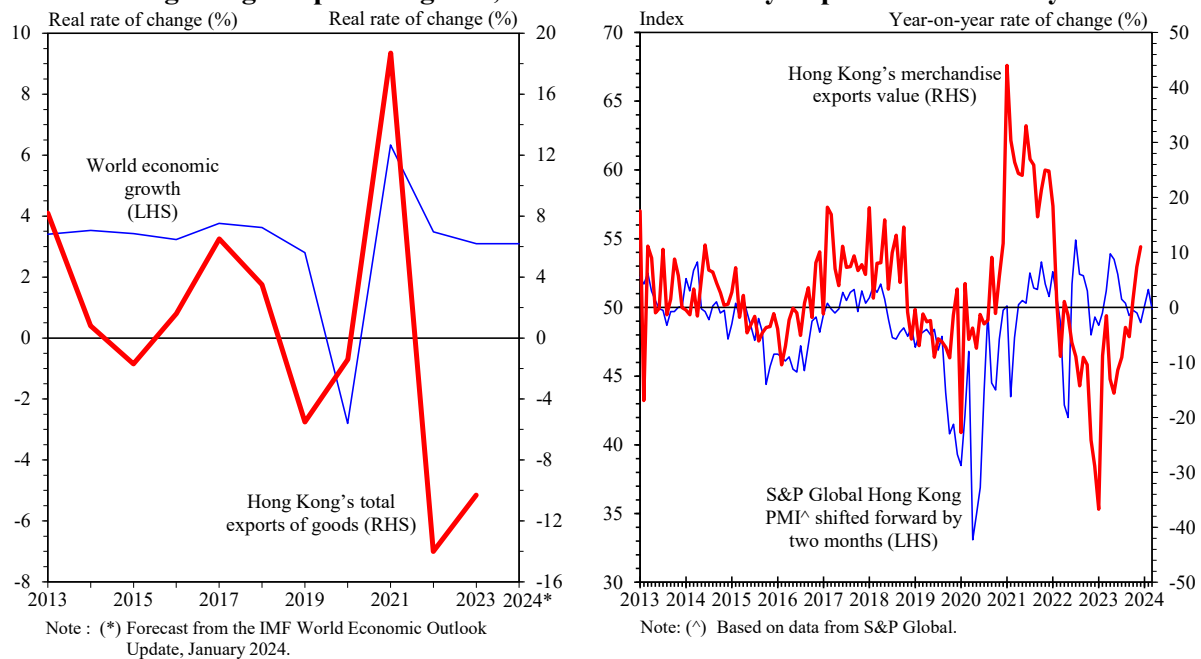


Outlook for the Hong Kong economy in 2024

2.8 Hong Kong’s exports of goods fell further in 2023, dragged by falling global demand for goods amid heightened geopolitical tensions and tight financial conditions. Looking ahead to 2024, the complicated external environment will continue to put pressure on Hong Kong’s exports of goods, but the situation may improve later in the year if the advanced economies cut interest rates as expected.

Diagram 2.4 : The complicated external environment will continue to put pressure on Hong Kong’s exports of goods, but the situation may improve later in the year



2.9 Exports of services reverted to visible growth in 2023 thanks to the revival of visitor arrivals and spending. Looking ahead, visitor numbers should continue to increase as handling capacity, particularly air passenger capacity, recovers further. The Government’s efforts to promote mega event economy should provide additional support. Meanwhile, tight global financial conditions may continue to weigh on cross-border financial and business activities, though the economic backdrop may become more favourable later in the year if the advanced economies loosen monetary policies as expected. Exports of trade-related services will be dependent on how the external trade situation unfolds.

2.10 Domestic demand rebounded strongly in 2023, following the removal of anti-epidemic measures and supported by improved labour market conditions and the Government’s various support initiatives. In 2024, economic confidence should gradually improve over the course of the year amid an expected easing of financial conditions. Rising household income and the Government’s initiatives in creating a happy atmosphere and boosting sentiment should bode well for private consumption. Fixed asset investment should expand further on the back of continued economic growth and the Government’s efforts in building infrastructure and increasing housing supply.

Diagram 2.5 : Rising household income and the Government’s various initiatives should bode well for private consumption in 2024

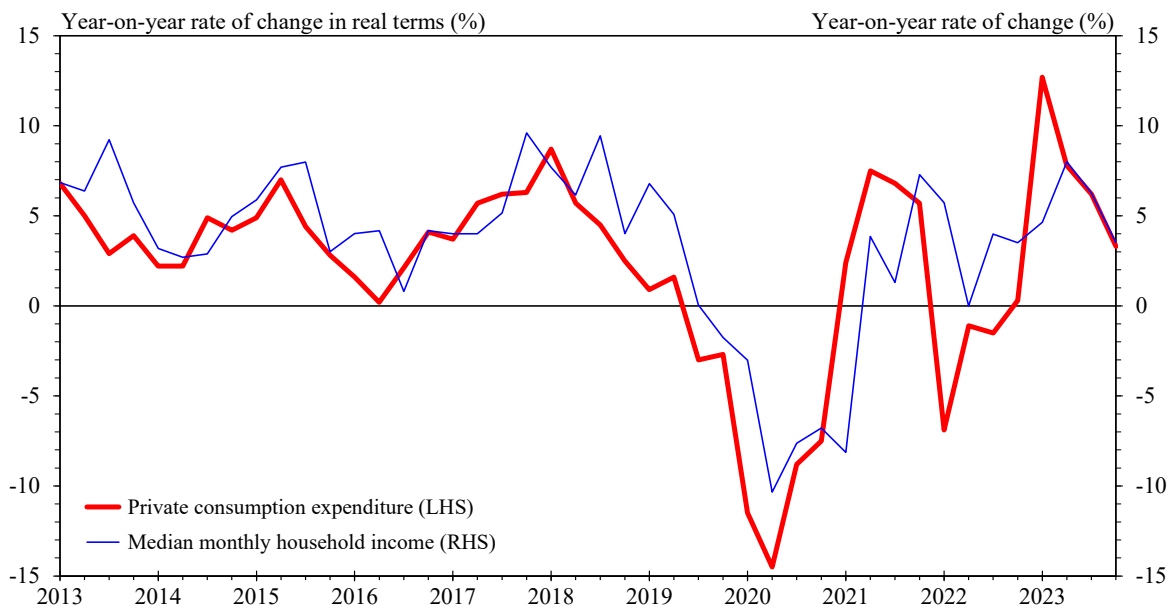
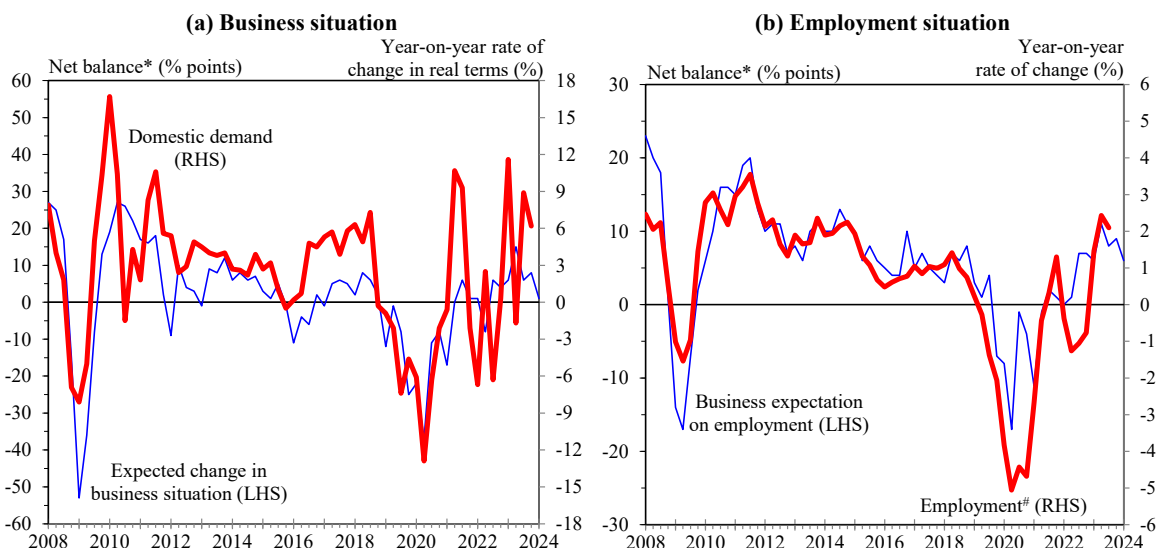


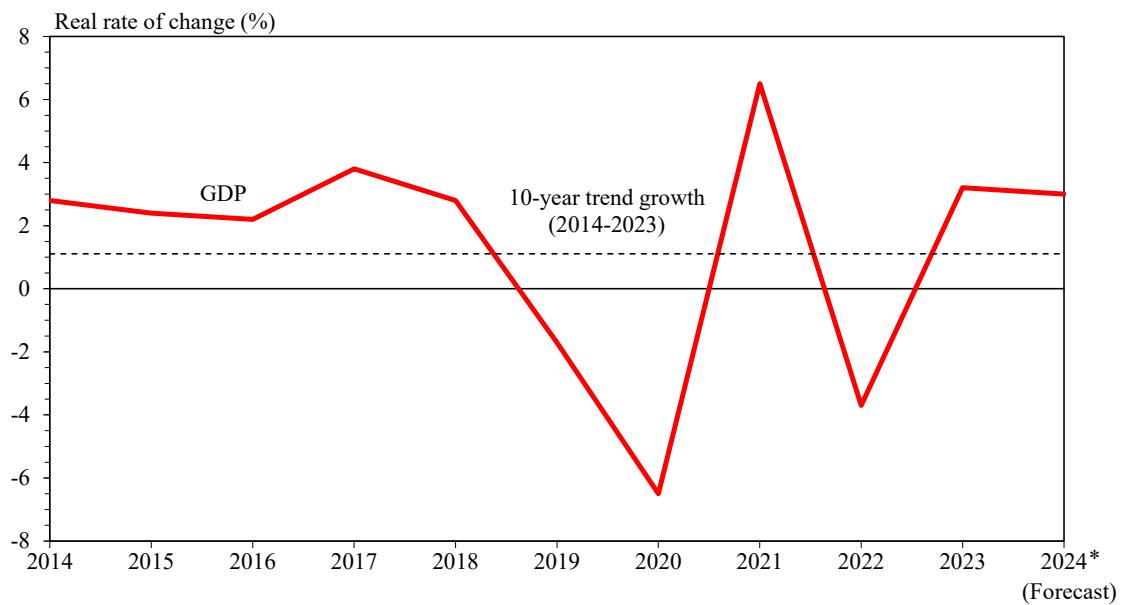
Diagram 2.6 : Business and hiring sentiment among large enterprises remained positive in overall terms on entering 2024



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.

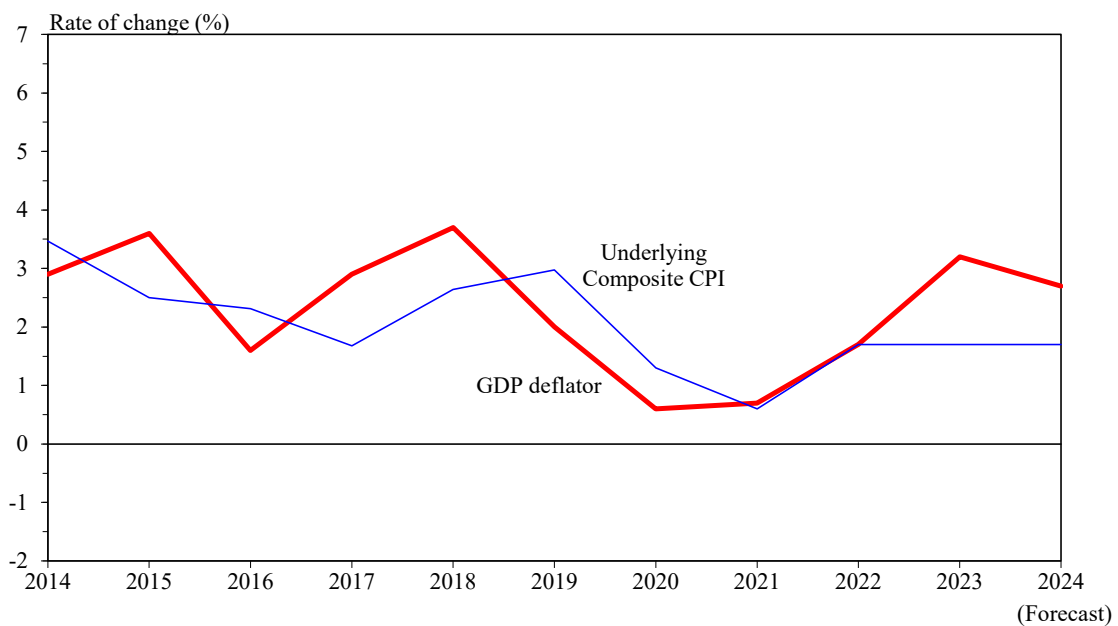
2.11 In sum, the Hong Kong economy is expected to grow further in 2024. Real GDP is forecast to grow by 2.5% to 3.5% in 2024, after 3.2% growth in 2023. The forecast is predicated on the assumptions that the impact of geopolitical tensions on the global economy would not significantly worsen, the advanced economies would start cutting interest rates around the middle of the year, and the global economy would register similar growth as in 2023. For comparison, the latest forecasts by private sector analysts for Hong Kong’s economic growth in 2024 range from 0.5% to 3.8%, averaging 2.7%. The IMF forecast made in October 2023 is 2.9%.

Diagram 2.7 : Real GDP is forecast to grow by 2.5%-3.5% in 2024



2.12 Underlying consumer price inflation in Hong Kong stayed moderate in overall terms in 2023, and should remain moderate in 2024. As the Hong Kong economy continues to grow, domestic costs including commercial rentals and labour costs may face some upward pressure. Meanwhile, external price pressures should continue to ease in view of the disinflationary effect of monetary policy tightening in the advanced economies in the past two years. However, international energy and food prices are subject to huge uncertainties stemming from geopolitical developments. Movement of exchange rates of import sources' currencies will also have a bearing on local inflation outlook. Overall, underlying Composite CPI inflation is forecast at 1.7% in 2024, same as that in 2023. The GDP deflator is forecast to rise by 2.7% in 2024. For reference, the latest forecasts for consumer price inflation in 2024 by private sector analysts average 2.2%, and the IMF forecast made in October 2023 is 2.3%.

Diagram 2.8 : Underlying Composite CPI inflation is forecast to remain moderate at 1.7% in 2024



Forecast rate of change in 2024 (%)

Gross Domestic Product (GDP)

<i>Real GDP</i>	2.5 to 3.5
<i>Nominal GDP</i>	5.2 to 6.2
<i>Per capita GDP in real terms</i>	2.1 to 3.1
<i>Per capita GDP at current market prices</i>	HK\$416,000 – 419,900 (US\$53,300 – 53,800)

Underlying Composite CPI **1.7**

GDP Deflator **2.7**

**Forecast on Hong Kong’s real GDP growth in 2024
recently made by other selected parties**

	(%)
Asian Development Bank (December 2023)	3.3
IMF (October 2023)	2.9
Average forecast by private sector analysts [#]	2.7

Note : (#) Real GDP growth forecasts by private sector analysts fall between 0.5% and 3.8%.

ECONOMIC PERFORMANCE IN 2023

1. Rates of change in the Gross Domestic Product and its expenditure components and in the main price indicators in 2023:

	(%)
(a) Growth rates in real terms of:	
Private consumption expenditure	7.3
Government consumption expenditure	-4.3
Gross domestic fixed capital formation	10.8
<i>of which :</i>	
Building and construction	7.1
Machinery, equipment and intellectual property products	20.7
Total exports of goods	-10.3
Imports of goods	-8.6
Exports of services	21.2
Imports of services	26.2
Gross Domestic Product (GDP)	3.2
<i>Growth rate of per capita GDP in real terms</i>	0.6
<i>Per capita GDP at current market prices</i>	HK\$396,900 (US\$50,700)
(b) Rates of change in:	
Underlying Composite Consumer Price Index	1.7
GDP Deflator	3.2
Government Consumption Expenditure Deflator	2.6
(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> (%)
2021	26	20
2022	-9	-15
2023	-8	-12

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>EU</i> (%)	<i>US</i> (%)	<i>India</i> (%)	<i>Taiwan</i> (%)
2021	20	18	20	20	33	35
2022	-15	-21	-11	-11	26	0
2023	-12	-14	-15	-10	-9	-12

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> (%)
2021	18	13
2022	-14	-10
2023	-9	1

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> (%)
2021	3	6	-38	2	9
2022	0	-3	62	-2	-1
2023	21	5	523	-4	2

6. Hong Kong's goods and services trade balance in 2023 reckoned on GDP basis:

	(HK\$ billion)
Total exports of goods	4,497.1
Imports of goods	4,625.3
<i>Goods trade balance</i>	-128.3
Exports of services	774.1
Imports of services	620.7
<i>Services trade balance</i>	153.4
<i>Combined goods and services trade balance</i>	25.1

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>
2021	5.2	2.6	-1.2	-0.6
2022	4.3	2.3	-2.4	-1.6
2023	2.9	1.1	0.8	2.2

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>
2021	0.6	1.6	2.9	1.0	0.9
2022	1.7	1.9	2.2	1.7	1.8
2023	1.7	2.1	2.3	2.0	2.0

ECONOMIC PROSPECTS FOR 2024

Forecast rates of change in the Gross Domestic Product and main price indicators in 2024:

	(%)
Gross Domestic Product (GDP)	
<i>Real GDP</i>	2.5 to 3.5
<i>Nominal GDP</i>	5.2 to 6.2
<i>Growth rate of per capita GDP in real terms</i>	2.1 to 3.1
<i>Per capita GDP at current market prices</i>	HK\$416,000-419,900 (US\$53,300-53,800)
Composite Consumer Price Index	
<i>Underlying Composite Consumer Price Index</i>	1.7
<i>Headline Composite Consumer Price Index</i>	2.4
GDP Deflator	2.7