

# 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. 7** and **Asia No. 4** by market capitalisation among exchanges (end-September 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

## 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 continued to expand, though at a moderated pace, in the third quarter of 2024 over a year earlier. Real Gross Domestic Product (GDP) grew by 1.8% year-on-year, having increased by 3.2% in the preceding quarter. On a seasonally adjusted quarter-to-quarter comparison, real GDP declined by 1.1%.
- Externally, total exports of goods grew by a moderated 4.0% year-on-year in real terms alongside softening economic growth in some major markets in the third quarter. Meanwhile, exports of services recorded increased further by 2.4%.
- Domestically, private consumption expenditure continued to decline by 1.3% amid the change in consumption patterns of residents.. Meanwhile, overall investment expenditure increased further by 3.7% year-on-year in real terms in the third quarter in tandem with the overall economic growth..
- The labour market remained tight. The seasonally adjusted unemployment rate stayed low at 3.0% in the third quarter, same as that in the second quarter.
- Underlying consumer price inflation remained modest. The underlying Composite Consumer Price Index rose by 1.1% year-on-year in third quarter, compared with a 1.0% increase in the second quarter.
- A fiscal deficit of \$100.2 billion (about US\$12.84 billion) was recorded for 2023-24.
- Fiscal reserves stood at \$570.9 billion (about US\$73.1 billion) as at October 31, 2024.

## Economic outlook

- Looking ahead, while the external environment has turned more challenging recently, the Hong Kong economy is expected to maintain its growth momentum for the remainder of the year. Increased global economic uncertainties and escalation of trade conflicts would affect the performance of Hong Kong's goods exports.
- The expected further monetary easing by major central banks, together with the Mainland's recent introduction of various measures to stimulate the economy, would help support sentiment and activities in our domestic market. Specifically, gradually easing financial conditions should bode well for fixed asset investment. The Central Government's various measures benefitting Hong Kong, the SAR Government's various initiatives to boost market sentiment, as well as better sentiment in the asset markets and increasing employment earnings would be conducive to spending by both residents and visitors in the domestic market, though the change in their consumption patterns will continue to pose a constraint.
- Taking into account the actual outrun in the three quarters of the year and the latest developments of the global and local situation, the real GDP growth for 2024 as a whole is forecast at 2.5%.
- On the inflation outlook, overall inflation should stay mild in the near term. The continued growth of the Hong Kong economy may pose some mild upward pressures on domestic cost. Meanwhile, external price pressures should ease further, though uncertainties in the external environment remain. The underlying and headline consumer price inflation rates for 2024 are forecast at 1.4% and 1.7% 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 SAR 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 SAR 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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