

Press Release

(embargoed until 4:30 p.m. on 15 August 2025)

Economic performance in the second quarter of 2025 and latest GDP and price forecasts for 2025

The Government released today (15 August) the Half-yearly Economic Report 2025, together with the revised figures on Gross Domestic Product (GDP) for the second quarter of 2025.

The Acting Government Economist, Dr Cecilia Lam, gave an account of the economic performance in the second quarter of 2025 and the latest GDP and price forecasts for 2025.

Main points

- * The Hong Kong economy continued to expand solidly in the second quarter of 2025, supported by strong exports performance and improved domestic demand. Real GDP grew by 3.1% year-on-year in the second quarter, picking up slightly from the growth of 3.0% in the preceding quarter. On a seasonally adjusted quarter-to-quarter basis, real GDP rose further by 0.4%.
- * Notwithstanding the ongoing uncertainties to global economy and trade brought about by the United States' (US) trade policy, resilient external demand, together with some rush shipments in response to the US' temporary easing of tariff measures, supported Hong Kong's total exports of goods to see accelerated year-on-year growth of 11.5% in real terms in the second quarter. Meanwhile, thanks to strong growth in inbound tourism, sustained expansion in cross-boundary traffic, and vibrant financial and related business service activities amid the buoyant local stock market, exports of services continued to expand notably by 7.5% in real terms over a year earlier.
- * Domestically, private consumption expenditure resumed moderate growth of 1.9% year-on-year in real terms in the second quarter after four consecutive quarters of decline. Meanwhile, overall investment expenditure increased further by 2.8% in real terms over a year earlier, thanks to a surge in expenditure on machinery, equipment and intellectual property products.
- * The labour market saw some softening in the second quarter. The seasonally adjusted unemployment rate rose to 3.5% from 3.2% in the preceding quarter. The underemployment rate also increased. Employment earnings grew solidly further over a year earlier.
- * The local stock market maintained upward momentum in the second quarter as market sentiment improved after the situation of trade tensions eased somewhat. The residential property market showed some stabilisation during the quarter. Flat prices held broadly stable, and rentals stayed resilient.
- * Consumer price inflation stayed modest in the second quarter. The underlying Composite Consumer Price Index (Composite CPI) increased by 1.1% over a year earlier, following the 1.2% increase in the preceding quarter. Price pressures on major components were largely contained. Including the effects of the

Government's one-off relief measures, the headline Composite CPI increased by 1.8% over a year earlier, higher than the 1.6% increase in the preceding quarter.

- * Looking ahead, the Hong Kong economy is expected to maintain growth for the rest of 2025. Steady economic growth in Asia in particular the Mainland, together with the sustained increases in local employment earnings, the robust stock market, and the stabilisation of residential property market will bode well for various sectors of the Hong Kong economy. The Government's various measures to boost consumption, attract investment and diversify markets will also provide further support to the Hong Kong economy. Yet, the tariff rates announced by the US in early August stay elevated, and its tariff policy on some commodities remains quite uncertain. The impact of these developments on international trade flows and also the US' inflation and economic activities may surface gradually later this year. Furthermore, the uncertainty surrounding the pace of interest rate cut in the US will also affect local investment sentiment. Hong Kong's economic growth momentum going forward will, to a certain extent, depend on how these factors evolve.
- * Taking into account the actual outturn in the first half of the year and the latest developments of the global and local situation, the real GDP growth forecast for 2025 as a whole is maintained at 2%-3%, the same as that in the May round of review. The Government will continue to closely monitor the situation.
- * On the inflation outlook, overall inflation should remain modest in the near term as pressures from domestic costs and external prices should stay broadly in check. Considering that the inflation situation in the first half of the year was broadly in line with earlier expectations, the forecasts for the underlying and headline consumer price inflation rates for 2025 are maintained at 1.5% and 1.8% respectively, the same as those in the May round of review.

Details

GDP

According to the revised figures released today by the Census and Statistics Department, real *GDP* grew by 3.1% year-on-year in the second quarter of 2025 (same as the advance estimate), having increased by 3.0% in the preceding quarter. On a seasonally adjusted quarter-to-quarter comparison, real GDP rose by 0.4% in the second quarter (same as the advance estimate), after a 1.8% increase in the preceding quarter (*Chart*).

2. The latest figures on GDP and its major expenditure components up to the second quarter of 2025 are presented in *Table 1*. Developments in different segments of the economy in the second quarter are described below.

External trade

3. *Total exports of goods* saw accelerated year-on-year growth of 11.5% in real terms in the second quarter of 2025, following an 8.4% increase in the preceding quarter. Resilient external demand, together with some rush shipments in response to the US' temporary easing of tariff measures, rendered support to export performance. Analysed by major market and by reference to external merchandise trade statistics, exports to the Mainland posted further double-digit growth. Exports to ASEAN markets accelerated further, and those to most high-income Asian economies saw increases of varying degrees. Exports to the US turned to a decline, and those to the European Union fell further. On a seasonally adjusted quarter-to-quarter basis, total exports of goods rose by 2.9% in real terms in the second quarter.

4. *Exports of services* continued to expand notably by 7.5% in real terms in the second quarter over a year earlier, after growing by 6.3% in the preceding quarter. Exports of all major service groups showed further increases. Specifically, exports of travel and transport services rose further thanks to strong growth in inbound tourism and sustained expansion in cross-boundary traffic. Exports of financial services and business and other services also continued to grow, supported by vibrant financial and related business service activities amid the buoyant local stock market. On a seasonally adjusted quarter-to-quarter basis, exports of services edged down by 0.5% in real terms in the second quarter.

Domestic sector

5. Private consumption saw some stabilisation in the second quarter of 2025, showing a turnaround after a year of subdued performance amid the changes in residents' consumption patterns. The continued increase in employment earnings, the decline in local interest rates, the buoyant local stock market, and the stabilisation

of residential property market have provided support. *Private consumption expenditure* turned to an increase of 1.9% in real terms in the second quarter over a year earlier, after declining by 1.2% in the preceding quarter. On a seasonally adjusted quarter-to-quarter basis, private consumption expenditure increased by 3.4% in real terms. Meanwhile, *government consumption expenditure* increased by 2.5% in real terms in the second quarter over a year earlier, after rising by 0.9% in the preceding quarter. On a seasonally adjusted quarter-to-quarter basis, government consumption expenditure increased by 0.9% in real terms.

6. Overall investment expenditure in terms of *gross domestic fixed capital formation* increased by 2.8% in real terms in the second quarter over a year earlier, further to a 1.1% increase in the preceding quarter. Expenditure on acquisitions of machinery, equipment and intellectual property products leapt by 38.4%, with private sector spending showing particularly strong growth. Yet, expenditure on building and construction continued to contract by 9.5%. Costs of ownership transfer shrank by 8.7% from a high base last year.

The labour sector

7. The labour market saw some softening in the second quarter of 2025. The seasonally adjusted *unemployment rate* rose to 3.5% from 3.2% in the preceding quarter. The *underemployment rate* also increased to 1.4% from 1.1%. The median monthly employment earnings of full-time employees in nominal terms grew solidly further by 6.3% in the second quarter over a year earlier.

The asset markets

8. The *local stock market* maintained upward momentum in the second quarter of 2025. Despite a sharp sell-off alongside other major markets following the US' announcement of the so-called "reciprocal tariffs" in early April, market sentiment improved subsequently as trade tensions eased after the US temporarily suspended many of these tariffs. The Hang Seng Index (HSI) recouped lost grounds and sustained the uptrend to close the second quarter at 24 072, up 4.1% from end-March. Since entering the third quarter, local stock market has stayed vibrant, with the HSI surpassing the level at the end of the second quarter in recent days.

9. The *residential property market* showed some stabilisation in the second quarter. Market sentiment continued to improve amid easing external uncertainties, particularly after the sharp declines in the Hong Kong Interbank Offered Rates in May which subsequently lowered mortgage rates. Overall flat prices held broadly stable, rising back by 1% during the second quarter. Largely driven by the notable declines in mortgage rates during the quarter, the index of home purchase affordability improved further to around 55%, which was comparable to the long-term average. The number of transactions, in terms of the total number of sale and purchase

agreements for residential property received by the Land Registry, rebounded appreciably by 37% over the preceding quarter to 16 574 in the second quarter, only 7% lower than the high level a year ago. Overall flat rentals stayed resilient, with a further increase of 1% between March and June. The *non-residential property market* stayed weak in general in the second quarter. While prices and rentals remained soft, trading activities of all major market segments picked up.

Prices

10. Consumer price inflation stayed modest in the second quarter of 2025. The *underlying Composite CPI* increased by 1.1% in the second quarter over a year earlier, following the 1.2% increase in the preceding quarter. Major components generally saw modest to moderate changes as compared with a year earlier, as domestic and external price pressures stayed broadly in check. Including the effects of the Government's one-off relief measures, the *headline Composite CPI* increased by 1.8% in the second quarter over a year earlier, higher than the 1.6% increase in the preceding quarter. The headline inflation rate was higher than its underlying counterpart in the second quarter, mainly due to the smaller electricity charges subsidy provided by the Government and lower ceiling of rates concession compared with the same period last year.

Latest GDP and price forecasts for 2025

11. Looking ahead, the Hong Kong economy is expected to maintain growth for the rest of 2025. Steady economic growth in Asia in particular the Mainland, together with the sustained increases in local employment earnings, the robust stock market, and the stabilisation of residential property market will bode well for various sectors of the Hong Kong economy. The Government's various measures to boost consumption, attract investment and diversify markets will also provide further support to the Hong Kong economy. Yet, the tariff rates announced by the US in early August stay elevated, and its tariff policy on some commodities remains quite uncertain. The impact of these developments on international trade flows and also the US' inflation and economic activities may surface gradually later this year. Furthermore, the uncertainty surrounding the pace of interest rate cut in the US will also affect local investment sentiment. Hong Kong's economic growth momentum going forward will, to a certain extent, depend on how these factors evolve.

12. Taking into account the actual outturn in the first half of the year and the latest developments of the global and local situation, the real GDP growth forecast for 2025 as a whole is maintained at 2%-3%, the same as that in the May 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 between 1.8% and 3.0%, averaging around 2.4%.

13. On the inflation outlook, overall inflation should remain modest in the near term as pressures from domestic costs and external prices should stay broadly in check. Considering that the inflation situation in the first half of the year was broadly in line with earlier expectations, the forecasts for the underlying and headline consumer price inflation rates for 2025 are maintained at 1.5% and 1.8% respectively, the same as those in the May round of review (*Table 2*).

(The Half-yearly Economic Report 2025 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 second quarter of 2025, 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

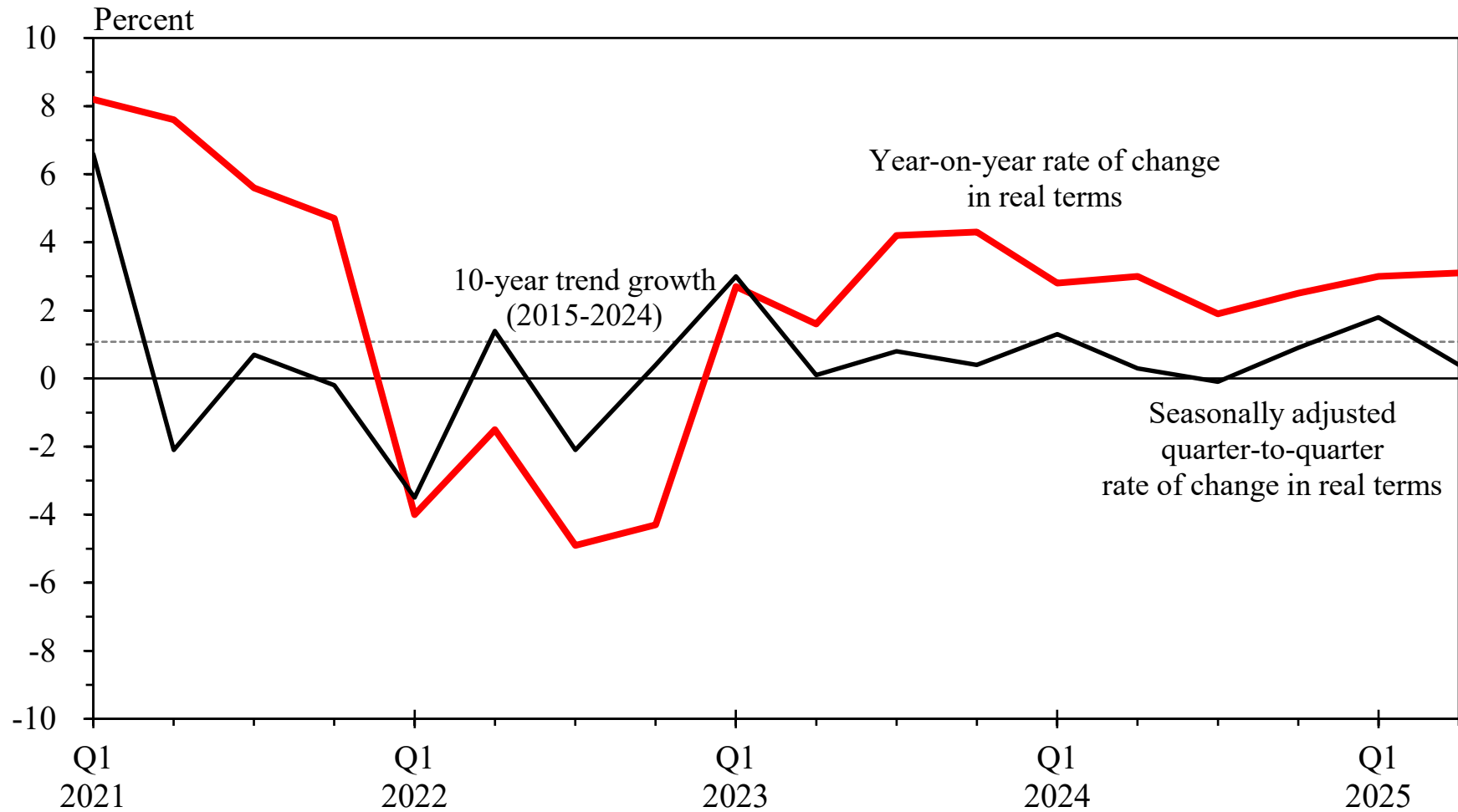


Table 1

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

	<u>2024[#]</u>	<u>Q1[#]</u>	<u>2024[#]</u> <u>Q2[#]</u>	<u>Q3[#]</u>	<u>Q4[#]</u>	<u>2025[#]</u> <u>Q1[#]</u>	<u>Q2[#]</u>
<i>Change in real terms of GDP and its main expenditure components (%)</i>							
Private consumption Expenditure	-0.7	0.9 (-0.7)	-1.9 (0.4)	-1.3 (-0.2)	-0.2 (0.3)	-1.2 (-1.7)	1.9 (3.4)
Government consumption expenditure	0.9	-1.6 (1.1)	1.7 (-0.6)	1.6 (0.6)	2.1 (0.8)	0.9 (0.2)	2.5 (0.9)
Gross domestic fixed capital formation	1.9	-0.9	3.1	5.8	-0.7	1.1	2.8
Building and construction	3.6	9.7	10.2	-0.4	-4.8	-5.5	-9.5
Costs of ownership transfer	11.7	-35.7	31.5	6.8	75.0	41.0	-8.7
Machinery, equipment and intellectual property products	-2.5	-12.9	-15.3	14.8	-1.9	11.1	38.4
Total exports of goods ^{&}	4.7	6.7 (2.9)	7.4 (*)	3.9 (-2.1)	1.3 (0.3)	8.4 (10.3)	11.5 (2.9)
Imports of goods ^{&}	2.4	3.3 (0.7)	3.4 (-0.5)	2.8 (0.5)	0.4 (-0.5)	7.2 (7.6)	12.6 (4.6)
Exports of services ^{&}	5.1	9.9 (0.1)	1.0 (-1.8)	2.8 (3.5)	6.5 (4.7)	6.3 (-0.3)	7.5 (-0.5)
Imports of services ^{&}	11.6	18.2 (3.8)	11.7 (0.5)	9.0 (1.3)	8.3 (2.6)	4.7 (*)	7.2 (3.0)
Gross Domestic Product	2.5	2.8 (1.3)	3.0 (0.3)	1.9 (-0.1)	2.5 (0.9)	3.0 (1.8)	3.1 (0.4)
<i>Change in the main price indicators (%)</i>							
GDP deflator	3.8	3.8 (0.7)	4.5 (1.2)	4.3 (1.0)	2.8 (-0.2)	1.3 (-0.7)	0.5 (0.4)
Composite CPI							
Headline	1.7	1.9 (*)	1.2 (-0.4)	2.4 (1.5)	1.4 (0.3)	1.6 (0.2)	1.8 (-0.2)
Underlying[^]	1.1	1.0 (*)	1.0 (0.4)	1.1 (0.4)	1.2 (0.5)	1.2 (*)	1.1 (0.2)
Change in nominal GDP (%)	6.4	6.7	7.6	6.3	5.3	4.4	3.7

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 2025
(rate of change (%))**

	Forecasts as released on 16.5.2025 (%)	Latest forecasts on 15.8.2025 (%)
Real Gross Domestic Product (GDP)	2 to 3	2 to 3
Composite Consumer Price Index (CCPI)		
<i>Underlying CCPI</i>	<i>1.5</i>	<i>1.5</i>
<i>Headline CCPI</i>	<i>1.8</i>	<i>1.8</i>