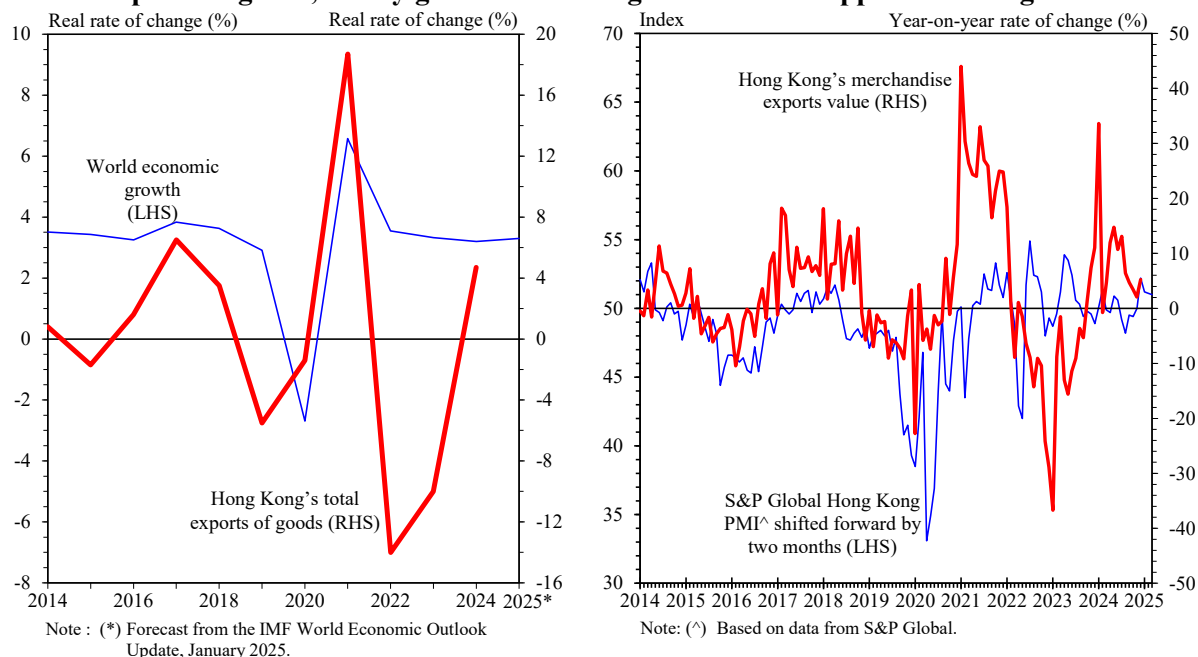


Outlook for the Hong Kong economy in 2025

2.8 Hong Kong's total exports of goods resumed growth in 2024, supported by improved external demand for goods. Going forward, while the US' trade protection measures would adversely affect its performance, steady global economic growth would support further growth in total exports of goods in 2025.

Diagram 2.4 : While the US' trade protection measures would affect Hong Kong's exports of goods, steady global economic growth would support further growth



2.9 Exports of services saw a broad-based expansion in 2024. In 2025, increased convenience of cross-border travel alongside the Central Government's measures benefitting Hong Kong and the SAR Government's various initiatives to boost Hong Kong's attractiveness as a tourist destination should help bring more visitors to Hong Kong, though relatively strong Hong Kong dollar would pose constraints on visitors' spending. Cross-border financial and business activities would be supported by gradually easing financial conditions. Meanwhile, the performance of exports of trade-related services would benefit from continued growth of trade in goods.

2.10 Growth in domestic demand moderated in 2024. Looking ahead, improved economic sentiment alongside the Mainland’s more proactive policies to boost its economy, easing financial conditions, and the SAR Government’s various initiatives to promote economic growth and development of Hong Kong should be supportive. This should be conducive to fixed asset investment, but uncertainties in the external environment may affect investor sentiment. The same set of factors, coupled with sustained growth of employment income, should boost private consumption which already showed signs of stabilisation towards the end of last year, though the change in residents’ consumption pattern may constrain the pace of recovery.

Diagram 2.5 : Improved economic sentiment and sustained employment income growth should boost private consumption, though the change in residents’ consumption pattern may constrain the pace of recovery

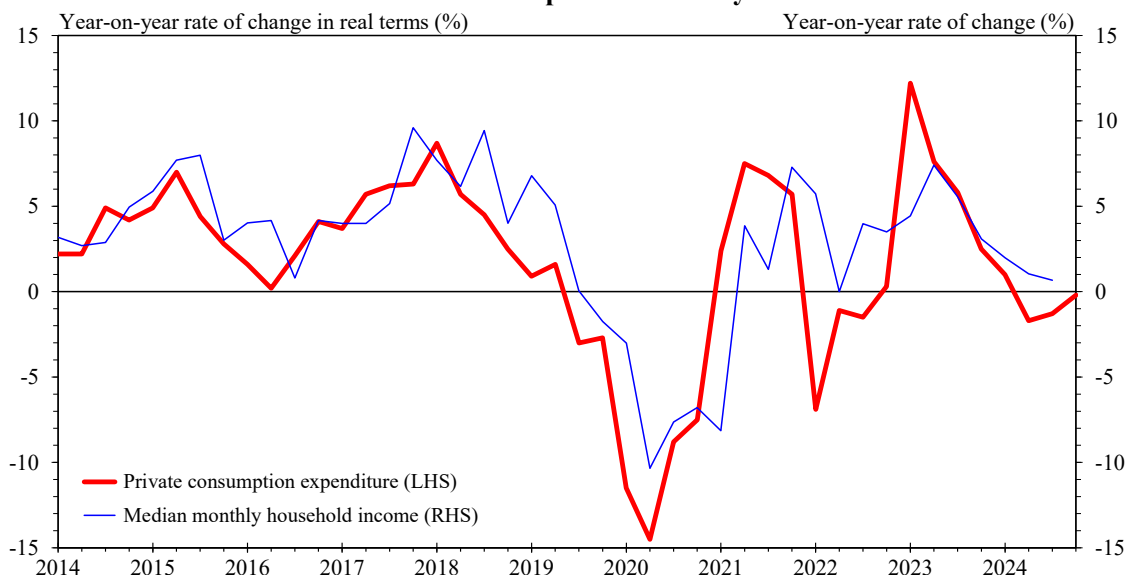
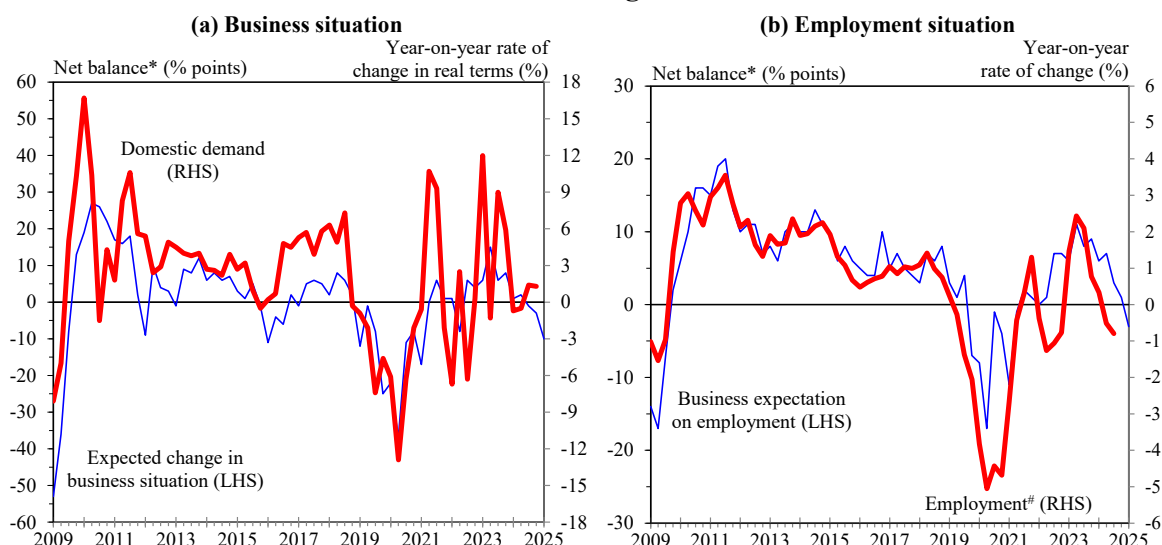


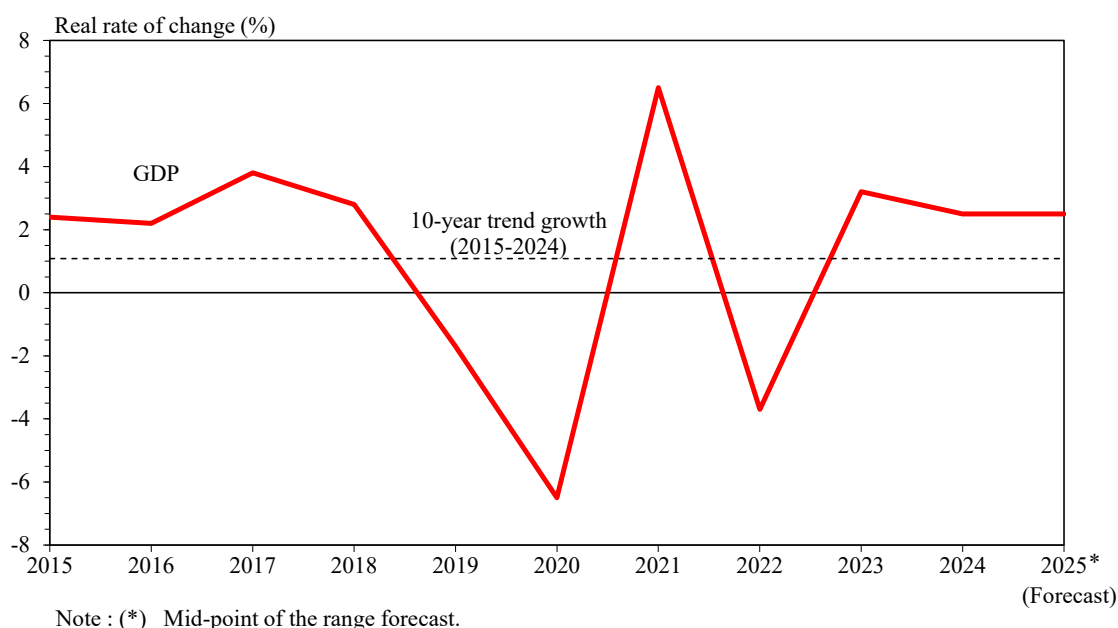
Diagram 2.6 : Business and hiring sentiment among large enterprises weakened on entering 2025



Notes : (*) Net balance indicates the direction of expected change in business situation / number of persons engaged versus the preceding quarter. It refers to the difference in percentage points between the proportion of establishments choosing “better” / “up” over that choosing “worse” / “down”. A positive sign indicates a likely upward trend while a negative sign, a likely downward trend.
 (#) Employment in the private sector.

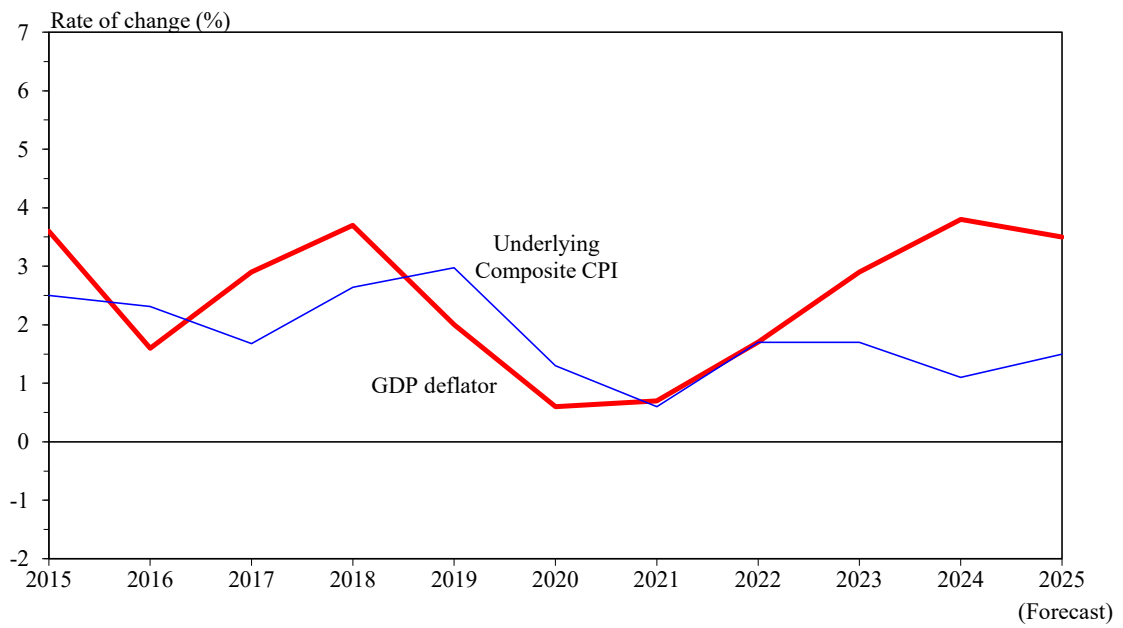
2.11 In sum, the Hong Kong economy is expected to grow moderately in 2025. Real GDP is forecast to grow by 2% to 3% in 2025, after growing by 2.5% in 2024. The forecast is predicated on the assumptions that the impacts of geopolitical tensions and trade conflicts would see no further significant deterioration, and the broad global monetary easing trend would continue. For comparison, the latest forecasts by private sector analysts for Hong Kong’s economic growth in 2025 range from 1.3% to 2.8%, averaging 2.2%. The IMF forecast made in October 2024 is 3.0%.

Diagram 2.7 : Real GDP is forecast to grow by 2% to 3% in 2025



2.12 Underlying consumer price inflation in Hong Kong was mild in 2024. It should remain moderate in 2025. As the Hong Kong economy continues to grow, domestic costs such as rentals and labour costs may see some upward pressures. External price pressures should remain contained, provided that trade conflicts and geopolitical tension would not push up prices significantly. Underlying Composite CPI inflation is forecast at 1.5% in 2025, compared with 1.1% in 2024. The GDP deflator is forecast to rise by 3.5% in 2025. For reference, the latest forecasts for headline consumer price inflation in 2025 by private sector analysts average 1.9%, and the IMF forecast made in October 2024 is 2.3%.

Diagram 2.8 : Underlying Composite CPI inflation is forecast to remain moderate at 1.5% in 2025



Forecast rate of change in 2025 (%)

Gross Domestic Product (GDP)

<i>Real GDP</i>	2 to 3
<i>Nominal GDP</i>	5.5 to 6.5
<i>Per capita GDP in real terms</i>	1.6 to 2.6
<i>Per capita GDP at current market prices</i>	HK\$443,500 – 447,700 (US\$56,900 – 57,400)

Underlying Composite CPI **1.5**

GDP Deflator **3.5**

**Forecast on Hong Kong’s real GDP growth in 2025
recently made by other selected parties**

	(%)
Asian Development Bank (December 2024)	2.3
IMF (October 2024)	3.0
Average forecast by private sector analysts [#]	2.2

Note : (#) Real GDP growth forecasts by private sector analysts fall between 1.3% and 2.8%.

ECONOMIC PERFORMANCE IN 2024

1. Rates of change in the Gross Domestic Product and its expenditure components and in the main price indicators in 2024:

	(%)
(a) Growth rates in real terms of:	
Private consumption expenditure	-0.6
Government consumption expenditure	1.0
Gross domestic fixed capital formation	2.4
<i>of which :</i>	
Building and construction	3.1
Machinery, equipment and intellectual property products	-0.8
Total exports of goods	4.7
Imports of goods	2.4
Exports of services	4.8
Imports of services	11.5
Gross Domestic Product (GDP)	2.5
<i>Growth rate of per capita GDP in real terms</i>	2.7
<i>Per capita GDP at current market prices</i>	HK\$422,200 (US\$54,100)
(b) Rates of change in:	
Underlying Composite Consumer Price Index	1.1
GDP Deflator	3.8
Government Consumption Expenditure Deflator	1.7
(c) Growth rate of nominal GDP	6.5

2. Annual rates of change in total exports based on external merchandise trade index numbers:

	<i>Total exports</i>	
	<i>In value terms</i> (%)	<i>In real terms</i> (%)
2022	-9	-15
2023	-8	-12
2024	9	5

3. Annual rates of change in real terms of total exports by major market based on external merchandise trade quantum index numbers:

	<i>Total exports</i>					
	<i>Total</i> (%)	<i>The Mainland</i> (%)	<i>US</i> (%)	<i>EU</i> (%)	<i>Vietnam</i> (%)	<i>Taiwan</i> (%)
2022	-15	-21	-11	-11	4	0
2023	-12	-14	-10	-15	-5	-12
2024	5	10	3	-1	26	-3

4. Annual rates of change in real terms of imports and retained imports based on external merchandise trade quantum index numbers:

	<i>Imports</i> (%)	<i>Retained imports</i> (%)
2022	-14	-10
2023	-9	1
2024	3	-6

5. Annual rates of change in real terms of exports of services by type:

	<i>Exports of services</i>				
	<i>Total</i> (%)	<i>Transport services</i> (%)	<i>Travel services</i> (%)	<i>Financial services</i> (%)	<i>Other services</i> (%)
2022	0	-3	62	-2	-1
2023	20	4	521	-6	0
2024	5	7	7	1	3

6. Hong Kong's goods and services trade balance in 2024 reckoned on GDP basis:

	(HK\$ billion)
Total exports of goods	4,924.8
Imports of goods	4,940.2
<i>Goods trade balance</i>	-15.4
Exports of services	848.7
Imports of services	704.4
<i>Services trade balance</i>	144.2
<i>Combined goods and services trade balance</i>	128.9

7. Annual averages of the unemployment and underemployment rates and growth in labour force and total employment:

	<i>Unemployment rate (%)</i>	<i>Underemployment rate (%)</i>	<i>Growth in labour force (%)</i>	<i>Growth in total employment (%)</i>
2022	4.3	2.3	-2.4	-1.6
2023	2.9	1.1	1.2	2.7
2024	3.0	1.1	-0.1	-0.1

8. Annual rates of change in the Consumer Price Indices:

	<i>Composite CPI</i>		<i>CPI(A)</i>	<i>CPI(B)</i>	<i>CPI(C)</i>
	<i>Underlying (%)</i>	<i>Headline (%)</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>
2022	1.7	1.9	2.2	1.7	1.8
2023	1.7	2.1	2.3	2.0	2.0
2024	1.1	1.7	2.1	1.6	1.5

ECONOMIC PROSPECTS FOR 2025

Forecast rates of change in the Gross Domestic Product and main price indicators in 2025:

	(%)
Gross Domestic Product (GDP)	
<i>Real GDP</i>	2 to 3
<i>Nominal GDP</i>	5.5 to 6.5
<i>Growth rate of per capita GDP in real terms</i>	1.6 to 2.6
<i>Per capita GDP at current market prices</i>	HK\$443,500-447,700 (US\$56,900-57,400)
Composite Consumer Price Index	
<i>Underlying Composite Consumer Price Index</i>	1.5
<i>Headline Composite Consumer Price Index</i>	1.8
GDP Deflator	3.5