18 August 2025

Global Markets Research

Research Alert

Hong Kong's Final 2Q GDP growth left unchanged at 3.1% y/y

Strongest growth since 2Q of 2024 driven by resilient external demand

Moderate growth for private consumption after four quarters of contraction

Government maintained 2-3% GDP growth forecast for 2025; headline inflation at 1.8%

Summary

Hong Kong economy continued to expand solidly in 2Q and the final GDP growth was left unchanged at +3.1% y/y (1Q: +3.0% y/y). Just a recap, the advanced estimates had surpassed its initial consensus forecast.

Notwithstanding the ongoing uncertainties to global economy and US trade policy, resilient external demand, coupled with some rushed shipments because of the tariff truce saw exports growing a still sturdy 11.5% y/y in 2Q (1Q: +8.4% y/y). Meanwhile, strong inbound tourism, sustained expansion in cross-boundary traffic as well as a pick-up in finance activities due to the buoyant local stock market saw exports of services growing by 7.5% y/y (1Q: +6.3% y/y).

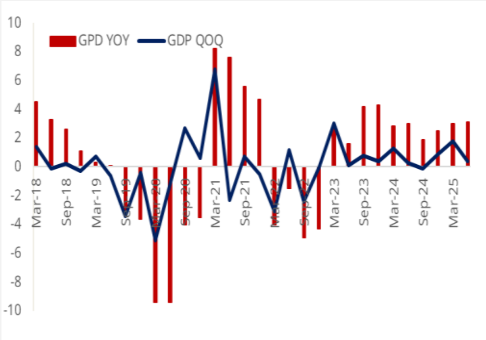
On the domestic front, private consumption expenditure resumed moderate growth of 1.9% y/y (1Q: -1.2% y/y) following four consecutive quarters of contraction, while total investments accelerated to 2.8% y/y (1Q: +1.1% y/y), thanks to a surge in expenditure on machinery, equipment and intellectual property products.

Outlook

In the accompanying statement, the Government maintained its growth projections of 2-3% for 2025, in line with consensus forecast of 2.2% y/y but is slightly higher than IMF's 1.5%. The government also maintained its forecasts for underlying and headline CPI at 1.5% and 1.8% respectively, as inflation is expected to remain modest and has been broadly in line with the government's expectations.

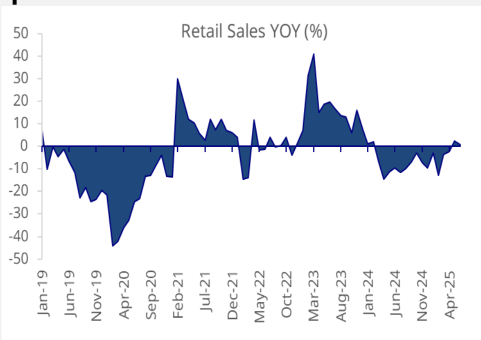
We opine that the growth target is achievable with growth momentum likely to be sustained in 2H on account of the lower base effect. That said, risks remain tilted to the downside amid: 1) Some softness in China's economic data for July 2) Paybacks from the front-loading. 3) On the tariff front, still elevated tariff rates,

Figure 1: Strongest y/y growth since 2Q of 2024



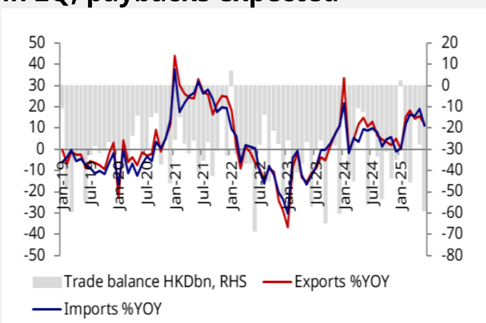
Source: Bloomberg

Figure 2: Glimpses of a recovery in consumer spending after 4 quarters of contraction



Source: Bloomberg

Figure 3: Still strong export growth in 2Q; paybacks expected



Source: Bloomberg

tariff slaps on transhipments and uncertain tariff policy for some commodities and selected economies. 4) Uncertainty surrounding the pace of interest rate cut in the US would also affect local investment sentiment and growth momentum.

On a positive note, most regional economies have continued to show steady export and economic growth, helping to relieve part of the downward pressure on Hong Kong’s exports at this juncture. Meanwhile, sustained increases in local employment earnings, the robust stock market, as well as the stabilisation of residential property market and recovery in consumption will bode well for domestic demand.

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 122
Fax: 603-2081 8936
Email: HLMarkets@hlbb.hongleong.com.my