

Economic situation in first quarter of 2024 and latest GDP and price forecasts for 2024

The Government released today (May 17) 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

ĭ¼Œ 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%.

ĭ¼Œ 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 United States (US) declined marginally. Exports to the European Union (EU) recorded a double-digit fall. Exports to other major Asian markets showed mixed performance.

ĭ¼Œ 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.

ĭ¼Œ 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.

ĭ¼Œ 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.

1.4 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.

1.4 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.

1.4 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.

1.4 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 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).

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

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.

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 fundraising 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

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.

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

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

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 January 22. 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 May 16, the HSI closed at 19 377.

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

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

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 (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%.

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. 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 on the homepage of the Census and Statistics Department, www.censtatd.gov.hk.

[Senior Appointment at Hong Kong](#)

Monetary Authority

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA) announced today (May 17) that the Financial Secretary, on the advice of the Governance Sub-Committee of the Exchange Fund Advisory Committee, has approved the extension of Mr Arthur Yuen's appointment as Deputy Chief Executive for two years beyond the normal retirement age, effective August 2024. Mr Yuen will continue to be in charge of the full range of banking policy, supervision, conduct and enforcement issues at the HKMA.

Hospital Authority meets with Mainland health officials and delegations (with photos)

The following is issued on behalf of the Hospital Authority:

The Hospital Authority (HA) Chairman, Mr Henry Fan, and Chief Executive, Dr Tony Ko, took the opportunity of the delegations of the National Health Commission of the People's Republic of China and health authorities of various Mainland cities attending the HA Convention 2024 in Hong Kong to meet with them and exchange professional views and experiences on healthcare talent exchange, hospital management, medical technology applications, etc.

Participants in the meetings included a delegation led by Vice-Minister of the National Health Commission (NHC) of the People's Republic of China Mr Cao Xuetao. The HA representatives introduced the Global Healthcare Talent Scheme and various talent exchange programmes the HA has carried out on the Mainland.

Mr Fan said, "The HA has been carrying out various forms of co-operation and exchanges with different cities on the Mainland. The HA will continue to deepen co-operation with relevant institutions in the medical and healthcare field in different Mainland cities, and will continue to explore collaboration opportunities with different professional institutions to improve the quality of medical services in Hong Kong and Mainland cities, cope with the challenges of the ageing population, and make greater contributions to the health and well-being of the general public."

Mr Cao introduced the work in the Mainland's healthcare field and key

tasks in 2024, and suggested further deepening practical co-operation in professional fields between the two places, and jointly support Hong Kong's integration into the overall national health development and actively participate in the global health governance system. He said he believes that through more exchanges, the expertise of healthcare professionals will be enhanced, and the development of medical services will be promoted in both Hong Kong and the Mainland.

In addition, the HA representatives also accompanied the NHC delegation and the Beijing Municipal Health Commission delegation to visit Queen Mary Hospital and Kwong Wah Hospital respectively, and met with representatives of the delegation of Shanghai Hospital Development Center to share views on the development of public hospitals and to discuss strengthening the co-operation between the two places on improving hospital management, clinical research, application of medical technology as well as improving hospital management levels. The HA will also arrange for other delegations to visit Prince of Wales Hospital tomorrow (May 18).

Mr Fan said that in the face of the formidable challenges of escalating service demands, the HA will adopt a multipronged approach and continue to improve the operational efficiency and service capabilities of public hospitals through exchanges, learning, and co-operation.



[May 31 deadline for lodging proposals](#)

to alter rateable values

The Rating and Valuation Department (RVD) today (May 17) reminded members of the public that proposals to alter the rateable value of properties effective from April 1 this year must be served on the Commissioner of Rating and Valuation (the Commissioner) on the specified form (Form R20A) or specified electronic form (Form e-R20A) by May 31. Proposals served on the Commissioner after May 31 will not be accepted.

Members of the public can lodge a proposal by submitting an electronic form (Form e-R20A) using the [Electronic Submission of Forms](#) service provided on the RVD website (www.rvd.gov.hk), or on a [Form R20A](#) available from the website. The completed Form R20A must be served on the Commissioner by personal service or by post. Proposals served by fax will not be accepted.

In respect of domestic tenements with 2024-25 rateable value over \$550,000, the RVD already issued letters to individual payers concerned in mid-April, notifying them that the rates for the tenement with effect from the fourth quarter of 2024-25 (i.e. January to March 2025) may be charged in accordance with the progressive rates charge scale as proposed in the 2024-25 Budget. To enquire about the proposed progressive rating system for domestic tenements, members of the public may visit the RVD website or call the RVD's 24-hour hotline 2152 0111 (handled by 1823).

Notwithstanding the lodging of a proposal, payers of rates and Government rent must pay rates and Government rent by the last day for payment shown on the demand notes. The RVD will inform the proposers of its decisions before December 1. Any changes in rates and Government rent payable resulting from such decisions will date back to April 1 this year and any overpayment will be adjusted in subsequent demands.

Effective Exchange Rate Index

The effective exchange rate index for the Hong Kong dollar on Friday, May 17, 2024 is 105.9 (up 0.2 against yesterday's index).