

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

The Government released today (August 16) the Half-yearly Economic Report 2024, together with the revised figures on Gross Domestic Product (GDP) for the second quarter of 2024.

The Government Economist, Mr Adolph Leung, gave an account of the economic situation in the second quarter of 2024 and the latest GDP and price forecasts for 2024.

## Main points

ĭ¼Š The Hong Kong economy continued to record moderate growth in the second quarter of 2024. Externally, total exports of goods continued to grow strongly while exports of services saw decelerated growth. Domestically, overall investment expenditure rose further, but private consumption expenditure turned to a slight decline. Real GDP grew by 3.3% year-on-year, having increased by 2.8% in the preceding quarter. On a seasonally adjusted quarter-to-quarter comparison, real GDP increased by 0.4%.

ĭ¼Š Total exports of goods continued to grow strongly by 7.5% year-on-year in real terms in the second quarter, supported by the sustained external demand for goods. Exports to the Mainland continued to rise notably. Exports to the US returned to a visible increase, while those to the EU recorded a narrowed decline. Exports to many major Asian markets also showed improvements. Meanwhile, exports of services recorded decelerated growth of 1.4%. Exports of transport services grew further in tandem with increased visitors and regional trade flows. Exports of financial services reverted to an increase. Exports of business and other services continued to grow moderately. Yet, exports of travel services turned to a contraction amid the change in consumption patterns of visitors and the strength of the Hong Kong dollar.

ĭ¼Š Domestically, private consumption expenditure turned to a slight decline of 1.5% year-on-year in real terms in the second quarter, mainly affected by the changes in the consumption patterns of residents. Meanwhile, overall investment expenditure rose further by 6.0% alongside the overall economic growth.

ĭ¼Š The labour market stayed tight in the second quarter. The seasonally adjusted unemployment rate stayed low at 3.0%, same as the preceding quarter. The underemployment rate was also low at 1.2%, though slightly higher than the level of 1.1% in the preceding quarter. Employment earnings continued to record solid growth.

ĭ¼Š The local stock market fared better in the second quarter. As market sentiment improved following the announcement of enhancement measures on

mutual access between the capital markets of the Mainland and Hong Kong, the Hang Seng Index (HSI) rose markedly to a near 10-month high of 19 636 on May 20. Yet, dampened by expectations for delayed US interest rate cuts and concerns about the Mainland's economic recovery momentum, it then retreated and closed the quarter at 17 719 or 7.1% higher than end-March. The residential property market was very active at the beginning of the second quarter following the cancellation of the demand-side management measures (DSMMs) for residential properties, but quietened progressively thereafter as pent-up demand faded. Market sentiment turned increasingly cautious during the quarter as the prospect of US interest rate cuts dimmed. Flat prices declined for the quarter as a whole.

¶ Underlying consumer price inflation remained modest in the second quarter. The underlying Composite Consumer Price Index (Composite CPI) rose by 1.0% year-on-year, same as that in the preceding quarter. Prices of meals out and takeaway food continued to increase at a relatively fast pace. Increases in private housing rentals remained small. Meanwhile, prices of electricity continued to decrease notably against a high base of comparison. Price pressures on other major components were broadly in check.

¶ Looking ahead, the economy should continue to grow in the remainder of the year, but various factors including geopolitical tensions and global economic and interest rates outlook may pose uncertainties on different fronts. Exports of goods should sustain a positive performance if external demand holds up, though trade conflicts would present risks. Continued local economic expansion should lend support to fixed asset investment, but geopolitical tensions and interest rate uncertainties may dampen business confidence and asset markets. As regards inbound tourism and private consumption, the Central Government's various measures benefitting Hong Kong, the Government's strenuous efforts to boost market sentiment and improving employment earnings would provide support, but the changes in the consumption patterns of visitors and residents and the relatively strong Hong Kong dollar may continue to pose challenges.

¶ 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 2024 as a whole is maintained at 2.5%-3.5%, 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 stay mild in the near term. Domestic cost may face some moderate upward pressures as the Hong Kong economy continues to grow. External price pressures should remain on a broad moderating trend, though geopolitical tensions may bring uncertainties. Taking into account the inflation situation in the first half of the year and factors mentioned above, the forecast rates of underlying and headline consumer price inflation for 2024 are revised down to 1.3% and 1.9% respectively, from 1.7% and 2.4% 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 3.3% year-on-year in the second quarter of 2024 (same as the advance estimate), having increased by 2.8% in the preceding quarter. On a seasonally adjusted quarter-to-quarter comparison, real GDP increased by 0.4% (same as the advance estimate), after a 2.5% increase in the preceding quarter (Chart).

The latest figures on GDP and its major expenditure components up to the second quarter of 2024 are presented in Table 1. Developments in different segments of the economy in the second quarter are described below.

#### External trade

Total exports of goods grew strongly by 7.5% year-on-year in real terms in the second quarter of 2024, after rising by 6.8% in the preceding quarter. The sustained external demand for goods rendered support to export performance. Analysed by major market and by reference to external merchandise trade statistics, exports to the Mainland continued to rise notably. Exports to the US returned to a visible increase, while those to the EU recorded a narrowed decline. Exports to many major Asian markets also showed improvements. On a seasonally adjusted quarter-to-quarter basis, total exports of goods increased by 0.2% in the second quarter, further to a 4.0% increase in the preceding quarter.

Exports of services recorded decelerated growth of 1.4% year-on-year in real terms in the second quarter, after growing by 9.4% in the preceding quarter. Exports of transport services grew further in tandem with increased visitors and regional trade flows. Exports of financial services reverted to an increase as cross-border financial and fund raising activities showed improvement. Exports of business and other services continued to grow moderately. Meanwhile, exports of travel services turned to a contraction amid the change in consumption patterns of visitors and the strength of the Hong Kong dollar. On a seasonally adjusted quarter-to-quarter basis, exports of services declined by 2.2% in the second quarter, following a 0.2% decrease in the preceding quarter.

#### Domestic sector

Consumption activities weakened in the second quarter of 2024, mainly affected by the changes in the consumption patterns of residents. After increasing by 1.2% year-on-year in real terms in the preceding quarter, private consumption expenditure declined by 1.5% in the second quarter. On a seasonally adjusted quarter to quarter basis, private consumption expenditure increased by 0.7% in the second quarter, having decreased by 0.7% in the preceding quarter. Meanwhile, government consumption expenditure rose by 2.0% year-on-year in the second quarter, after a 2.2% decrease in the preceding quarter.

Alongside the overall economic growth, overall investment expenditure in terms of gross domestic fixed capital formation rose by 6.0% in real terms in

the second quarter over a year earlier, after a 0.1% increase in the preceding quarter. Expenditure on building and construction rose by an accelerated pace, with public sector spending showing particularly strong growth. Expenditure on acquisitions of machinery, equipment and intellectual property products continued to decline amid tight financial conditions and generally weakened business sentiment. Separately, the costs of ownership transfer rebounded strongly as property transactions increased after the cancellation of all DSMMs for residential properties and the adjustments of macroprudential measures.

## The labour sector

The labour market stayed tight in the second quarter of 2024. The seasonally adjusted unemployment rate stayed low at 3.0% in the second quarter, same as the preceding quarter. The underemployment rate was also low at 1.2%, though slightly higher than the level of 1.1% in the preceding quarter. The median monthly employment earnings continued to record solid year-on-year growth of 6.8% in the second quarter.

## The asset markets

The local stock market fared better in the second quarter of 2024. Market sentiment improved following the announcement of enhancement measures on mutual access between the capital markets of the Mainland and Hong Kong in late April. The HSI rose markedly to 19 636 on May 20, the highest in almost 10 months. Yet, dampened by expectations for delayed US interest rate cuts and concerns about the Mainland's economic recovery momentum, the HSI then retreated and closed the quarter at 17 719 or 7.1% higher than end-March. On August 15, the HSI closed at 17 109.

The residential property market was very active at the beginning of the second quarter following the cancellation of the DSMMs for residential properties, but quietened progressively thereafter as pent-up demand faded. Market sentiment turned increasingly cautious during the quarter as the prospect of US interest rate cuts dimmed. Flat prices declined for the quarter as a whole, and many developers adopted a conservative pricing strategy when launching new projects. The number of transactions, in terms of the total number of sale and purchase agreements for residential property received by the Land Registry, surged to 8 551 in April, the highest level since October 2012, and then fell to 5 546 in May and 3 856 in June. There were in total 17 953 sale and purchase agreements received in the second quarter, up by 83% over the preceding quarter or 47% over a year earlier. Overall flat prices recorded a 2% decline during the second quarter, with the small increase in April more than offset by the decreases in May and June. The index of home purchase affordability was virtually unchanged at around 65% in the second quarter, and it remained above the long term average of 54% over 2004-2023. Meanwhile, overall flat rentals rose by 2% during the second quarter. The non-residential property market remained sluggish. Despite some rebound from the low levels in the preceding quarter, trading activities for all major market segments stayed generally subdued. Prices and rentals fell further.

## Prices

Underlying consumer price inflation remained modest in the second quarter of 2024. Prices of meals out and takeaway food continued to increase at a relatively fast pace over a year earlier. Increases in private housing rentals remained small. Meanwhile, prices of electricity continued to decrease notably against a high base of comparison. Price pressures on other major components were broadly in check. Netting out the effects of the Government's one-off relief measures, the underlying Composite CPI rose by 1.0% year-on-year in the second quarter, same as that in the preceding quarter. Domestic business cost pressures remained largely contained. Nominal wages continued to record moderate growth, while commercial rentals stayed soft. External price pressures eased for most end-use categories. Meanwhile, headline Composite CPI rose by 1.2% in the second quarter, compared with a 1.9% increase in the preceding quarter. The headline inflation rate was higher than its underlying counterpart in the second quarter, mainly due to the decrease in electricity charges subsidy provided by the Government during the quarter compared to the same period last year.

### Latest GDP and price forecasts for 2024

Looking ahead, the economy should continue to grow in the remainder of the year, but various factors including geopolitical tensions and global economic and interest rates outlook may pose uncertainties on different fronts. Exports of goods should sustain a positive performance if external demand holds up, though trade conflicts would present risks. Continued local economic expansion should lend support to fixed asset investment, but geopolitical tensions and interest rate uncertainties may dampen business confidence and asset markets. As regards inbound tourism and private consumption, the Central Government's various measures benefitting Hong Kong, the Government's strenuous efforts to boost market sentiment and improving employment earnings would provide support, but the changes in the consumption patterns of visitors and residents and the relatively strong Hong Kong dollar may continue to pose challenges.

Taking into account the actual outturn in the first half of 2024 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 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 from 2.0% to 3.7%, averaging around 2.8%.

On the inflation outlook, overall inflation should stay mild in the near term. Domestic cost may face some moderate upward pressures as the Hong Kong economy continues to grow. Meanwhile, external price pressures should remain on a broad moderating trend, though geopolitical tensions may bring uncertainties. Taking into account the inflation situation in the first half of 2024 and factors mentioned above, the forecast rates of underlying and headline consumer price inflation for 2024 revised down to 1.3% and 1.9% respectively, from 1.7% and 2.4% in the May round of review (Table 2).

The Half-yearly Economic Report 2024 is now available for online download, free of charge at [www.hkeconomy.gov.hk/en/situation/index.htm](http://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 2024, is also available for browse and download, free of charge on the homepage of the Census and Statistics Department, [www.censtatd.gov.hk](http://www.censtatd.gov.hk).

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## Unemployment and underemployment statistics for May – July 2024

According to the latest labour force statistics (i.e. provisional figures for May – July 2024) released today (August 16) by the Census and Statistics Department (C&SD), the seasonally adjusted unemployment rate stood at 3.0% in May – July 2024, same as that in April – June 2024. The underemployment rate also remained unchanged at 1.2% in the two periods.

Comparing May – July 2024 with April – June 2024, movements in the unemployment rate (not seasonally adjusted) and underemployment rate in different industry sectors varied, but the magnitudes were generally not large.

Total employment increased by around 5 300 from 3 703 300 in April – June 2024 to 3 708 600 in May – July 2024. Over the same period, the labour force also increased by around 8 400 from 3 818 000 to 3 826 400.

The number of unemployed persons (not seasonally adjusted) increased by around 3 100 from 114 700 in April – June 2024 to 117 800 in May – July 2024. Over the same period, the number of underemployed persons also increased by around 3 000 from 44 500 to 47 500.

### Commentary

Commenting on the latest unemployment figures, the Secretary for Labour and Welfare, Mr Chris Sun, said, "The seasonally adjusted unemployment rate stayed low at 3.0% in May – July 2024, same as April – June 2024. The underemployment rate also remained unchanged at 1.2%. The labour force showed an accelerated increase of 8 400 to 3 826 400, and total employment increased further by 5 300 to 3 708 600. The number of unemployed persons increased slightly by 3 100 to 117 800."

The unemployment rates of various sectors showed diverse movements in May – July 2024 compared with the preceding three-month period. The unemployment rates of the retail sector and the food and beverage service activities sector increased by 0.4 percentage point and 0.3 percentage point

to 4.3% and 5.0% respectively. The unemployment rates of some other sectors also increased, notably for the manufacturing sector. On the other hand, the unemployment rates of many sectors declined, notably the import/export trade and wholesale sector, the accommodation services sector, the transportation sector, the insurance sector, and the real estate sector.

Looking ahead, Mr Sun said, "The employment situation of the consumption-related sectors might be under some pressure, due to the challenges from the changing consumption patterns of residents and visitors. Nonetheless, the overall labour market should remain tight in the near term as continued economic growth renders support to labour demand."

In May – July 2024, the Labour Department (LD) recorded a monthly average of 71 709 vacancies from the private sector, representing a year-on-year decrease of 31.0% and a decrease of 1.1% over the average figure in April – June 2024.

Job seekers may also make use of the LD's online platforms, such as the Interactive Employment Service website, for obtaining more information on available vacancies.

#### Further information

The unemployment and underemployment statistics were compiled from the findings of the continuous General Household Survey.

In the survey, the definitions used in measuring unemployment and underemployment follow closely those recommended by the International Labour Organization. The employed population covers all employers, self-employed persons, employees (including full-time, part-time, casual workers, etc.) and unpaid family workers. Unemployed persons by industry (or occupation) are classified according to their previous industry (or occupation).

The survey for May – July 2024 covered a sample of some 26 000 households or 68 000 persons, selected in accordance with a scientifically designed sampling scheme to represent the population of Hong Kong. Labour force statistics compiled from this sample represented the situation in the moving three-month period of May to July 2024.

Data on labour force characteristics were obtained from the survey by interviewing each member aged 15 or over in the sampled households.

Statistical tables on the latest labour force statistics can be downloaded at the website of the C&SD ([www.censtatd.gov.hk/en/scode200.html](http://www.censtatd.gov.hk/en/scode200.html)). More detailed analysis of the labour force characteristics is given in the "Quarterly Report on General Household Survey" which is published four times a year. The latest issue of the report contains statistics for the quarter January – March 2024 while the next issue covering the quarter April – June 2024 will be available by end August 2024. Users can also browse and download this publication at the website of the C&SD ([www.censtatd.gov.hk/en/EIndexbySubject.html?pcode=B1050001&scode=200](http://www.censtatd.gov.hk/en/EIndexbySubject.html?pcode=B1050001&scode=200)).

For enquiries about labour force statistics, please contact the General Household Survey Section (3) of the C&SD (Tel: 2887 5508 or email: [ghs@censtatd.gov.hk](mailto:ghs@censtatd.gov.hk)).

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## **Hong Kong Customs seizes suspected dangerous drugs worth about \$1.5 million (with photo)**

Hong Kong Customs yesterday (August 15) seized about 1 kilogram of suspected cocaine and 600 grams of suspected crack cocaine with a total estimated market value of about \$1.5 million in Tai Kok Tsui. A man suspected to be connected with the case was arrested.

Through intelligence analysis and in-depth investigations, Customs officers intercepted a 30-year-old man in Tai Kok Tsui yesterday afternoon and found about 500g of suspected crack cocaine inside a plastic bag carried by him. He was then arrested. Customs officers later escorted the man to his rented residential flat in Tai Kok Tsui for a search, and further seized about 1kg of suspected cocaine and 100g of suspected crack cocaine.

The arrested man, who claimed to be unemployed, has been charged with two counts of trafficking in a dangerous drug. He will appear at the Kowloon City Magistrates' Courts tomorrow (August 17).

Under the Dangerous Drugs Ordinance, trafficking in a dangerous drug is a serious offence. The maximum penalty upon conviction is a fine of \$5 million and life imprisonment.

Members of the public may report any suspected drug trafficking activities to Customs' 24-hour hotline 2545 6182 or its dedicated crime-reporting email account ([crimereport@customs.gov.hk](mailto:crimereport@customs.gov.hk)) or online form ([eform.cefs.gov.hk/form/ced002/](http://eform.cefs.gov.hk/form/ced002/)).





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## DGCA visits Beijing (with photos)

The Director-General of Civil Aviation, Mr Victor Liu, visited Beijing between August 12 and 15, and paid a courtesy call on the Civil Aviation Administration of China (CAAC) for in-depth exchanges on civil aviation matters.

Mr Liu called on the Administrator of the CAAC, Mr Song Zhiyong, and expressed his gratitude for the CAAC's great support to the aviation industry of Hong Kong throughout the years. During the meeting, both parties exchanged views on matters of common interest of the Mainland and Hong Kong civil aviation sectors, and sought ways to further strengthen close co-operation under the new opportunities of national and civil aviation developments to consolidate and enhance Hong Kong's status as an international aviation hub.

Mr Liu also met with Deputy Administrator of the CAAC Mr Hu Zhenjiang and representatives from the relevant bureaus, and exchanged views on promoting closer co-operation mechanisms for the aviation safety of the Guangdong-Hong Kong-Macao Greater Bay Area. Ways to strengthen further co-operation in aircraft operation, airworthiness certification, maintenance, talent exchanges as well as other aspects in order to promote the safety and efficiency of the aviation industry were explored during the meeting.

During the visit, Mr Liu also signed the new Tripartite Agreement on Search and Rescue and Salvage of Crashed Aircraft with the Director General of the Rescue and Salvage Bureau of the Ministry of Transport of the People's Republic of China, Mr Wang Lei, and the Chief Accident and Safety Investigator of the Air Accident Investigation Authority of Hong Kong, Mr Man Ka-chai.

The new Tripartite Agreement will effectively strengthen co-operation on the search and rescue and salvage of crashed aircraft, enhancing the communication and technical information exchanges among the three parties. This will further improve the capability and effectiveness of the search and

rescue and salvage of crashed aircraft within the Hong Kong Flight Information Region.

Mr Liu also attended the Asia Pacific Summit for Aviation Safety 2024 (AP-SAS 2024) from August 13 to 15 in Beijing. Leaders of the International Civil Aviation Organization (ICAO) and civil aviation organisations from various States/Administrations across the Asia-Pacific region gathered at the AP-SAS 2024, including the Secretary General of the ICAO, Mr Juan Carlos Salazar, the ICAO's Asia Pacific Regional Director, Mr Ma Tao, and the Directors-General of regional civil aviation authorities.

Accompanying Mr Liu to Beijing was the Assistant Director-General of Civil Aviation (Flight Standards), Mr Michael Yuen.

Mr Liu will return to Hong Kong today (August 16).



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## Effective Exchange Rate Index

The effective exchange rate index for the Hong Kong dollar on Friday, August 16, 2024 is 105.1 (up 0.3 against yesterday's index).