

Economic performance and outlook

Overview

- The Hong Kong Special Administrative Region, with its ideal location in fast-growing Asia and riding on the opportunities brought by the Mainland economy, has developed into an international business, trade and financial hub, as well as a renowned tourist city, providing high value-added and knowledge-intensive services to the globalised world.
- Hong Kong also serves as the gateway to the Mainland for overseas investors as well as a platform for Mainland enterprises to go global.
- Being a small open economy, Hong Kong has many areas of strength - level playing field for businesses, simple and low tax regime, free flow of capital and information, highly efficient markets, world-class infrastructure, a fine tradition of the rule of law, etc., all being the cornerstones of Hong Kong's economic success. Meanwhile, our unique position under "one country, two systems" will continue to create enormous development potential for the Hong Kong economy.

World rankings

- **Stock market: World No. 7** and **Asia No. 4** by market capitalisation among exchanges (end October 2023)
- **IPO funds raised: World No. 4** for IPO funds raised among exchanges in 2022
- **GDP per capita at current prices: World No. 20** (US\$49,800) [IMF's World Economic Outlook (October 2023)]

Credit ratings

- Moody's: Aa3; S&P: AA+, Fitch: AA-
- **Superior credit ratings** because:
 - Prudent fiscal policy
 - Sizable fiscal reserves and external asset position
 - Sound regulatory framework
 - Market confident in the credit quality of corporate bond issuers; and
 - Flexible economy
- Moody's downgraded credit outlook of Hong Kong to "negative" from "stable" on December 6, 2023, on the ground of tight linkage of credit profiles with the Mainland, and the potential spillovers from the developments in the Mainland (while affirming Hong Kong's long-term issuer rating at Aa3). The HKSAR Government rebutted the assessments of Moody's, pointing out that Hong Kong's deepening and expanding economic and financial ties with the Mainland are a source of strength for Hong Kong's long-term development. Hong Kong's institutional strengths and core competitiveness are unscathed and that "one country, two systems" was being successfully implemented and safeguarded under the Basic Law of Hong Kong.

Key advantages

- Under "one country, two systems", Hong Kong will benefit from deepening reform in the Mainland towards a consumption and services-oriented economy, and opportunities related to the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Greater Bay Area, while maintaining a unique economic and legal system different from the Mainland of China.

Economic performance

- The Hong Kong economy continued to revive in the third quarter of 2023, supported by inbound tourism and private consumption. Real Gross Domestic Product (GDP) grew by 4.1% year-on-year, having increased by 1.5% in the preceding quarter. On a seasonally adjusted quarter-to-quarter comparison, real GDP increased by 0.1% in the third quarter, after a 1.3% decrease in the preceding quarter.
- Exports of services continued to expand notably by 23.9% year-on-year in real terms thanks to the increase in visitor arrivals. Private consumption expenditure rose further by 6.3% alongside rising household income and the Government's various support initiatives. As the economy continued to grow, and also due to low-base effect, overall investment spending in terms of gross domestic fixed capital formation rebounded sharply by 18.4%.
- However, total exports of goods declined further by 8.6% amid weak external demand.

- For the first three quarters of 2023 as a whole, the Hong Kong economy expanded by 2.8% over a year earlier.
- The labour market remained tight in recent months. The seasonally adjusted unemployment rate stayed at a low level of 2.9% in August to October, the same as the second quarter.
- Consumer price inflation stayed moderate in overall terms. In October, the headline Composite Consumer Price Index (Composite CPI) rose by 2.7% over a year earlier while the underlying Composite CPI (reflecting the situation after netting out the effects of the Government's relevant one-off relief measures) increased by 1.7%. Prices of meals out and takeaway food, and clothing and footwear continued to increase visibly over a year earlier. Price pressures on other major components remained broadly in check.
- A fiscal deficit of \$122.3 billion (about US\$15.68 billion) is recorded for 2022-23.
- Fiscal reserves stood at \$670.7 billion (about US\$85.9 billion) as at November 30, 2023.

Economic outlook

- Looking ahead, inbound tourism and private consumption will continue to underpin economic growth in the near term. As flights and other handling capacity continue to recover, more visitors could be received.
- As regards private consumption, continued improvement in household income and various activities that bolster the economy including "Night Vibes Hong Kong" also provide some support.
- Yet, the external environment at large remains unfavourable. Factors including persisting geopolitical tensions, tight financial conditions, and economic uncertainties would continue to weigh on exports of goods and investment and consumption sentiment.
- Taking into account the actual outturn in the first three quarters of 2023 and the near-term outlook, the real GDP growth for 2023 as a whole is forecast at 3.2%.
- As regards inflation, it would stay moderate in overall terms in the near term. External price pressures are expected to soften further. While domestic business cost might face some upward pressures as the economy continues to revive, it should remain contained in the near term. The underlying and headline consumer price inflation rates for 2023 as a whole are revised down to 1.8% and 2.2% respectively.
- Hong Kong's economic outlook in the medium to long term is bright. Global economic gravity will continue to shift eastward, and Asia will continue to be a major engine of global economic growth and provide ample opportunities for Hong Kong. The Mainland will pursue high-quality development through deepening reforms and opening-up and maintain reasonable growth in the years to come. With the strong support from the country and our unique institutional advantages under "one country, two systems", Hong Kong will continue to perform the role of an important node in the international circulation of our country while participating in the domestic circulation of the national economy through the Greater Bay Area, and is well positioned to reap the unlimited development opportunities in the region.

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