

Press Release

(embargoed until 4:30 p.m. on 15 November 2024)

Economic performance in third quarter of 2024 and latest GDP and price forecasts for 2024

The Government released today (15 November) the Third Quarter Economic Report 2024, together with the revised figures on Gross Domestic Product (GDP) for the third quarter of 2024.

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

Main points

- * The Hong Kong economy continued to expand, though at a moderated pace, in the third quarter of 2024 over a year earlier. Total exports of goods saw decelerated growth, while exports of services increased further. Overall investment expenditure rose further. However, private consumption expenditure continued to decline. Real GDP grew by 1.8% year-on-year in the third quarter, having increased by 3.2% in the preceding quarter. For the first three quarters as a whole, real GDP grew by 2.6% over a year earlier. On a seasonally adjusted quarter-to-quarter comparison, real GDP declined by 1.1% in the third quarter.
- * Total exports of goods grew by a moderated 4.0% year-on-year in real terms alongside softening economic growth in some major markets in the third quarter. Exports to the Mainland continued to increase visibly. Exports to the US grew at a moderated pace, while those to the EU saw a rebound. Meanwhile, exports to many major Asian markets declined. Exports of services increased further by 2.4%. Exports of financial services, business and other services, and transport services grew further. Meanwhile, exports of travel services continued to decline alongside the change in consumption patterns of visitors and the strength of the Hong Kong dollar.
- * Domestically, overall investment expenditure increased further by 3.7% year-on-year in real terms in the third quarter in tandem with the overall economic growth. Yet, private consumption expenditure continued to decline by 1.3% amid the change in consumption patterns of residents.
- * The labour market remained tight in the third quarter. The seasonally adjusted unemployment rate stayed low at 3.0%, same as the preceding quarter. The underemployment rate also remained unchanged at a low level of 1.2%. Employment earnings continued to record solid growth.
- * The local stock market stayed soft on entering the third quarter amid uncertainties surrounding the pace of US interest rate cuts and the economic outlook of major economies. Following the US's rate cut in mid-September and the Mainland's subsequent announcement of a package of support measures, market sentiment improved visibly and the Hang Seng Index (HSI) jumped to close the quarter at 21 134, 19.3% higher than end-June. The residential property market was quiet

for most of the third quarter, but market sentiment improved and developers stepped up launches of new projects after the US's rate cut. For the quarter as a whole, trading activities were lower than the preceding quarter, while flat prices remained soft.

- * Underlying consumer price inflation remained modest in overall terms in the third quarter. The underlying Composite Consumer Price Index (Composite CPI) rose by 1.1% year-on-year, compared with 1.0% in the preceding quarter. Prices of meals out and takeaway food increased at a moderated pace over a year earlier. Increases in private housing rentals remained small. Prices of electricity continued to record visible decline. Price pressures on other major components were generally in check.
- * While the external environment has turned more challenging recently, the Hong Kong economy is expected to maintain its growth momentum for the remainder of the year. Increased global economic uncertainties and escalation of trade conflicts would affect the performance of our goods exports. Nonetheless, the expected further monetary easing by major central banks, together with the Mainland's recent introduction of various measures to stimulate the economy, would help support sentiment and activities in our domestic market. Specifically, gradually easing financial conditions should bode well for fixed asset investment. The Central Government's various measures benefitting Hong Kong, the SAR Government's various initiatives to boost market sentiment, as well as better sentiment in the asset markets and increasing employment earnings would be conducive to spending by both residents and visitors in the domestic market, though the change in their consumption patterns will continue to pose a constraint.
- * The 2024 Policy Address has set out a range of strong measures on economic development, consolidating and enhancing Hong Kong's traditional industries on the one hand while actively exploring new growth areas. On the financial front, the Policy Address announced to develop Hong Kong into an international gold trading market with a view to further consolidating Hong Kong's status as an international financial centre. On the shipping side, the Policy Address announced to establish a commodity trading ecosystem, driving maritime services and promoting the development of related financial and professional services such as hedging activities of related futures products. In respect of the trade sector, the Government will strive to establish a high value-added supply chain service centre and attract Mainland and overseas enterprises to set up their headquarters or corporate divisions in Hong Kong. The Policy Address also reduced the import duty on liquor to promote liquor trade and boost the development of related high value-added industries. In addition, on developing new quality productive forces, the Policy Address announced measures such as the establishment of a \$10 billion Innovation and Technology Industry-Oriented Fund and the development of low-altitude economy. The Government will implement various initiatives in the Policy Address at full steam so as to create new impetus for Hong Kong's economic development.
- * Taking into account the actual outturn in the first three quarters of the year and

the latest developments of the global and local situation, the real GDP growth forecast for 2024 as a whole is revised to 2.5%, from 2.5%-3.5% in the August round of review. The Government will continue to closely monitor the situation.

- * On the inflation outlook, overall inflation should stay modest in the near term. The continued growth of the Hong Kong economy may pose some mild upward pressures on domestic cost. Meanwhile, external price pressures should ease further, though uncertainties in the external environment remain. Taking into account the inflation situation in the first three quarters of the year and the factors mentioned above, the forecast rates of underlying and headline consumer price inflation for 2024 are revised down to 1.1% and 1.7% respectively, from 1.3% and 1.9% in the August round of review.

Details

GDP

According to the revised figures released today by the Census and Statistics Department, real *GDP* grew by 1.8% year-on-year in the third quarter of 2024 (same as the advance estimate), having increased by 3.2% in the preceding quarter. For the first three quarters as a whole, real GDP grew by 2.6% over a year earlier (same as the advance estimate). On a seasonally adjusted quarter-to-quarter comparison, real GDP declined by 1.1% in the third quarter (same as the advance estimate), after a 0.3% increase in the preceding quarter (*Chart*).

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

External trade

3. *Total exports of goods* grew by 4.0% year-on-year in real terms in the third quarter of 2024, after an increase of 7.5% in the preceding quarter. The moderation was mainly due to softening economic growth in some major markets. Analysed by major market and with reference to external merchandise trade statistics, exports to the Mainland continued to increase visibly in the third quarter over a year earlier. Exports to the US grew at a moderated pace, while those to the EU saw a rebound. Meanwhile, exports to many major Asian markets declined. On a seasonally adjusted quarter-to-quarter basis, total exports of goods decreased by 3.1% in the third quarter, after a 0.2% increase in the preceding quarter.

4. *Exports of services* increased further by 2.4% year-on-year in real terms in the third quarter, after growing by 1.1% in the preceding quarter. Exports of financial services rose further in tandem with improved cross-border financial and fund raising activities. Exports of business and other services also grew further along with the economic expansion. Exports of transport services continued to grow as visitor arrivals and regional trade flows increased. Meanwhile, exports of travel services continued to decline alongside the change in consumption patterns of visitors and the strength of the Hong Kong dollar. On a seasonally adjusted quarter-to-quarter basis, exports of services resumed 3.4% growth in the third quarter, having decreased by 2.5% in the preceding quarter.

Domestic sector

5. Consumption activities remained weak in the third quarter of 2024 amid the change in consumption patterns of residents. After decreasing by 1.6% year-on-year in real terms in the preceding quarter, *private consumption expenditure* declined further by 1.3% in the third quarter. On a seasonally adjusted quarter-to-quarter basis, private consumption expenditure decreased by 0.5%, having increased by 0.7% in the preceding quarter. Meanwhile, *government consumption expenditure* rose by 2.1% year-on-year in the third quarter, after rising by 2.2% in the preceding quarter.

6. Overall investment expenditure in terms of *gross domestic fixed capital formation* increased by 3.7% in real terms in the third quarter over a year earlier, after a 4.1% increase in the preceding quarter. Expenditure on acquisitions of machinery, equipment and intellectual property products resumed growth alongside the overall economic growth. Expenditure on building and construction declined, with the increase in public sector spending more than offset by the decline in private sector spending. Separately, the costs of ownership transfer rose further as property transactions continued to increase.

The labour sector

7. The labour market remained tight in the third quarter of 2024. The seasonally adjusted *unemployment rate* stayed low at 3.0% in the third quarter, same as the preceding quarter. The *underemployment rate* also remained unchanged at a low level of 1.2%. The median monthly employment earnings increased by 6.7% year-on-year in the third quarter.

The asset markets

8. The *local stock market* stayed soft on entering the third quarter of 2024 amid uncertainties surrounding the pace of US interest rate cuts and the economic outlook of major economies. The HSI was range-bound between 17 000 and 18 000 during most of the quarter. Following the US's rate cut by 50 basis points on September 18 and the Mainland's subsequent announcement of a package of measures to shore up the economy and capital markets, market sentiment improved visibly and the HSI jumped to close the quarter at 21 134, 19.3% higher than end-June. On November 14, the HSI closed at 19 436.

9. The *residential property market* was quiet for most of the third quarter, but market sentiment improved and developers stepped up launches of new projects after the US's rate cut in September. For the quarter as a whole, trading activities were lower than the preceding quarter, while flat prices remained soft. The number of transactions, in terms of the total number of sale and purchase agreements for residential property received by the Land Registry, retreated by 43% from the

preceding quarter to 10 225 in the third quarter, though still 11% higher than a year earlier. Overall flat prices declined by 5% during the quarter. The index of home purchase affordability improved to around 62% in the quarter alongside the fall in flat prices, but it remained above the long-term average of 54% over 2004-2023. Meanwhile, overall flat rentals increased further by 2% during the quarter. The *non-residential property market* stayed weak. Trading activities for all major market segments remained subdued. Prices and rentals stayed soft.

Prices

10. Underlying consumer price inflation remained modest in overall terms in the third quarter of 2024. Prices of meals out and takeaway food increased at a moderated pace over a year earlier. Increases in private housing rentals remained small. Prices of electricity continued to record a visible decline. Price pressures on other major components were generally in check. Netting out the effects of the Government's one-off relief measures, the *underlying Composite CPI* rose by 1.1% year-on-year in the third quarter, compared with 1.0% in the preceding quarter. Domestic business cost pressures remained largely contained. While nominal wages continued to record growth, commercial rentals declined. External price pressures softened in overall terms. Meanwhile, *headline Composite CPI* rose by 2.4% year-on-year in the third quarter, compared with 1.2% in the preceding quarter. The headline inflation was higher than its underlying counterpart by a large margin in the third quarter, as no rates concession was provided by the Government during the quarter and the electricity charges subsidy was smaller than the same period last year.

Latest GDP and price forecasts for 2024

11. While the external environment has turned more challenging recently, the Hong Kong economy is expected to maintain its growth momentum for the remainder of the year. Increased global economic uncertainties and escalation of trade conflicts would affect the performance of our goods exports. Nonetheless, the expected further monetary easing by major central banks, together with the Mainland's recent introduction of various measures to stimulate the economy, would help support sentiment and activities in our domestic market. Specifically, gradually easing financial conditions should bode well for fixed asset investment. The Central Government's various measures benefitting Hong Kong, the SAR Government's various initiatives to boost market sentiment, as well as better sentiment in the asset markets and increasing employment earnings would be conducive to spending by both residents and visitors in the domestic market, though the change in their consumption patterns will continue to pose a constraint.

12. The 2024 Policy Address has set out a range of strong measures on economic development, consolidating and enhancing Hong Kong's traditional industries on the one hand while actively exploring new growth areas. On the

financial front, the Policy Address announced to develop Hong Kong into an international gold trading market with a view to further consolidating Hong Kong's status as an international financial centre. On the shipping side, the Policy Address announced to establish a commodity trading ecosystem, driving maritime services and promoting the development of related financial and professional services such as hedging activities of related futures products. In respect of the trade sector, the Government will strive to establish a high value-added supply chain service centre and attract Mainland and overseas enterprises to set up their headquarters or corporate divisions in Hong Kong. The Policy Address also reduced the import duty on liquor to promote liquor trade and boost the development of related high value-added industries. In addition, on developing new quality productive forces, the Policy Address announced measures such as the establishment of a \$10 billion Innovation and Technology Industry-Oriented Fund and the development of low-altitude economy. The Government will implement various initiatives in the Policy Address at full steam so as to create new impetus for Hong Kong's economic development.

13. Taking into account the actual outturn in the first three quarters of the year and the latest developments of the global and local situation, the real GDP growth forecast for 2024 as a whole is revised to 2.5%, from 2.5%-3.5% in the August round of review (**Table 2**). The Government will continue to closely monitor the situation. For reference, the latest growth forecasts by private sector analysts range from 2.4% to 2.8%, averaging around 2.6%.

14. On the inflation outlook, overall inflation should stay modest in the near term. The continued growth of the Hong Kong economy may pose some mild upward pressures on domestic cost. Meanwhile, external price pressures should ease further, though uncertainties in the external environment remain. Taking into account the inflation situation in the first three quarters of the year and factors mentioned above, the forecast rates of underlying and headline consumer price inflation for 2024 are revised down to 1.1% and 1.7% respectively, from 1.3% and 1.9% in the August round of review (**Table 2**).

(The Third Quarter Economic Report 2024 is now available for online download, free of charge at 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 third quarter of 2024, is also available for browse and download, free of charge on the homepage of the Census and Statistics Department, www.censtatd.gov.hk.)

Hong Kong's Gross Domestic Product

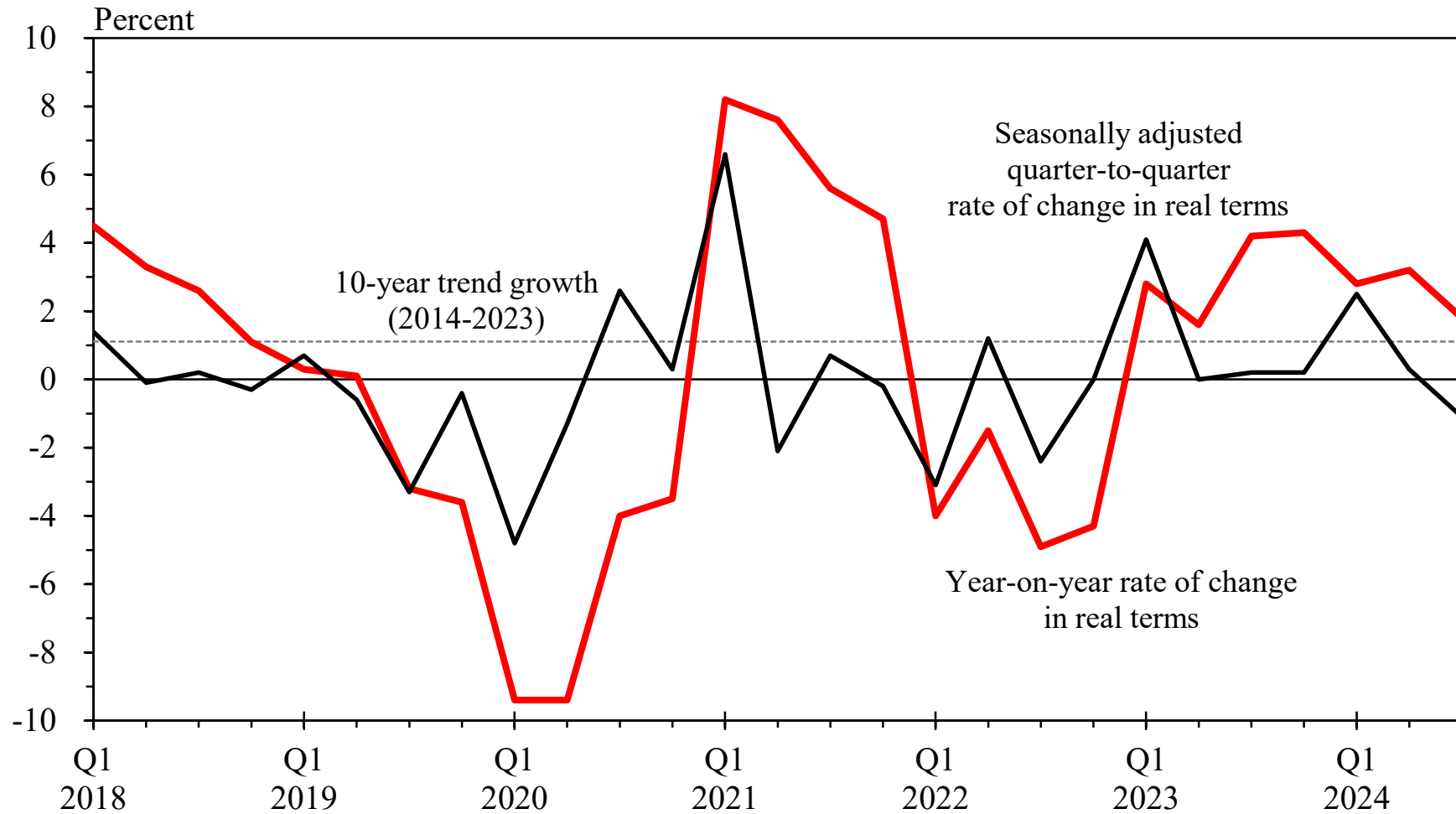


Table 1

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

	<u>2022[#]</u>	<u>2023[#]</u>	<u>Q1[#]</u>	<u>Q2[#]</u>	<u>2023[#]</u> <u>Q3[#]</u>	<u>Q4[#]</u>	<u>Q1[#]</u>	<u>2024[#]</u> <u>Q2[#]</u>	<u>Q3[#]</u>
<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)	1.2 (-0.7)	-1.6 (0.7)	-1.3 (-0.5)
Government consumption expenditure	8.0	-4.3	1.2 (-3.7)	-9.5 (-4.4)	-3.9 (1.8)	-5.2 (1.3)	-2.2 (-0.9)	2.2 (-0.2)	2.1 (1.7)
Gross domestic fixed capital formation	-7.4	11.1	8.9	-1.9	21.7	17.5	0.1	4.1	3.7
Building and construction	7.4	7.5	0.7	8.0	16.0	6.1	10.6	11.3	-3.5
Costs of ownership transfer	-43.2	0.2	25.8	-6.0	-15.6	-3.4	-27.6	35.8	9.2
Machinery, equipment and intellectual property products	-18.9	20.5	25.4	-17.1	42.0	43.7	-14.2	-18.5	15.1
Total exports of goods ^{&}	-14.0	-10.3	-19.1 (0.4)	-15.1 (-0.2)	-8.7 (0.1)	2.8 (3.0)	6.8 (4.0)	7.5 (0.2)	4.0 (-3.1)
Imports of goods ^{&}	-13.2	-8.6	-14.8 (2.3)	-16.0 (-1.1)	-6.1 (1.3)	3.8 (1.8)	3.3 (1.4)	3.4 (-1.3)	2.8 (0.8)
Exports of services ^{&}	-0.5	20.9	15.7 (12.3)	23.4 (5.3)	23.4 (2.0)	21.2 (1.9)	9.4 (-0.2)	1.1 (-2.5)	2.4 (3.4)
Imports of services ^{&}	-1.2	25.9	21.1 (12.3)	27.0 (5.9)	28.7 (2.9)	26.7 (3.8)	18.0 (4.3)	12.3 (0.6)	8.2 (-0.5)
Gross Domestic Product	-3.7	3.3	2.8 (4.1)	1.6 (*)	4.2 (0.2)	4.3 (0.2)	2.8 (2.5)	3.2 (0.3)	1.8 (-1.1)
<i>Change in the main price indicators (%)</i>									
GDP deflator	1.7	2.8	2.1 (0.8)	2.7 (0.8)	2.4 (1.6)	3.8 (0.6)	3.8 (0.8)	4.3 (1.2)	4.2 (1.4)
Composite CPI									
Headline	1.9	2.1	1.9 (0.6)	2.0 (0.2)	1.9 (0.4)	2.6 (1.3)	1.9 (0.1)	1.2 (-0.5)	2.4 (1.6)
Underlying[^]	1.7	1.7	1.9 (0.7)	1.7 (0.3)	1.6 (0.3)	1.6 (0.3)	1.0 (*)	1.0 (0.3)	1.1 (0.5)
<i>Change in nominal GDP (%)</i>	-2.1	6.1	5.0	4.3	6.7	8.3	6.8	7.6	6.1

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 merchanting 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 16.8.2024 (%)	Latest forecasts on 15.11.2024 (%)
Real Gross Domestic Product (GDP)	2.5 to 3.5	2.5
Composite Consumer Price Index (CCPI)		
<i>Underlying CCPI</i>	<i>1.3</i>	<i>1.1</i>
<i>Headline CCPI</i>	<i>1.9</i>	<i>1.7</i>