

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

2.13 The medium-term outlook for the Hong Kong economy is bright. Global economic gravity will continue to shift eastward. The Mainland will pursue high-quality development through deepening reforms and opening-up, and maintain reasonable growth in the years to come. This, coupled with the huge growth potential of other emerging market economies in Asia, will provide ample opportunities for Hong Kong. While prospects of the advanced economies may not be as bright given their stage of economic development and various structural issues, growth is expected to gradually return to its long-run potential after the current downturn. The US economy should return to moderate growth in the medium term, with the exact pace dependent in part on the implementation and effect of its infrastructure investment plan. The euro area economy should converge back to a modest growth path given the high public debts in some member states and the threat of energy supply disruptions. The potential growth rate of Japan will continue to be constrained by population ageing and high government debts. Meanwhile, geopolitical tensions, in particular the evolving relationships between our country and some Western economies, will remain an issue that warrants attention.

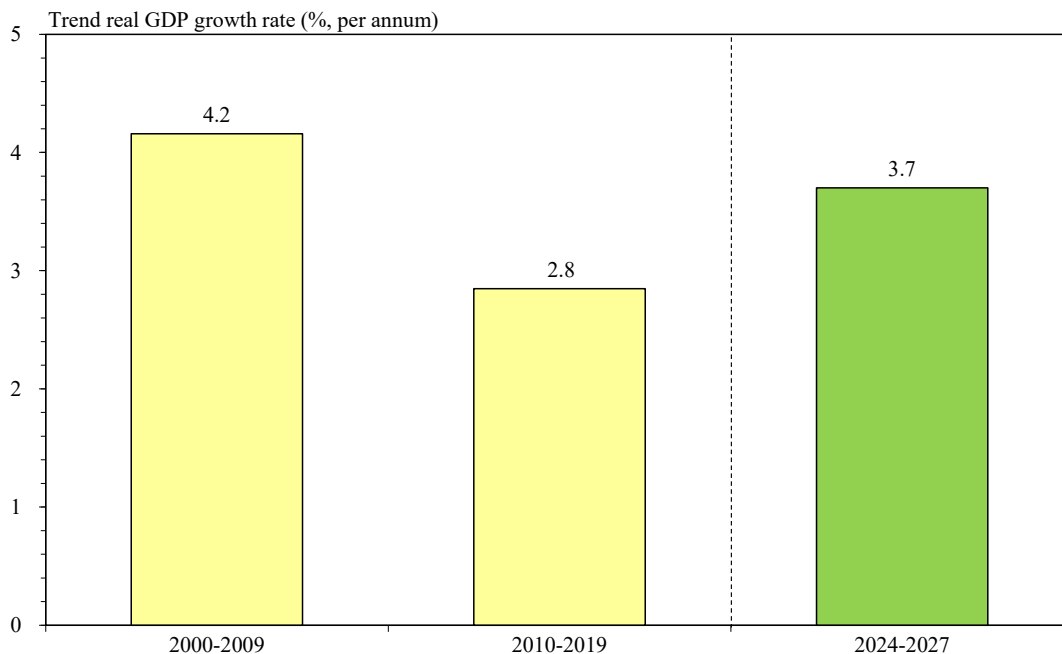
2.14 The Government has adopted a more proactive approach to economic management, integrating a capable government and an efficient market. With a view to improving the longer-term growth prospects, the Government will endeavour to build capacity for economic development through creating land, investing in infrastructure, and competing for enterprises and talents. On top of reinforcing our traditional edges such as financial services, it will also push forward the development of the innovation and technology industry to create new growth impetus for the economy.

2.15 The Report to the 20th National Congress of the Communist Party of China fully demonstrates the Central Government's support to Hong Kong, and gives full play to the strengths of Hong Kong for better integration into the national development. To grasp the ample opportunities that arise, Hong Kong will continue to play the role of an important node in the international circulation of our country while participating in the domestic circulation of the national economy. Moreover, the Hong Kong Special Administrative Region Government is striving to strengthen economic relations with other Asian economies, and proactively promote high-quality co-operation with Belt and Road economies in trade and commerce, professional services and cultural exchanges. Hong Kong is also actively pursuing accession to the Regional Comprehensive Economic Partnership.

2.16 The efforts mentioned above will yield results over time. Taking all the factors into account, the Hong Kong economy is expected to grow by 3.7% per annum from 2024 to 2027, faster than the forecast trend growth of 3% per annum for 2023 to 2026 as put out in the 2022-23 Budget. Apart from the secular developments, the continued return of economic activities to normalcy will also enable the Hong Kong economy to record above-trend growth in the early part of the medium-term period.

2.17 The inflation outlook for Hong Kong in the medium term will depend on various factors. Externally, inflationary pressures are expected to gradually subside from the current elevated level subsequent to the sharp tightening of monetary policy by major central banks. Yet, the rising trend of protectionism and de-globalisation, as well as geopolitical tensions may pose upside risks. Locally, while the expected faster economic growth in the coming years may put pressure on prices, the Government’s persistent efforts in promoting innovation and technology, nurturing human capital, attracting talents from around the world, and stepping up land and housing supply should expand our productive capacity, thereby helping keep cost pressures contained. Taking all these factors into account, the trend rate of underlying Composite CPI inflation in Hong Kong from 2024 to 2027 is forecast at 2.5% per annum.

**Diagram 2.11 : Medium-term trend growth forecast at 3.7% 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, instead of 2011 – 2020, 2012 – 2021, or 2013 – 2022, is used to better illustrate the underlying growth trajectory in recent years.