented economy, and opportunities related to the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Greater Bay Area, while maintaining a unique economic and legal system different from the Mainland of China.

Economic performance

- The Hong Kong economy recorded moderate growth in the first quarter of 2024. Real Gross Domestic Product (GDP) grew by 2.7% year-on-year, having increased by 4.3% in the preceding quarter. On a seasonally adjusted quarter-to-quarter comparison, real GDP increased by 2.3%.
- Exports of services continued to grow notably by 8.4% year-on-year in real terms in the first quarter thanks to the continued revival of visitor arrivals. Total exports of goods rose by 6.8% as external demand turned slightly more favourable, though a very low base of comparison also contributed.
- Domestically, private consumption expenditure rose mildly by 1.0% year-on-year in real terms in the first quarter, supported by the continued increase in employment earnings and the Government's various initiatives to boost sentiment. Overall investment expenditure increased slightly by 0.3% alongside the economic expansion.

- The labour market remained tight. The seasonally adjusted unemployment rate stayed low at 3.0% in March to May 2024, same as February to April 2024.
- Underlying consumer price inflation remained modest. The underlying Composite Consumer Price Index rose by 1.0% year-on-year in May, slight larger than that in April 2024.
- A fiscal deficit of \$100.2 billion (about US\$12.84 billion) was recorded for 2023-24.
- Fiscal reserves stood at \$657.1 billion (about US\$84.2billion) as at May 31, 2024.

Economic outlook

- Looking ahead, the Hong Kong economy should record further growth in the rest of 2024. Exports of services should be supported by further revival of inbound tourism alongside the continued recovery of handling capacity and the Government's efforts to promote a mega event economy. Exports of goods should improve further if external demand holds up, though geopolitical tensions will bring uncertainties.
- Domestically, rising employment earnings and the Government's initiatives to boost sentiment should help private consumption, but residents' changing consumption pattern may pose challenges. Continued economic growth should lend support to fixed asset investment. However, a longer period of tight financial conditions may affect local economic confidence and activities.
- Having considered the above factors, the real GDP growth for 2024 as a whole is forecast at 2.5% - 3.5%.
- On the inflation outlook, overall inflation should stay contained in the near term. Domestic costs may face some upward pressures as the Hong Kong economy continues to grow. External price pressures should remain on a broad downward trend, though heightened geopolitical tensions will bring uncertainties. The underlying and headline consumer price inflation rates for 2024 are forecast at 1.7% and 2.4% respectively.
- The medium-term outlook for the Hong Kong economy is bright. The external environment may see some improvements in the coming years, with Asia recording decent growth. Specifically, the Mainland will pursue high quality development through deepening reforms and further opening-up. As for the advanced economies, the expected interest rate cuts in the coming few years should support a gradual recovery of demand.
- To improve the longer-term growth momentum, the Government has been building capacity for economic development through pressing ahead with land development projects, developing infrastructure, attracting enterprises, and trawling for and retaining talents. The Government has also been strengthening traditional industries where Hong Kong has competitive edges, and promoting the development of emerging strategic areas where Hong Kong has potential with an industry-oriented approach. These initiatives will enable Hong Kong to withstand the keen competition from other economies and grasp the opportunities brought by the improving global demand.

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