

## **Medium-term outlook for the Hong Kong economy**

2.13 The medium-term outlook for the Hong Kong economy is bright. Further loosening of financial conditions amid the broad trend of monetary policy normalisation should support global demand in the coming years. Asia should remain as an important growth engine of the global economy. In particular, the Mainland economy, through utilising innovation and technology to lead the development of new quality productive force, boosting domestic demand, and deepening reforms and further opening up, will achieve economic transformation and upgrading and sustain steady growth. These developments will provide substantial opportunities for different segments of the Hong Kong economy, though the tense China-US relations may pose challenges.

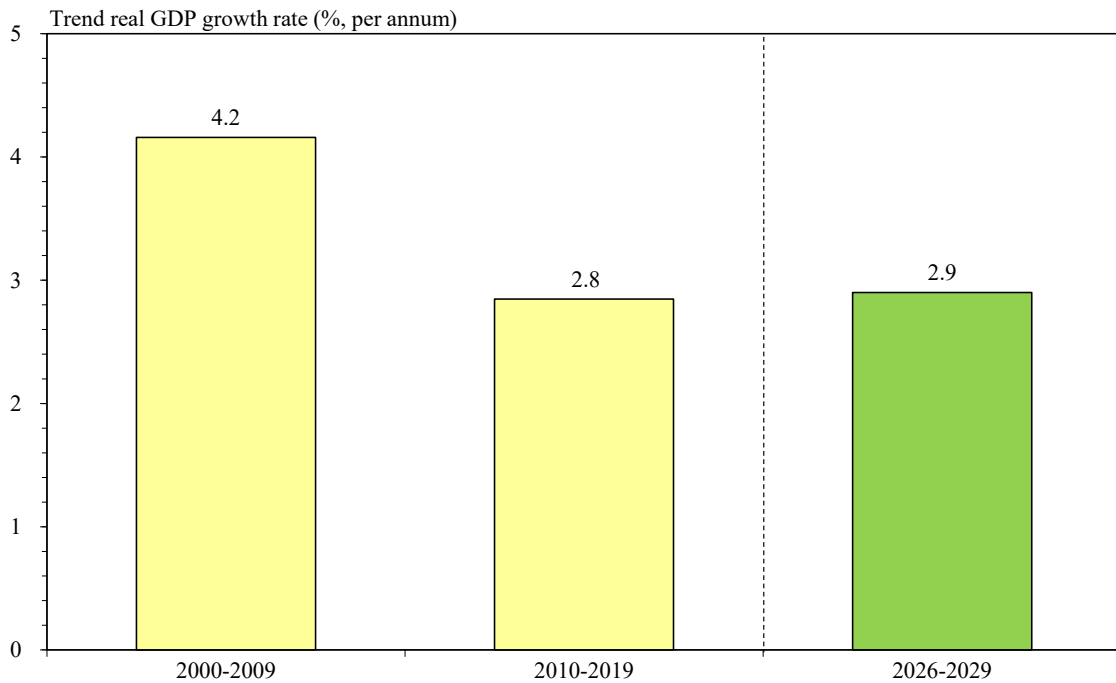
2.14 As the only place in the world where the global advantage and the China advantage come together, Hong Kong is well-positioned to capture these opportunities ahead. The Government is committed to, amongst others, harnessing Hong Kong's institutional strengths under "One Country, Two Systems" to reinforce and enhance Hong Kong's status as an international financial, shipping and trade centre, and to support Hong Kong in building itself into an international hub for high-calibre talent. Hong Kong will continue to play an active role as a "super connector" and "super value-adder" connecting the Mainland with the world, facilitating our country's effort in going global while attracting foreign companies to the Mainland market.

2.15 In the face of keen competition and challenges in the external environment, the Government has been putting in proactive efforts in expanding economic capacity, enhancing competitiveness, and developing strategic growth areas. These measures are bearing fruit, and will help Hong Kong achieve sustainable growth. For example, the Office for Attracting Strategic Enterprises has already attracted 66 strategic enterprises to set up or expand their businesses in Hong Kong by the end of last year. Over 180 000 talents have arrived Hong Kong through various talent admission schemes launched by the Government since late 2022. The Three-runway System at the Hong Kong International Airport was commissioned last November, and the Kai Tak Sports Park will open in March.

2.16 Considering the above factors, the Hong Kong economy is expected to grow by 2.9% per annum in real terms from 2026 to 2029, compared with the average annual growth of 2.8% during the ten years before COVID-19 (2010-2019).

2.17 The inflation outlook for Hong Kong in the medium term will hinge on a range of domestic and external factors. Domestic cost might pick up as the Hong Kong economy continues to expand in the years ahead. Nevertheless, the Government’s initiatives to increase productive capacity and raise productivity and efficiency of the economy should help contain the upward pressures. External price pressures should remain largely moderate, with the continued efforts by major central banks to rein in inflation. Yet, international commodity price fluctuations stemming from geopolitical tensions warrant attention. Taking all these factors into account, the trend rate of underlying Composite CPI inflation in Hong Kong from 2026 to 2029 is forecast at 2.5% per annum.

**Diagram 2.9 : Medium-term trend growth forecast at 2.9% per annum**



Note : The Hong Kong economy recorded the largest ever contraction amid the outbreak of the COVID-19 pandemic in 2020, rebounded sharply in 2021 and shrank again in 2022, in stark contrast to the growth trend in the pre-pandemic years. Hence, the 10-year trend growth for the period 2010 – 2019 is used to better illustrate the underlying growth trajectory in recent years.