Chapter 4

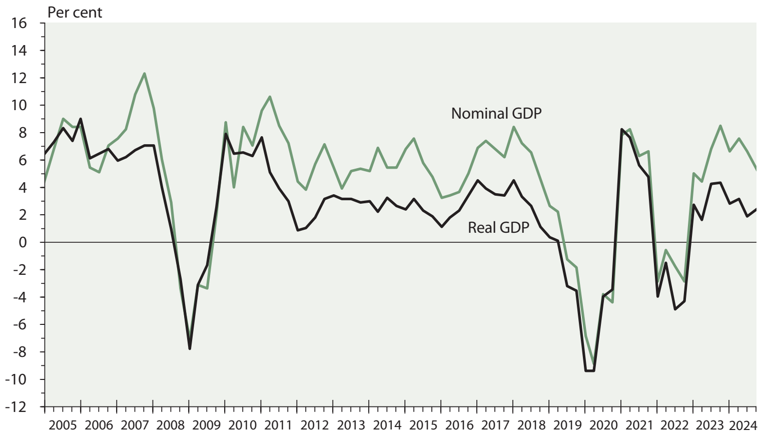
Economy

The Hong Kong economy posted moderate growth in 2024, mainly supported by the external sector. Total exports of goods reverted to growth, exports of services continued to increase and overall investment expenditure expanded further. However, private consumption expenditure turned to a slight decline. The labour market remained tight during the year. Underlying consumer price inflation was mild.

Gross Domestic Product (GDP) grew by 2.5 per cent in real terms in 2024, after an increase of 3.2 per cent in the preceding year *(chart 1)*. Total exports of goods resumed growth, thanks to improved external demand. Exports of services saw a broad-based expansion. Overall investment expenditure increased further alongside the economic growth. However, private consumption expenditure turned to a slight decline amid the change in consumption patterns of residents.

Chart 1 **Quarterly Gross Domestic Product**

(year-on-year rate of change)



The Hong Kong economy posted moderate growth in 2024.

The residential property market stayed subdued in most of 2024 before showing some stabilisation in the latter part of the year. After a temporary uptick following the cancellation of all demand-side management measures announced in the first quarter, the market eased back in the second and third quarters amid tight financial conditions and an uncertain global environment. It then stabilised after the United States started to cut interest rates in September, later also supported by adjustments to the maximum loan-to-value ratio and the debt servicing ratio limit.

The local stock market displayed considerable volatility in 2024. Weighed by heightened geopolitical tensions and tempered expectations for US interest rate cuts, the Hang Seng Index remained under pressure in the first quarter. The Hang Seng Index rebounded briefly in late April, and then cooled again amid uncertainties surrounding the economic outlook of the major economies. After the US's 50-basis-point interest rate cut in September and the Central People's Government's subsequent launch of a stimulus package to boost the Mainland economy, the Hang Seng Index rallied to a two-year high of 23,100 on 7 October, before retreating somewhat and closing the year at 20,060 – up 17.7 per cent year on year.

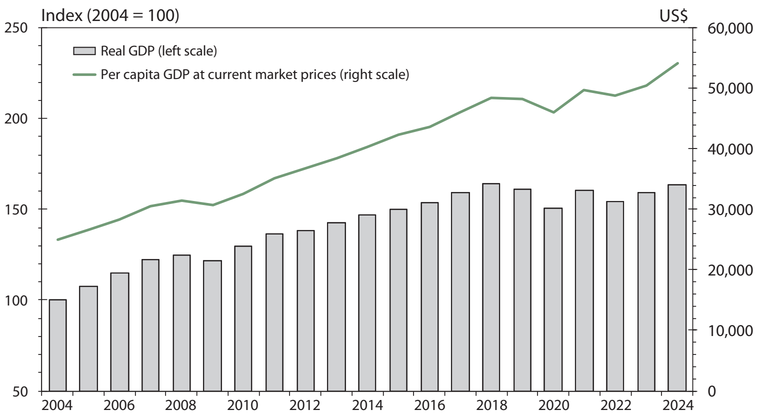
Structure and Development of Economy

Hong Kong is a global centre for world trade, finance, transportation and business, located strategically at the doorstep of the Mainland's huge and vibrant economy. Hong Kong was the world's seventh-largest merchandise trading entity in 2024, and was home to one of the world's busiest airports in terms of the volume of international air cargo handled. Hong Kong was also the world's sixth-largest banking centre in terms of external positions as at end-2024 and the fourth-largest global foreign exchange market according to a triennial survey conducted by the Bank for International Settlements in 2022. Its stock market was the fourth largest in Asia by market capitalisation as at end-2024, and ranked fourth globally in terms of initial public offering equity funds raised during the year.

As an international business hub, Hong Kong offers an open and conducive environment with a tradition of the common law system and rule of law as well as judicial independence; free flow of goods, services, capital, people and information; a well-established financial network; world-class infrastructure and professional services; a flexible labour market with a well-educated workforce; and a pool of efficient and innovative entrepreneurs. The city has sizeable foreign exchange reserves, a fully convertible and stable currency, prudent fiscal management and a simple tax system with low tax rates. Hong Kong was ranked fifth globally and second in Asia in the *World Competitiveness Yearbook 2024* published by the International Institute for Management Development. Hong Kong was also ranked as the world's freest economy by the Fraser Institute in 2024.

The Hong Kong economy expanded at an average annual rate of 2.5 per cent over the past two decades, faster than most other advanced economies. Over the same period, per capita GDP rose about 48 per cent in real terms, posting an average annual growth rate of 2 per cent. Per capita GDP at current market prices was US$54,113 in 2024 *(chart 2)*, exceeding many advanced economies.

Chart 2 **Gross Domestic Product**



Over the past two decades, the Hong Kong economy grew an average of 2.5 per cent annually, faster than most advanced economies.

Trade links with other parts of the world have grown extensively. Trade in goods and services has nearly doubled in real terms over the past two decades, despite some retreat during the Covid-19 pandemic. The total value of the goods trade based on the GDP compilation framework reached $9,865 billion in 2024, equivalent to 311 per cent of GDP, higher than the ratio of 273 per cent in 2004. Including the value of trade in services, the ratio of total trade to GDP was 359 per cent in 2024, up from 327 per cent in 2004.

As an international financial centre with huge cross-territory fund flows, Hong Kong has substantial external financial assets and liabilities, of $52,514 billion and $36,641 billion respectively at the end of 2024. The corresponding ratios to GDP were 1,653 per cent and 1,153 per cent. Reflecting the city's robust international investment position, its net external financial assets amounted to $15,873 billion at the end of 2024, equivalent to 500 per cent of GDP.

Hong Kong is also one of the most preferred destinations for external direct investment. The stock of direct investment liabilities is enormous, at $20,127 billion in market value at the end of 2024, equivalent to 634 per cent of GDP. The corresponding figures for Hong Kong's stock of direct investment assets were likewise huge, at $19,079 billion, or 601 per cent of GDP.

Gross National Income, comprising GDP and net external primary income flow, stood at $3,478 billion in 2024, higher than the corresponding GDP by 9 per cent. The difference represented a net inflow of external primary income. Owing to the huge stocks of Hong Kong's outward and inward investment, inflows and outflows of external primary income were both substantial, at $2,204 billion and $1,903 billion respectively, equivalent to 69 per cent and 60 per cent of GDP respectively.

Contributions of Various Economic Sectors

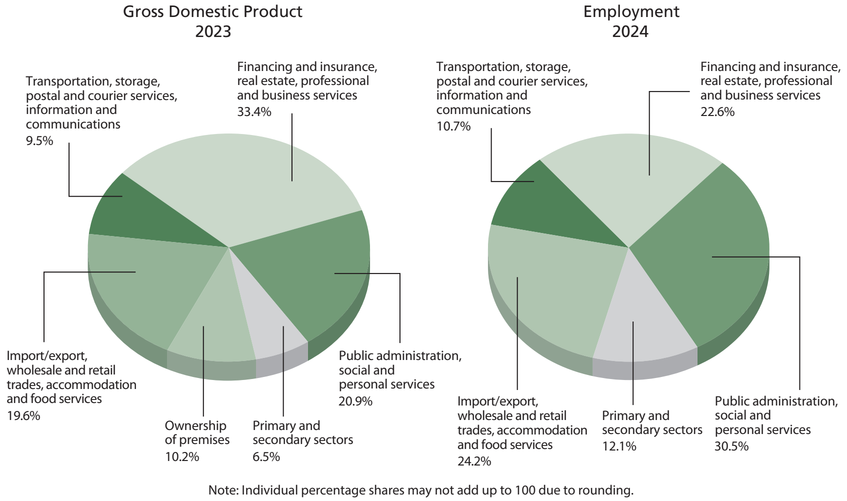
Primary production, including agriculture, fisheries, mining and quarrying, is tiny in terms of both value-added contribution to GDP and share in total employment.

Secondary production comprises manufacturing, construction, and electricity, gas and water supply. In 2023, the value-added contributions of manufacturing and of electricity, gas and water supply each accounted for only 1 per cent of GDP, while the construction sector contributed 4 per cent. As for the share in total employment in 2024, manufacturing constituted only 2 per cent, and electricity, gas and water supply less than 1 per cent. Construction took up 9 per cent.

The services sector is the mainstay of the Hong Kong economy, making up 94 per cent of GDP in 2023. The largest services sector continued to be financing and insurance, real estate, professional and business services, accounting for 33 per cent of GDP. This was followed by public administration, social and personal services (21 per cent); import/export, wholesale and retail trades, accommodation and food services (20 per cent); and transportation, storage, postal and courier services, and information and communications (9 per cent). In terms of total employment, the services sector accounted for 88 per cent in 2024. In particular, public administration, social and personal services accounted for 30 per cent of total employment, followed by import/export, wholesale and retail trades, accommodation and food services

(24 per cent); financing and insurance, real estate, professional and business services (23 per cent); and transportation, storage, postal and courier services, information and communications (11 per cent) *(chart 3)*.

Chart 3 **Gross Domestic Product and Employment by Sector**



The services sector continued to be the mainstay of the economy.

It is worth noting that although the manufacturing sector accounts for only a small share of the economy in terms of value added and employment, Hong Kong's manufacturers are versatile and resilient in coping with the changing global and regional economic landscapes. The city's productive capacity has effectively expanded over the years, thanks to increasingly sophisticated supply-chain arrangements involving the Mainland and other neighbouring economies and continued enhancement of innovation and technology. The well-established links between Hong Kong's offshore productive capacity and the local economy underpin the growth of its services sector, especially the rapid development of trading, financial and other support services.

The eastward shift of global economic gravity and the Mainland's pursuit of high-quality development present enormous opportunities for Hong Kong's services sector. The Outline of the 14th Five-Year Plan for National Economic and Social Development and the Long-Range Objectives Through the Year 2035 of the People's Republic of China supports Hong Kong to enhance its competitiveness as 'eight international centres or hubs'[1], with a view to better integrating Hong Kong into the overall development of the country.

[1] Support regarding the 'eight international centres or hubs' includes Hong Kong's development as an international innovation and technology centre, a centre for international legal and dispute resolution services in the Asia-Pacific region, an East-meets-West centre for international cultural exchange, and a regional intellectual property trading centre; and enhancing its status as an international financial centre, an international transportation centre, an international trade centre and an international aviation hub.

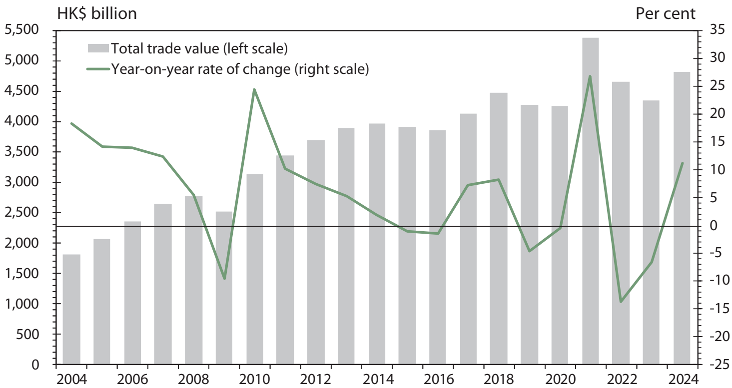
The resolution adopted at the Third Plenary Session of the 20th Central Committee of the Communist Party of China in July supports Hong Kong to serve as 'three centres and a hub'[2]. The government is pressing ahead to consolidate and enhance Hong Kong's status as an international financial, shipping and trade centre, develop new quality productive forces tailored to local conditions, build an international hub for high-calibre talents, as well as foster economic diversification. By leveraging the advantages under 'one country, two systems' to better integrate into the national development, and by harnessing connectivity with the Mainland and the world to strengthen ties with overseas markets – especially those emerging in the Global South – Hong Kong is well placed to act as a 'super connector' and 'super value adder'.

Economic Links with Mainland

The flow of goods, services, people and capital between Hong Kong and the Mainland, and between the Mainland and the world through Hong Kong, have brought benefits to both Hong Kong and the Mainland.

With its total merchandise trade surging from US$1.2 trillion in 2004 to US$6.2 trillion in 2024, the Mainland plays a prominent role in driving global economic growth. Hong Kong has benefited substantially from the Mainland's external trade growth. In 2024, visible trade between Hong Kong and the Mainland was nearly three times that of 20 years ago, representing growth of around 5 per cent per annum in value terms *(chart 4)*. The Mainland was the world's largest merchandise trading entity while Hong Kong ranked seventh in 2024.

Chart 4 **Goods Trade between Hong Kong and the Mainland**



Merchandise trade between Hong Kong and the Mainland grew notably in the past two decades.

The Mainland has long been Hong Kong's largest trading partner, contributing to about half of the city's total merchandise trade value in 2024. Hong Kong was the Mainland's third-largest trading partner in 2024, accounting for about 5 per cent of the Mainland's total trade value.

2 This refers to being an international financial, shipping, and trade centre, and an international hub for high-calibre talent.

About two-thirds of Hong Kong's exports to the Mainland, which were mainly re-exports, involved raw materials and semi-manufactures, reflecting the Mainland's role as a production hinterland and the highly integrated production network within Asia.

The Second Agreement Concerning Amendment to the Mainland and Hong Kong Closer Economic Partnership Arrangement Agreement on Trade in Services was signed in October for implementation from 1 March 2025. It introduces new measures across several sectors where Hong Kong enjoys competitive advantages, such as financial services, construction and related engineering services, testing and certification, telecommunications, motion pictures, television and tourism services. It brings institutional innovation and collaboration enhancement, including addition of 'allowing Hong Kong-invested enterprises to adopt Hong Kong law' and 'allowing Hong Kong-invested enterprises to choose for arbitration to be seated in Hong Kong', and removal of the period requirement on Hong Kong service suppliers to engage in substantive business operations in Hong Kong for three years in most service sectors.

Hong Kong has always been a principal gateway to and from the Mainland, for tourism, business and investment and, in 2024, people flows between the Mainland and Hong Kong rebounded further. Visitors made more than 1.8 million trips through Hong Kong to the Mainland, and Mainland residents made 34 million trips to or through Hong Kong.

As for investment, Hong Kong remained the largest external investor in the Mainland in 2023. According to Mainland statistics, the cumulative value of realised direct investment in the Mainland from Hong Kong was nearly US$1.7 trillion as at end-2023, accounting for 59 per cent of the total. Reciprocally, Hong Kong is the largest destination for the Mainland's outward direct investment. Based on Mainland statistics, Hong Kong accounted for 59 per cent of the Mainland's total outward direct investment position as at end-2023, reflecting Hong Kong's role as a platform for Mainland companies to explore other markets and go global. Based on Hong Kong statistics, the Mainland is Hong Kong's largest source of external direct investment, accounting for 31 per cent of Hong Kong's total inward direct investment stock as at end-2023. About 2,620 Mainland companies were operating regional headquarters and regional or local offices in Hong Kong as at mid-2024, up from 957 a decade ago.

Due to proximity, Guangdong's economic links with Hong Kong are the closest of all the provinces. Based on Mainland statistics, the value of realised direct investment in Guangdong from Hong Kong was US$10.2 billion in 2024, accounting for 71.2 per cent of the province's total realised inward direct investment in the year.

The China Securities Regulatory Commission announced measures in April to further expand the mutual access between the capital markets of the Mainland and Hong Kong. The eligible product scope of equity exchange-traded funds (ETFs) under Stock Connect was further expanded in July, including 91 new ETFs. In May, the People's Bank of China, the Securities and Futures Commission (SFC) and the Hong Kong Monetary Authority (HKMA) announced the second batch of enhancements to enhance the mutual access arrangements between the Mainland and Hong Kong in relation to Swap Connect. The new measures expanded the choice of products, enhanced the efficiency of the mechanism and reduced participation costs, thereby promoting trading while better meeting investors' risk-management needs.

As a major funding centre for Mainland enterprises, Hong Kong had 1,478 Mainland enterprises listed on its stock market at end-2024. Of these, 62 were listed in 2024, raising nearly $84 billion through initial public offerings (IPOs). IPOs and secondary market financing of all listed Mainland companies combined raised more than $172 billion in total equity funds in 2024.

Hong Kong possesses the world's largest offshore pool of RMB liquidity, holding about RMB1.1 trillion of deposits (including outstanding certificates of deposit) as at end-2024. RMB bank lending stood at about RMB724 billion and RMB trade settlements handled by banks in Hong Kong were about RMB15.2 trillion in 2024.

Hong Kong is also the largest offshore RMB investment product market. As at end-2024, there were 34 SFC-authorised, RMB-denominated unlisted funds primarily investing onshore via the Qualified Foreign Investor scheme, Stock Connect, Bond Connect and the China Interbank Bond Market, with an aggregate net asset value of RMB16.5 billion; and 38 SFC-authorised, RMB-denominated ETFs listed on the Stock Exchange of Hong Kong, primarily investing onshore via the same channels with an aggregate net asset value of RMB75 billion.

Economy in 2024

External Trade

Thanks to improved external demand, total exports of goods, based on external merchandise trade statistics, resumed growth of 4.9 per cent in real terms in 2024, after falling by 11.6 per cent in 2023. Strong year-on-year growth of 7.1 per cent and 8.1 per cent was recorded in the first and second quarters, though the growth rate moderated to 4.2 per cent and 0.7 per cent in the third and fourth quarters respectively, alongside softening economic growth in some major markets and a higher base of comparison *(chart 5)*. Analysed by major market, exports to the Mainland rebounded sharply in 2024. Exports to the US turned to an increase, and those to the European Union recorded a narrowed decline. Exports to Association of Southeast Asian Nations markets revived notably, while those to some high-income Asian economies continued to decline.

Chart 5 **Hong Kong's Goods Trade**

(year-on-year rate of change in volume terms)

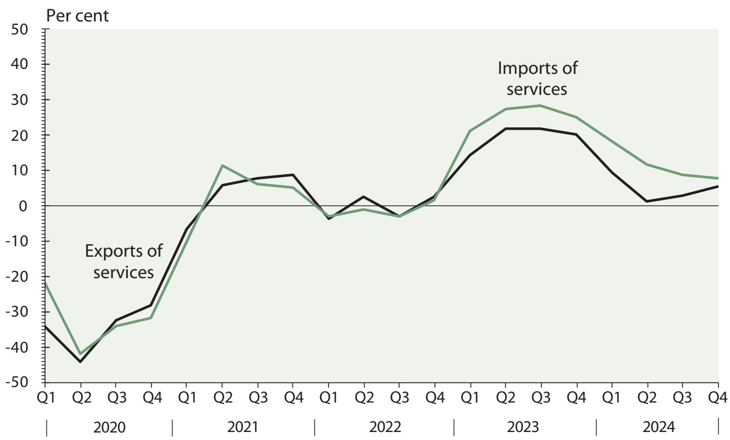
Merchandise exports resumed growth in 2024.

Imports of goods rose by 2.6 per cent in real terms in 2024, after declining by 9.2 per cent in 2023. Retained imports, which refer to imports for domestic use and accounted for around one-fifth of merchandise imports in 2024, turned to a decline of 5.9 per cent. Imports for subsequent re-exports grew in tandem with the growth in exports.

Exports of services saw a broad-based expansion of 4.8 per cent in real terms in 2024, further to visible growth of 19.5 percent in 2023 *(chart 6)*. Exports of financial services turned to an increase as cross-border financial and fund raising activities improved. Exports of business and other services also resumed growth alongside the economic expansion. Exports of transport services grew further in tandem with increased visitor arrivals and regional trade flows. Exports of travel services continued to grow, although only at moderate pace due to visitors' changing consumption patterns.

Chart 6 **Hong Kong's Services Trade**

(year-on-year rate of change in real terms)



Note: Exports and imports of services are compiled based on the change of ownership principle.

Exports of services saw a broad-based expansion in 2024.

Imports of services grew by 11.5 per cent in real terms in 2024, after 25.6 per cent growth in 2023. This was mainly driven by the continued growth in imports of travel services. Imports of transport services and manufacturing services reverted to increases, while those of business and other services grew further.

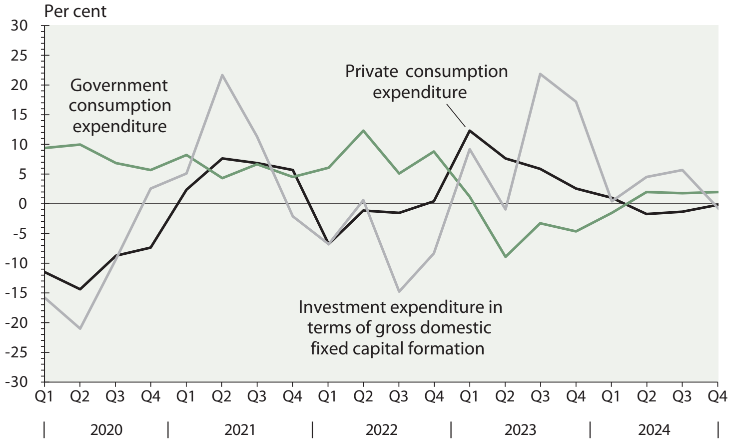
Compiled based on the change of ownership principle, the goods deficit narrowed in 2024, as the value of exports of goods saw a larger increase than that of imports. Meanwhile, the services surplus was virtually unchanged. The combined goods and services account registered a surplus of $129 billion in 2024, compared to a surplus of $17 billion in 2023.

Domestic Demand

Consumption activities declined slightly in 2024 amid a change in residents' consumption patterns. After a mild increase in the first quarter, private consumption expenditure declined in the subsequent quarters, but the rate of decline narrowed towards the end of the year. For 2024 as a whole, private consumption expenditure declined by 0.6 per cent in real terms, after an increase of 6.8 per cent in 2023 *(chart 7)*. Meanwhile, government consumption expenditure increased by 1 per cent in real terms in 2024, after a 3.9 per cent decline in 2023.

Chart 7 **Main Components of Domestic Demand**

(year-on-year rate of change in real terms)



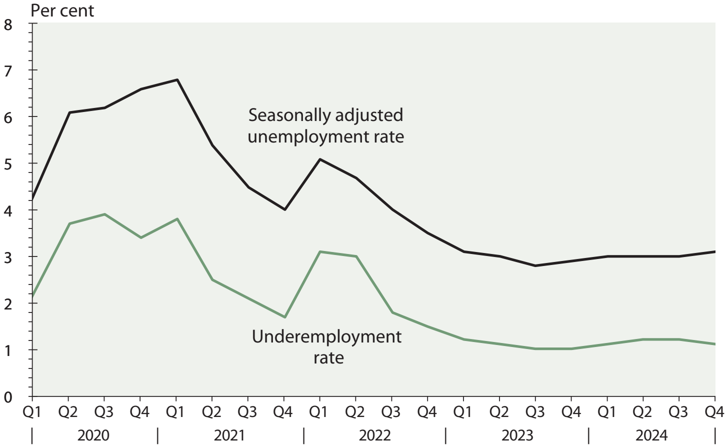
Private consumption expenditure declined slightly in 2024.

Overall investment spending in terms of gross domestic fixed capital formation increased by 2.4 per cent in real terms in 2024 in tandem with the economic expansion, further to an 11.4 per cent increase in 2023. Expenditure on building and construction rose by 3.1 per cent, supported by the increase in public sector spending. Expenditure on acquisitions of machinery, equipment and intellectual property products declined slightly by 0.8 per cent. Separately, the costs of ownership transfer jumped as the overall number of property transactions rebounded notably.

Labour Market

The labour market remained tight in 2024 as the economy continued to expand. The seasonally adjusted unemployment rate stayed low in 2024, though it increased slightly to 3.1 per cent in the fourth quarter from 2.9 per cent a year ago *(chart 8)*. The underemployment rate also stayed low throughout the year, though it edged up to 1.1 per cent in the fourth quarter from 1 per cent a year ago. The unemployment rates of various major sectors showed diverse movement in the fourth quarter compared with a year earlier. The unemployment rates of some sectors increased, notably the construction sector; the retail, accommodation and food services sector; and the transportation, storage, postal and courier services sector. On the other hand, the unemployment rates of some sectors decreased, notably the insurance sector; the manufacturing sector; and the real estate sector.

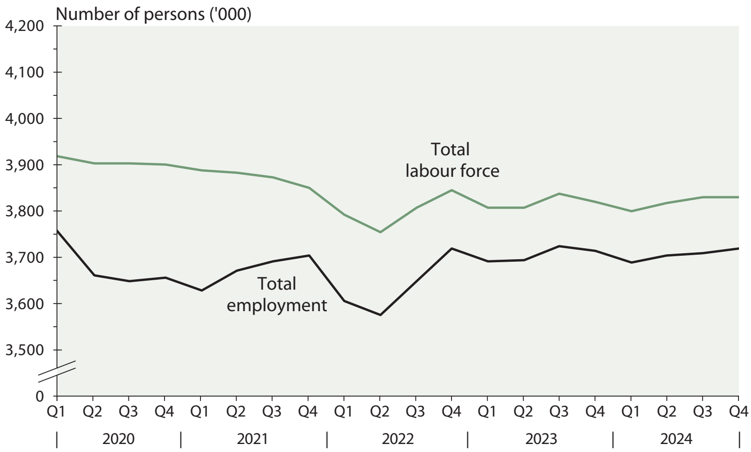
Chart 8 **Unemployment and Underemployment Rates**



The labour market remained tight in 2024 as the economy continued to expand.

Following the government drive to attract talent, the working-age population (land-based non-institutional population aged 15 and above) increased by 0.7 per cent year on year to 6,730,300 in the fourth quarter of 2024. On the other hand, the labour force participation rate declined further to 56.9 per cent mainly due to population ageing. As a result, the labour force increased by 0.3 per cent year on year to 3,832,400 *(chart 9)*.

Chart 9 **Total Labour Force and Total Employment**



The labour force increased in 2024 and total employment was largely stable.

Total employment was largely stable during the year. In the fourth quarter, total employment increased slightly by 0.1 per cent year on year to 3,718,900. Employment of many sectors increased, notably the insurance sector; the postal and courier activities sector; the real estate sector; the human health activities sector; the accommodation services sector; and the foundation and superstructure sector. Other sectors decreased, including the decoration, repair and maintenance for buildings sector; the retail sector; the food and beverage service activities sector; the import/export trade and wholesale sector; and the transportation sector.

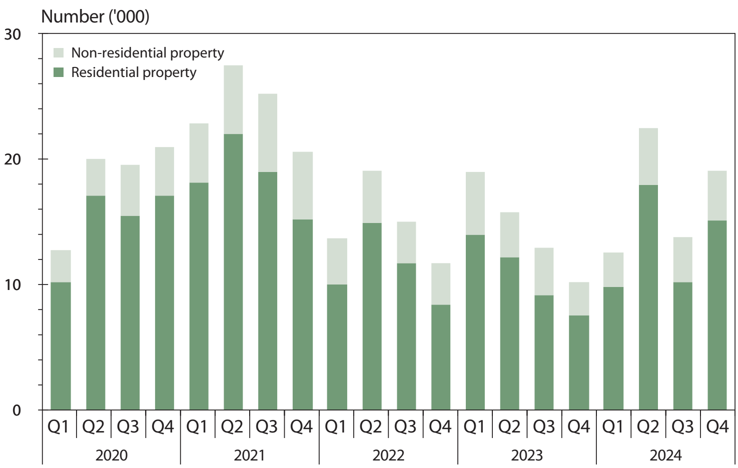
Labour earnings attained decent growth throughout 2024. The index of payroll per person engaged for all selected industry sections, which covers basic wage, overtime pay, discretionary bonuses and other irregular payments, increased by 3.4 per cent in nominal terms or 2 per cent in real terms in the fourth quarter over a year ago. Meanwhile, the median monthly employment earnings of full-time employees (excluding foreign domestic helpers) increased by 4.8 per cent in nominal terms over a year earlier to $24,000 in the fourth quarter. After discounting for inflation, it rose by 3.4 per cent in real terms.

Property Market

The residential property market stayed subdued in most of 2024 before showing some stabilisation in the latter part of the year. After a temporary uptick following the cancellation of all demand-side management measures announced in the first quarter, the market eased back in the second and third quarters amid tight financial conditions and an uncertain global environment. It then stabilised after the US started to cut interest rates in September, later also supported by adjustments to the maximum loan-to-value ratio and the debt servicing ratio limit.

For 2024 as a whole, the total number of sale and purchase agreements for residential property received by the Land Registry rebounded notably by 23 per cent to 53,099 from a low base of 43,002 in the preceding year. But it was still lower than the five-year average of 56,405 in 2019-2023 *(chart 10)*. Total consideration increased noticeably by 17 per cent to $454.4 billion.

Chart 10 **Sale and Purchase Agreements by Broad Type of Property**

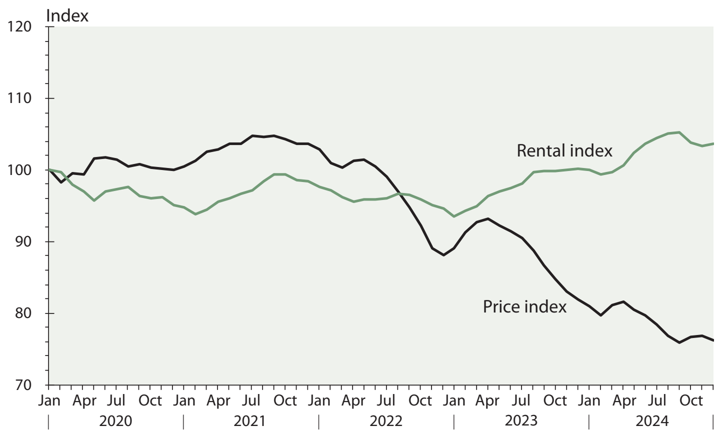


Trading activities rebounded notably in 2024.

Overall flat prices fell further during 2024, though month-to-month increases were seen in several months when there were changes in demand-side management measures and macroprudential measures, as well as interest rate cuts. Flat prices in December were on average 7 per cent lower than a year ago, and 27 per cent below the peak in September 2021. Meanwhile, the leasing market for residential property performed better in 2024, due in part to an influx of talent. Overall flat rentals in December were on average 3 per cent higher than a year earlier, but still 4 per cent below the peak in August 2019 *(chart 11)*.

Chart 11 **Prices and Rentals of Residential Property**

(Jan 2020=100)



Flat prices fell further in 2024, while rentals continued to increase.

The index of home purchase affordability[3] improved further to around 61 per cent in the fourth quarter of 2024 alongside the decrease in mortgage rates. Yet it was still above the long-term average of 54 per cent over 2004-2023[4].

Reflecting the government's sustained efforts in raising flat supply, the total supply of first-hand flats in the private sector in the coming three to four years (comprising unsold flats of completed projects, flats under construction but not yet sold and flats on disposed sites where construction can start any time) remained at a high level of 107,000 units as estimated at end-2024. The demand-supply balance of private flats showed some relaxation in 2024. The vacancy rate rose from 4.1 per cent at end-2023 to 4.5 per cent at end-2024, on par with the long-term average of 2004-2023.

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3 The ratio of mortgage payment for a 45-square-metre flat to median income of households, excluding those living in public rental housing and public temporary housing.

4 Starting from the third quarter of 2019, the index of home purchase affordability is calculated based on, among others, the mortgage rates of new mortgage loans with reference to both the Best Lending Rate (BLR) and the Hong Kong Interbank Offered Rate. As such, the data from the third quarter of 2019 onwards may not be strictly comparable with those in previous quarters, which were based on the mortgage rates of new mortgage loans with reference to the BLR only. Figures may be subject to revision.

The government has been adopting a pragmatic approach in continuously evaluating the residential property market situation. After prudent consideration of the then-market situation and the high level of housing supply in the coming few years, the government cancelled all demand-side management measures for residential properties on 28 February, as announced in the 2024-25 Budget. Throughout the year, the HKMA also made several rounds of adjustments to the countercyclical macroprudential measures for property mortgage loans in accordance with the evolving market situation. After the adjustments on 16 October which the Chief Executive announced in his Policy Address, the maximum loan-to-value ratio and the debt servicing ratio limit were standardised at 70 per cent and 50 per cent respectively for all residential properties and non-residential properties, reverting to the pre-2009 levels before the countercyclical macroprudential measures were first introduced.

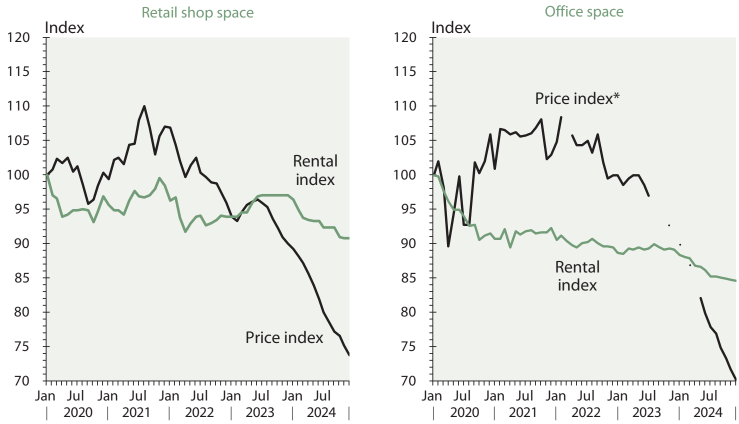
The non-residential property market remained weak in general in 2024. Trading activities stayed at very low levels. For 2024 as a whole, the number of sale and purchase agreements for non-residential property fell by 1 per cent to 14,900 and below the five-year average of 16,000 in 2019-2023. Total consideration declined by 10 per cent to $79.8 billion.

Both prices and rentals for all major market segments decreased. Sale prices and rentals of retail shop space fell by 18 per cent and 6 per cent respectively between December 2023 and December 2024. Compared with the respective peaks in 2018 and 2019, prices and rentals in December 2024 were 36 per cent and 16 per cent lower. For office space, prices on average plunged by 24 per cent between November 2023[5] and December 2024. Overall office rentals in December 2024 were 5 per cent lower than those in December 2023. Compared with the respective peaks in 2018 and 2019, office prices and rentals in December 2024 were 44 per cent and 19 per cent lower *(chart 12)*. For flatted factory space, prices and rentals also declined by 15 per cent and 3 per cent respectively between December 2023 and December 2024. Compared with the respective peaks in 2019 and 2023, prices and rentals in December 2024 were 28 per cent and 4 per cent lower.

5 The price index of overall office space cannot be compiled in December 2023, as there were insufficient transactions in that month.

Chart 12 Prices and Rentals of Retail Shop Space and Office Space

(Jan 2020=100)



* The price index of overall office space cannot be compiled in March 2022, August to October and December 2023, and February and April 2024, as there were insufficient transactions in those months.

The non-residential property market remained weak in general in 2024.

As to demand-supply balance, the vacancy rate of retail shop space, office space and flatted factory space went up from 10.3 per cent, 14.9 per cent and 5.7 per cent at end-2023 to 11.8 per cent, 16.3 per cent and 7 per cent at end-2024 respectively. The respective long-term averages for the vacancy rates of these three types of non-residential property over 2004-2023 were 9.1 per cent, 9.3 per cent and 6.3 per cent.

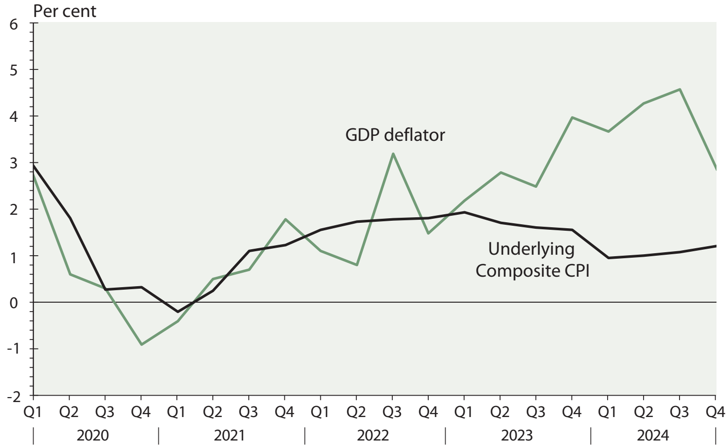
Price Movements

Underlying consumer price inflation was mild in 2024. Food prices as a whole saw modest increases, alongside narrowing increases in prices of meals out and takeaway food over the course of the year. Prices of electricity fell visibly. Private housing rentals showed tepid increases. Price pressures on other major components remained broadly in check.

Domestic business cost pressures remained contained as nominal wages increased while commercial rentals went down. Overall external price pressures eased during the year. Headline Composite consumer price index (CPI) inflation was 1.7 per cent in 2024, compared to 2.1 per cent in 2023. Netting out the effects of the government's one-off relief measures, the underlying Composite CPI rose by 1.1 per cent in 2024, compared to 1.7 per cent in 2023, with the quarterly figures moving within a narrow range of 1 per cent to 1.2 per cent *(chart 13)*. The headline inflation rate was higher than its underlying counterpart in 2024 mainly due to lower rates concessions and, to a lesser extent, a smaller electricity charges subsidy provided by the government in the year.

Chart 13 **Main Inflation Indicators**

(year-on-year rate of change)



Underlying consumer price inflation was mild in 2024.

The GDP deflator picked up to 3.8 per cent in 2024 from 2.9 per cent in 2023. Within the GDP deflator, the terms of trade turned to a modest increase of 0.8 per cent in 2024. Taking out the external trade components, the domestic demand deflator increased by 2.3 per cent in 2024.

Website

Office of the Government Economist, Financial Secretary's Office: www.oge.gov.hk

This chapter has incorporated the latest available data as far as practicable. Some figures, such as GDP, are subject to revision when more data is incorporated.