

# Press Release

(embargoed until 4:30 p.m. on 17 May 2024)

## Economic Situation in the First Quarter of 2024 and Latest GDP and Price Forecasts for 2024

The Government released today (17 May) the First Quarter Economic Report 2024, together with the revised figures on Gross Domestic Product (GDP) for the first quarter of 2024.

The Government Economist, Mr Adolph Leung, gave an account of the economic situation in the first quarter of 2024 and the latest GDP and price forecasts for 2024.

### Main points

- \* The Hong Kong economy recorded moderate growth in the first quarter of 2024. Exports of services remained as an important driver of growth, while total exports of goods improved further. Private consumption and overall investment expenditures continued to expand. Real 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. Exports of travel services jumped further thanks to the continued revival of visitor arrivals. Exports of transport services continued to rise, and exports of business and other services showed modest growth. Yet, exports of financial services declined further. Meanwhile, total exports of goods rose by 6.8% as external demand turned slightly more favourable, though a very low base of comparison also contributed. Exports to the Mainland surged. Exports to the US declined marginally. Exports to the EU recorded a double-digit fall. Exports to other major Asian markets showed mixed performance.
- \* 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 in the first quarter. The seasonally adjusted unemployment rate stayed low at 3.0%. The underemployment rate was also low at 1.1%. The unemployment rates of the various major sectors stayed low in general. Employment earnings continued to grow solidly.
- \* The local stock market remained under pressure in the first quarter. Dampened by heightened geopolitical tensions and tempered expectations for US interest rate cuts, the Hang Seng Index (HSI) headed down on entering 2024. The HSI closed the quarter at 16 541, down by 3.0% from end-2023. After staying quiet in the first two months of the year, the residential property market turned active in March as market sentiment improved after the cancellation of all demand-side management measures (DSMMs) for residential properties and the adjustments of macroprudential measures. Flat prices showed signs of stabilisation towards the

end of the quarter.

- \* Consumer price inflation was modest in the first quarter. The underlying Composite Consumer Price Index (Composite CPI) rose by 1.0% year-on-year, compared with a 1.6% increase in the preceding quarter. While prices of meals out and takeaway food continued to rise relatively fast, prices of electricity dropped notably against a high base of comparison. Private housing rentals were largely steady. Price pressures on other major components were broadly in check.
- \* Looking ahead, the Hong Kong economy should record further growth in the rest of the year. 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.
- \* Taking into account the actual outturn in the first quarter and the latest developments of the global and local situation, the real GDP growth forecast for 2024 as a whole is maintained at 2.5%-3.5%, the same as that announced in the Budget. The Government will continue to closely monitor the situation.
- \* 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. Taking into account the inflation situation in the first quarter and factors mentioned above, the forecast rates of underlying and headline consumer price inflation for 2024 are maintained at 1.7% and 2.4% respectively, the same as those announced in the Budget.

## Details

### GDP

According to the revised figures released today by the Census and Statistics Department, real *Gross Domestic Product (GDP)* grew by 2.7% year-on-year in the first quarter of 2024 (same as the advance estimate), having increased by 4.3% in the preceding quarter. On a seasonally adjusted quarter-to-quarter comparison, real GDP increased by 2.3% (same as the advance estimate), after a 0.2% increase in the preceding quarter (*Chart*).

2. The latest figures on GDP and its major expenditure components up to the first quarter of 2024 are presented in *Table 1*. Developments in different segments of the economy in the first quarter are described below.

### External trade

3. After growing by 2.8% year-on-year in real terms in the preceding quarter, *total exports of goods* rose by 6.8% in the first quarter of 2024 as external demand turned slightly more favourable, though a very low base of comparison also contributed. Analysed by major market and by reference to external merchandise trade statistics, exports to the Mainland surged against a very low base of comparison. Exports to the US declined marginally. Exports to the EU recorded a double-digit fall. Exports to other major Asian markets showed mixed performance. On a seasonally adjusted quarter-to-quarter basis, total exports of goods increased by 4.0% in the first quarter, further to a 3.0% increase in the preceding quarter.

4. *Exports of services* continued to grow notably by 8.4% year-on-year in real terms in the first quarter, after expanding by 21.2% in the preceding quarter. Exports of travel services jumped further by 40.4% and recovered to 53% of the level in the same quarter in 2018, thanks to the continued revival of visitor arrivals. Exports of transport services continued to rise. Exports of business and other services showed modest growth amid the complicated external environment. Meanwhile, exports of financial services declined further as cross-border financial and fund raising activities remained weak amid tight financial conditions. On a seasonally adjusted quarter-to-quarter basis, exports of services declined by 1.1% in the first quarter, having increased by 1.9% in the preceding quarter.

## **Domestic sector**

5. Consumption activities showed mild expansion in the first quarter of 2024. The continued increase in employment earnings and the Government's various initiatives to boost sentiment rendered support. The hosting of more mega events also helped. After increasing by 3.5% year-on-year in real terms in the preceding quarter, *private consumption expenditure* rose by 1.0% in the first quarter. On a seasonally adjusted quarter-to-quarter basis, private consumption expenditure decreased by 0.9%, following a decrease of 0.7% in the preceding quarter. Meanwhile, *government consumption expenditure* declined by 3.0% year-on-year in the first quarter, after a 5.2% decrease in the preceding quarter.

6. Overall investment spending in terms of *gross domestic fixed capital formation* increased slightly by 0.3% in real terms in the first quarter over a year earlier alongside the economic expansion, further to a 17.5% increase in the preceding quarter. Expenditure on building and construction rose by 11.3%, with private sector spending increasing sharply and public sector spending recording modest gain. Expenditure on acquisitions of machinery, equipment and intellectual property products fell back by 15.0% amid tight financial conditions. Separately, the costs of ownership transfer fell as property transactions shrank.

## **The labour sector**

7. The labour market remained tight in the first quarter of 2024. The seasonally adjusted *unemployment rate* stayed low at 3.0%, slightly higher than the 2.9% in the preceding quarter. The *underemployment rate* was also low at 1.1%, though edging up from 1.0%. The unemployment rates of various major sectors stayed low in general. The median monthly employment earnings continued to grow solidly by 5.4% year-on-year in the first quarter.

## **The asset markets**

8. The *local stock market* remained under pressure in the first quarter of 2024. Dampened by heightened geopolitical tensions and tempered expectations for US interest rate cuts, the HSI slid to 14 961 on 22 January. It then recouped some of the lost ground as market sentiment improved alongside the accelerated growth of the Mainland economy. The HSI closed the quarter at 16 541, down by 3.0% from end-2023. On 16 May, the HSI closed at 19 377.

9. After staying quiet in the first two months of the year, the *residential property market* turned active in March as market sentiment improved after the cancellation of all DSMMs for residential properties and the adjustments of macroprudential measures as announced in the Budget. The number of transactions, in terms of the total number of sale and purchase agreements for residential property

received by the Land Registry, rebounded by 29% from a low base in the preceding quarter to 9 823 for the first quarter, but the level was still 30% lower than a year earlier. Overall flat prices fell further by 3% during the first two months of the year, but then rose back by 1% in March, culminating in a 2% decline during the first quarter. The index of home purchase affordability declined further to around 65% in the first quarter, but remained above the long-term average of 54% over 2004-2023. Meanwhile, overall flat rentals were little changed during the first quarter. The *non-residential property market* stayed lacklustre in the first quarter. Trading activities for all major market segments declined further, while prices and rentals stayed soft.

## Prices

10. Underlying consumer price inflation was modest in the first quarter of 2024. While prices of meals out and takeaway food continued to rise relatively fast over a year earlier, prices of electricity dropped notably against a high base of comparison. Private housing rentals were largely steady. Price pressures on other major components were broadly in check. Netting out the effects of the Government's one-off relief measures, *underlying Composite CPI* rose by 1.0% year-on-year in the first quarter, compared with a 1.6% increase in the preceding quarter. Domestic business cost pressures stayed generally contained. Nominal wages continued to record moderate growth, while commercial rentals remained soft. External price pressures on consumption-related items moderated. Meanwhile, *headline Composite CPI* increased by 1.9% in the first quarter, compared with a 2.6% increase in the preceding quarter. The headline inflation rate was higher than its underlying counterpart in the first quarter as the provision of rates concession by the Government in the same quarter last year resulted in a low base of comparison.

## Latest GDP and price forecasts for 2024

11. Looking ahead, the Hong Kong economy should record further growth in the rest of the year. 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.

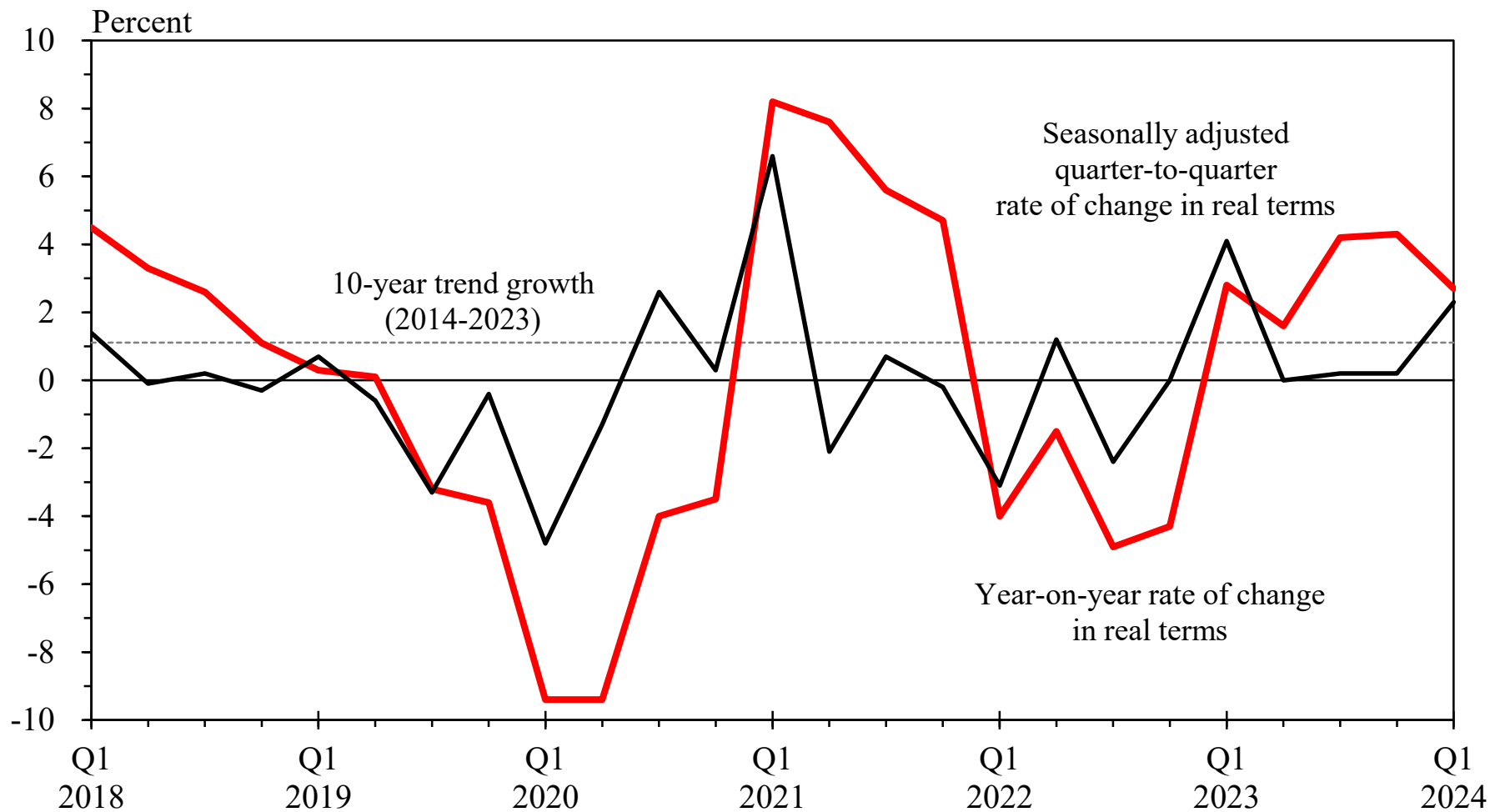
12. Taking into account the actual outturn in the first quarter and the latest developments of the global and local situation, the real GDP growth forecast for 2024 as a whole is maintained at 2.5%-3.5%, the same as that announced in the Budget (*Table 2*). The Government will continue to closely monitor the situation. For

reference, the latest growth forecasts by private sector analysts range from 2.0% to 3.5%, averaging around 2.8%.

13. 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. Taking into account the inflation situation in the first quarter and factors mentioned above, the forecast rates of underlying and headline consumer price inflation for 2024 are maintained at 1.7% and 2.4% respectively, the same as those announced in the Budget (*Table 2*).

(The First Quarter Economic Report 2024 is now available for online download, free of charge at [www.hkeconomy.gov.hk/en/situation/index.htm](http://www.hkeconomy.gov.hk/en/situation/index.htm). The Report of the Gross Domestic Product by Expenditure Component, which contains the GDP figures up to the first quarter of 2024, is also available for browse and download, free of charge at the homepage of the Census and Statistics Department, [www.censtatd.gov.hk](http://www.censtatd.gov.hk).)

# Hong Kong's Gross Domestic Product



**Table 1**

**Gross Domestic Product, its main expenditure components  
and the main price indicators  
(year-on-year rate of change (%))**

	<u>2022</u> <sup>#</sup>	<u>2023</u> <sup>#</sup>	<u>2023</u>				<u>2024</u>
			<u>Q1</u> <sup>#</sup>	<u>Q2</u> <sup>#</sup>	<u>Q3</u> <sup>#</sup>	<u>Q4</u> <sup>#</sup>	<u>Q1</u> <sup>#</sup>
<i>Change in real terms of GDP and its main expenditure components (%)</i>							
Private consumption expenditure	-2.2	7.7	13.0 (1.5)	8.4 (3.6)	6.7 (-0.8)	3.5 (-0.7)	1.0 (-0.9)
Government consumption expenditure	8.0	-4.3	1.2 (-3.7)	-9.5 (-4.4)	-3.9 (1.8)	-5.2 (1.3)	-3.0 (-1.7)
Gross domestic fixed capital formation	-7.4	11.1	8.9	-1.9	21.7	17.5	0.3
Building and construction	7.4	7.5	0.7	8.0	16.0	6.1	11.3
Costs of ownership transfer	-43.2	0.2	25.8	-6.0	-15.6	-3.4	-27.1
Machinery, equipment and intellectual property products	-18.9	20.5	25.4	-17.1	42.0	43.7	-15.0
Total exports of goods <sup>&amp;</sup>	-14.0	-10.3	-19.1 (0.4)	-15.1 (-0.2)	-8.7 (0.1)	2.8 (3.0)	6.8 (4.0)
Imports of goods <sup>&amp;</sup>	-13.2	-8.6	-14.8 (2.3)	-16.0 (-1.1)	-6.1 (1.3)	3.8 (1.8)	3.3 (1.4)
Exports of services <sup>&amp;</sup>	-0.5	20.9	15.7 (12.3)	23.4 (5.3)	23.4 (2.0)	21.2 (1.9)	8.4 (-1.1)
Imports of services <sup>&amp;</sup>	-1.2	25.9	21.1 (12.3)	27.0 (5.9)	28.7 (2.9)	26.7 (3.8)	17.2 (3.6)
<b>Gross Domestic Product</b>	<b>-3.7</b>	<b>3.3</b>	<b>2.8</b> <b>(4.1)</b>	<b>1.6</b> <b>(*)</b>	<b>4.2</b> <b>(0.2)</b>	<b>4.3</b> <b>(0.2)</b>	<b>2.7</b> <b>(2.3)</b>
<i>Change in the main price indicators (%)</i>							
<b>GDP deflator</b>	<b>1.7</b>	<b>2.8</b>	<b>2.1</b> <b>(0.8)</b>	<b>2.7</b> <b>(0.8)</b>	<b>2.4</b> <b>(1.6)</b>	<b>3.8</b> <b>(0.6)</b>	<b>4.3</b> <b>(1.3)</b>
<b>Composite CPI</b>							
<b>Headline</b>	<b>1.9</b>	<b>2.1</b>	<b>1.9</b> <b>(0.6)</b>	<b>2.0</b> <b>(0.2)</b>	<b>1.9</b> <b>(0.4)</b>	<b>2.6</b> <b>(1.3)</b>	<b>1.9</b> <b>(0.1)</b>
<b>Underlying</b> <sup>^</sup>	<b>1.7</b>	<b>1.7</b>	<b>1.9</b> <b>(0.7)</b>	<b>1.7</b> <b>(0.3)</b>	<b>1.6</b> <b>(0.3)</b>	<b>1.6</b> <b>(0.3)</b>	<b>1.0</b> <b>(*)</b>
<i>Change in nominal GDP (%)</i>	<b>-2.1</b>	<b>6.1</b>	<b>5.0</b>	<b>4.3</b>	<b>6.7</b>	<b>8.3</b>	<b>7.1</b>

Notes : Figures are subject to revision later on as more data become available. The seasonally adjusted quarter-to-quarter rate of change is not applicable to gross domestic fixed capital formation, as no clear seasonal pattern is found for this category due to the presence of considerable short term fluctuations.

(&) Figures are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchandising under the standards stipulated in the *System of National Accounts 2008*.

(#) Revised figures.

( ) Seasonally adjusted quarter-to-quarter rate of change.

(^) After netting out the effects of the Government's one-off relief measures.

(\*) Change within  $\pm 0.05\%$ .



**Table 2****Economic forecasts for 2024  
(rate of change (%))**

	Forecasts as released on <u>28.2.2024</u> (%)	Latest forecasts on <u>17.5.2024</u> (%)
<b>Real Gross Domestic Product (GDP)</b>	2.5 to 3.5	2.5 to 3.5
<b>Composite Consumer Price Index (CCPI)</b>		
<i>Underlying CCPI</i>	1.7	1.7
<i>Headline CCPI</i>	2.4	2.4