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Global Markets Research

Research Alert

Hong Kong upgraded its 2025 GDP growth forecast to 3.2%

Final Hong Kong's 3Q GDP stayed unrevised at 3.8%; strongest pace in nearly 2 years

Robust external sector complemented by a recovery in domestic demand

YTD growth of 3.3% suggests that 2025 target is achievable albeit with downside risks

Summary

Defying trade tensions and earlier expectations for a softer growth, Hong Kong's final 3Q GDP growth was left unchanged at 3.8% y/y (prior: 3.1% y/y), its strongest pace since 4Q of 2023. With growth averaging 3.3% YTD, the Government also revised its GDP growth forecast for the year to 3.2%, up from its previous estimate of 2-3% (2024: 2.5%, consensus forecast for 2025: 2.8%).

Details

Accordingly, the robust growth was driven by steady export growth (goods: 12.1% y/y in 3Q vs 11.5% y/y in 2Q; services: 6.3% y/y vs 8.6% y/y), buoyed by strong demand for electronics, regional trade flows, inbound tourism (arrivals: 12.2% y/y vs 15.0% y/y) as well as vibrant cross-boundary financial activities.

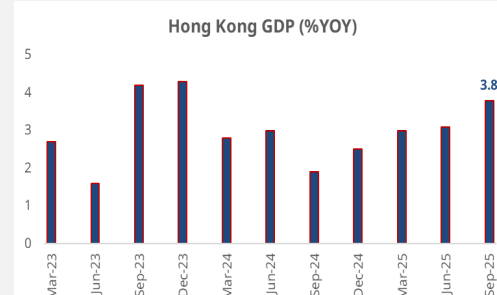
On the domestic front, growth was underpinned by continued recovery in private consumption (2.1% y/y in 3Q vs 1.9% y/y in 2Q), a pick-up in investment expenditure (4.3% y/y vs 1.9% y/y), active financial markets and stabilisation in the residential property market (number of transactions: 48.5% y/y vs -6.9% y/y).

Outlook

Given that the economy grew a robust 3.3% in the first three quarters of the year, the Government upgraded its growth forecast for 2025 to 3.2%, from 2%-3% previously. Although 3Q data benefitted from low base effect, we believe that the 3.2% growth projection is achievable, although it is a shade higher than consensus forecast's 2.8% as well as 2024's 2.5% y/y.

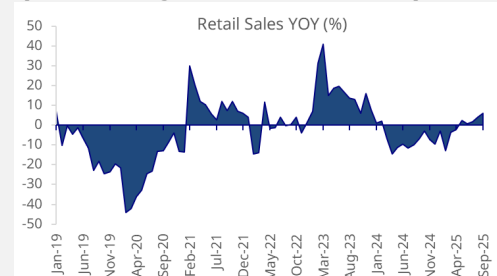
For the rest of 2025, the current trade truce between China-US and still robust demand for electronic-related products should lend support to Hong Kong's exports of goods, while continued increases in inbound tourism and vibrant financial market activities should provide further impetus to exports of services.

Figure 1: Strongest y/y growth since 4Q of 2023



Source: Bloomberg

Figure 2: Second consecutive quarter of growth for consumption



Source: Bloomberg

Figure 3: Robust export growth for goods and services



Source: Bloomberg

On the domestic front, easing US interest rate outlook are supportive of asset market sentiment. Coupled with the still healthy labour market, gradual recovery in consumption and business sentiment, these should help bolster consumption and investment activities.

That said, downside risks persist stemming from the still weak China growth outlook and still uncertain US rate path, and possibly fading front-loading export effect come 2026.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 122

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my

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