Chapter 4

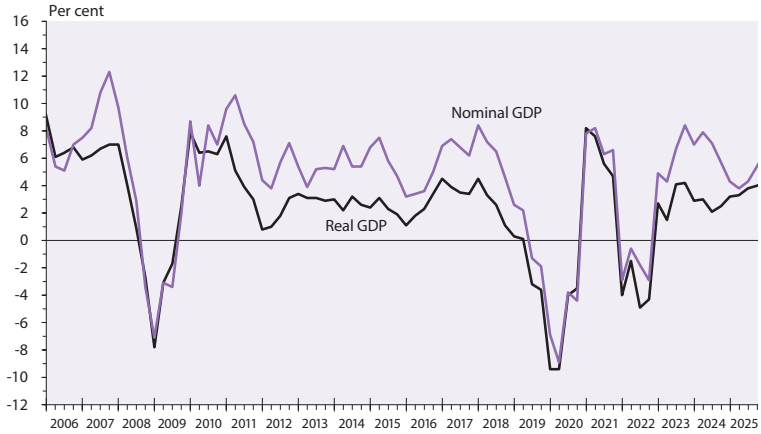
Economy

The Hong Kong economy demonstrated remarkable resilience and staged robust growth in 2025. Notwithstanding the tariff hikes by some major economies during the year, exports of both goods and services increased solidly. Private consumption expenditure reverted to a modest increase, and overall investment expenditure posted accelerated growth. The stock market staged a strong performance. The residential property market showed a visible turnaround. The labour market showed signs of stabilisation towards the latter part of the year. Consumer price inflation remained modest throughout 2025.

Gross Domestic Product (GDP) grew by 3.6 per cent in real terms in 2025, faster than the 2.6 per cent growth in the preceding year and marking the third consecutive year of expansion *(chart 1)*. Growth momentum strengthened progressively over the course of the year, with the year-on-year growth accelerating from 3.3 per cent in the first half to 3.8 per cent and 4 per cent in the third and fourth quarters respectively.

Chart 1 **Quarterly Gross Domestic Product**

(year-on-year rate of change)



The Hong Kong economy demonstrated remarkable resilience and staged robust growth in 2025.

The local stock market staged a strong performance in 2025. The Hong Kong stock market experienced a sharp correction alongside other major markets upon the United States' announcement of 'reciprocal tariffs' in early April. Yet following breakthrough developments in the technology sector, particularly artificial intelligence, gradual easing of trade tensions, and US interest rate cuts, market sentiment improved markedly. The Hang Seng Index rallied to a four-year high in early October and closed the year at 25,631, achieving a notable 27.8 per cent gain for the year as a whole.

The residential property market showed a visible turnaround in 2025. After a relatively soft first quarter, the market gained a firmer footing from the second quarter. Momentum started to strengthen more noticeably in the ensuing two quarters, buttressed by robust local economic growth, strong performance of the local financial market and the start of interest rate cuts in the US.

Structure and Development of Economy

Hong Kong is an international trade, finance and shipping centre, located strategically at the doorstep of the Chinese Mainland's huge and vibrant economy. Hong Kong was the world's fifth-largest merchandise trading entity in 2025, 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-2025 and the fourth-largest global foreign exchange market according to a triennial survey conducted by the Bank for International Settlements in 2025. Its stock market was the fourth largest in Asia by market capitalisation as at end-2025, and ranked first 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 ranked third globally in the *World Competitiveness Yearbook 2025* published by the International Institute for Management Development. Hong Kong also continued to be ranked as the world's freest economy by the Fraser Institute in 2025.

Hong Kong's per capita GDP level has been among the world's top in recent years. In 2025, per capita GDP at current market prices went up by 4.8 per cent over the preceding year to reach HK$444,044 (or US$56,943), or by 4 per cent in real terms.

Hong Kong is the most externally oriented and open economy in the world and also a major global trading hub. The total value of the goods trade based on the GDP compilation framework reached $11,591 billion in 2025, equivalent to 348 per cent of GDP. Including the value of trade in services, the ratio of total trade to GDP reached 397 per cent in 2025.

As an international financial centre with huge cross-territory fund flows, Hong Kong has substantial external financial assets and liabilities, of $60,123 billion and $40,613 billion respectively at the end of 2025. The corresponding ratios to GDP were 1,806 per cent and 1,220 per cent. Reflecting the city's robust international investment position, its net external financial assets amounted to $19,510 billion at the end of 2025, equivalent to 586 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 $22,034 billion at the end of 2025, equivalent to 662 per cent of GDP. The corresponding figures for Hong Kong's stock of direct investment assets were likewise huge, at $20,873 billion, or 627 per cent of GDP.

Gross National Income, comprising GDP and net external primary income flow, stood at $3,664 billion in 2025, higher than the corresponding GDP by 10 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 $2,245 billion and $1,911 billion respectively, equivalent to 67 per cent and 57 per cent of GDP respectively.

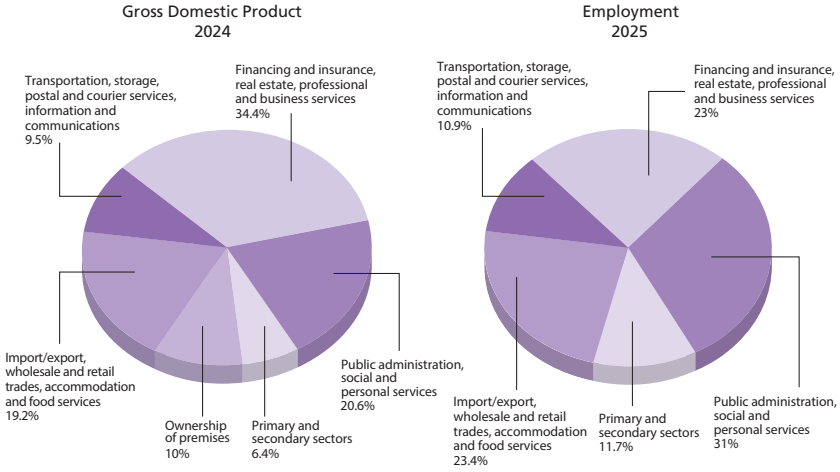
Contributions of Various Economic Sectors

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 2024, 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 2025, 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 2024. The largest services sector continued to be financing and insurance, real estate, professional and business services, accounting for 34 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 (19 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 2025. In particular, public administration, social and personal services accounted for 31 per cent of total employment, followed by import/export, wholesale and retail trades, accommodation and food services (23 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 2)*.

Chart 2 **Gross Domestic Product and Employment by Sector**



Note: Individual percentage shares may not add up to 100 due to rounding.

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

The Fourth Plenary Session of the 20th Central Committee of the Communist Party of China adopted the Recommendations for Formulating the 15th Five-Year Plan for National Economic

and Social Development in October, making strategic plans for the country's development over the next five years and putting forward major objectives and key tasks for economic and social development. The plan clarifies Hong Kong's strategic position and supports the city in consolidating and enhancing its status as an international financial, shipping and trade centre, as well as in building an international innovation and technology centre, all of which will promote the city's economic and social development and help it better integrate into and serve the overall national development.

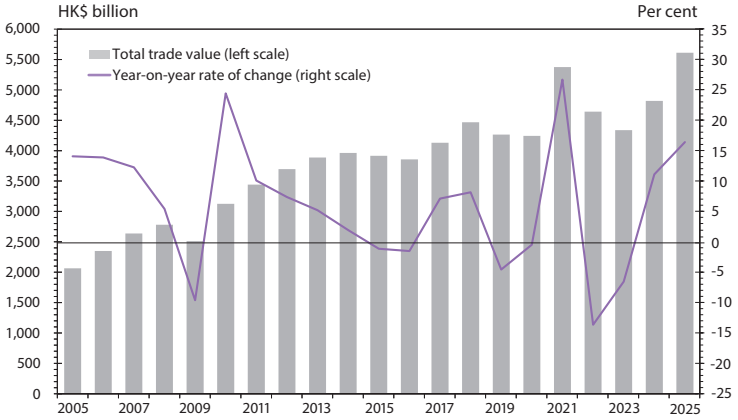
The government is pressing ahead to consolidate and enhance Hong Kong's status as an international financial, shipping and trade centre, develop new quality productive forces tailored to local conditions, build an international hub for high-calibre talents, as well as foster economic diversification. By leveraging the advantages under 'one country, two systems' to better integrate into the national development, and by harnessing connectivity with the Chinese 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 Chinese Mainland

Hong Kong plays a pivotal role as a gateway connecting the Chinese Mainland and the rest of the world, facilitating the flows of goods, services, people and capital.

With the Mainland's total merchandise trade surging from US$1.4 trillion in 2005 to US$6.4 trillion in 2025, Hong Kong has benefited substantially. In 2025, 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 3)*. The Chinese Mainland was the world's largest merchandise trading entity while Hong Kong ranked fifth in 2025.

Chart 3 **Goods Trade between Hong Kong and Mainland**



The value of merchandise trade between Hong Kong and the Mainland has nearly tripled over the past two decades.

The Chinese Mainland has long been Hong Kong's largest trading partner, contributing to about half of the city's total merchandise trade value in 2025. Hong Kong, on the other hand, was the Mainland's second-largest trading partner, accounting for about 6 per cent of the Mainland's total trade value.

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 has been implemented since 1 March. It introduces new measures across several services sectors where Hong Kong enjoys competitive advantages, and brings institutional innovation and collaboration enhancement, including the 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 services sectors.

Hong Kong has always been a principal gateway to and from the Mainland for tourism, business and investment. In 2025, people flows between the two places remained buoyant. Visitors made around 2.3 million trips through Hong Kong to the Mainland, and Mainland residents made 38 million trips to or through Hong Kong.

As for investment, Hong Kong remained the largest external investor in the Mainland in 2024. According to Mainland statistics, the cumulative value of realised direct investment in the Mainland from Hong Kong was nearly US$1.8 trillion as at end-2024, accounting for 57 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 61 per cent of the Mainland's total outward direct investment position as at end-2024, reflecting Hong Kong as an important platform for Mainland companies to 'go global'.

Based on Hong Kong statistics, the Mainland is Hong Kong's largest source of external direct investment, accounting for 33 per cent of Hong Kong's total inward direct investment stock as at end-2024. About 3,090 Mainland companies were operating regional headquarters and regional or local offices in Hong Kong as at mid-2025, up from 1,091 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 83.65 billion Renminbi (RMB) in 2025, accounting for 74.2 per cent of the province's total realised inward direct investment in the year.

As a major funding centre for Mainland enterprises, Hong Kong had 1,552 Mainland enterprises listed on its stock market at end-2025. Of these, 109 were listed during the year, raising nearly $240 billion through initial public offerings (IPOs). In the same year, IPOs and secondary market financing of all listed Mainland companies combined raised around $573.8 billion in total equity funds.

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-2025. RMB bank lending stood at about RMB935 billion and RMB trade settlements handled by banks in Hong Kong were about RMB13.9 trillion in 2025.

Hong Kong is also the largest offshore RMB investment product market. As at end-2025, the Securities and Futures Commission (SFC) had authorised a total of 30 RMB-denominated unlisted funds and 35 RMB-denominated exchange traded funds (ETFs) listed on the Stock Exchange of Hong Kong. These two types of funds primarily invested in the onshore market via the Qualified Foreign Investor scheme, Stock Connect, Bond Connect and the China Interbank Bond Market, their aggregate net asset values stood at RMB19.1 billion and RMB82.5 billion respectively.

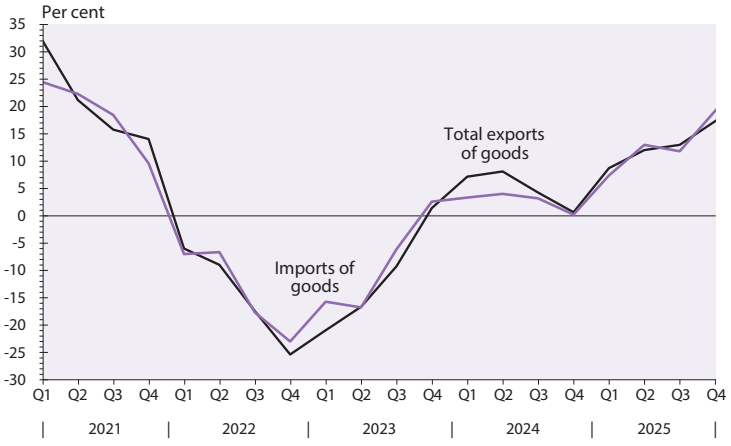
Economy in 2025

External Trade

Total exports of goods, based on external merchandise trade statistics, increased solidly by 12.8 per cent in real terms in 2025, a strong pick-up from the 4.9 per cent growth in 2024 *(chart 4)*. During the year, the US imposed sweeping global tariffs, leading to escalations in global trade tensions. Nevertheless, Hong Kong's goods exports still recorded a robust performance, mainly driven by sustained strong demand for electronic-related products on the back of the massive investment in artificial intelligence and other new technologies, as well as buoyant regional trade flows in Asia. Analysed by major market, exports to the Mainland posted further double-digit growth. Exports to Association of Southeast Asian Nations markets soared, and those to most advanced economies in Asia increased by varying degrees, while exports to the US also recorded accelerated growth; those to the European Union declined in the first three quarters but bounced back in the last quarter.

Chart 4 **Hong Kong's Goods Trade**

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



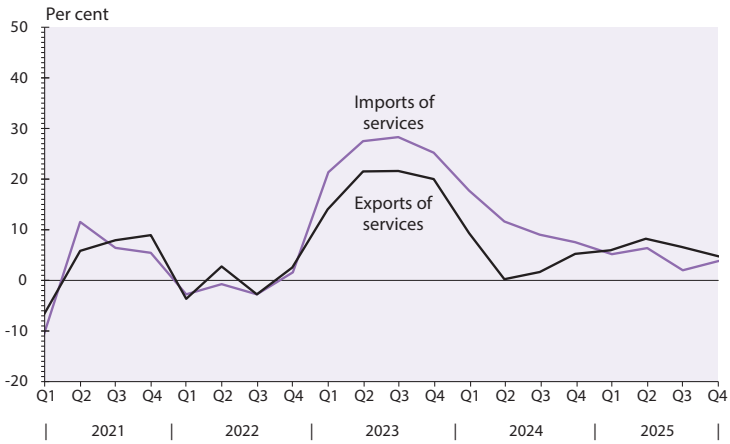
Merchandise exports increased solidly in 2025.

Merchandise imports soared by 12.9 per cent in real terms in 2025, after an increase of 2.6 per cent in 2024. Retained imports, which refer to imports for domestic use and accounted for around one-fifth of merchandise imports in 2025, turned to a strong growth of 13.2 per cent. Imports for subsequent re-exports grew in tandem with the growth in exports.

Exports of services expanded notably by 6.2 per cent in real terms in 2025, an acceleration over the growth of 4.1 per cent in 2024 *(chart 5)*. Exports of all major service groups saw growth. Specifically, exports of travel and transport services expanded visibly further thanks to the sustained increases in inbound tourism and cross-boundary traffic. Exports of financial services picked up in growth, supported by vibrant cross-boundary financial service activities amid advancing global stock markets. Exports of business and other services also grew moderately further.

Chart 5 **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 expanded notably in 2025.

Imports of services recorded slower growth of 4.3 per cent in real terms in 2025, after 11.3 per cent growth in 2024. Imports of major service groups rose by varying degrees.

Compiled based on the change of ownership principle, the goods deficit widened in 2025, as the increase in the value of exports of goods was smaller than that of imports. Meanwhile, the services surplus widened. The combined goods and services account registered a surplus of $97 billion in 2025, compared with a surplus of $123 billion in 2024.

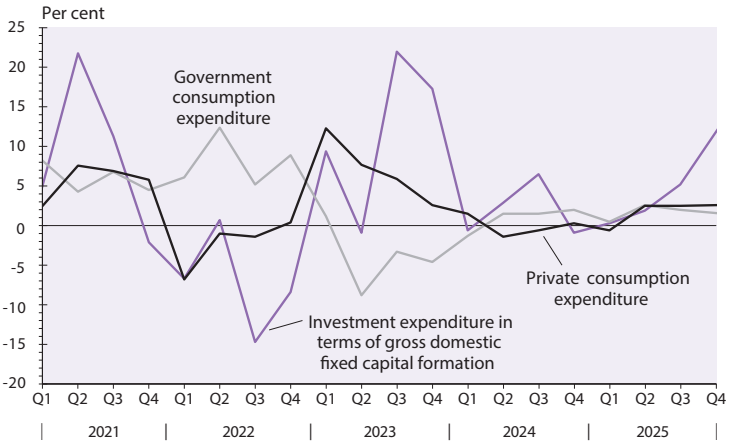
Domestic Demand

Private consumption expenditure saw a modest increase of 1.7 per cent in real terms in 2025, reversing the 0.2 per cent decline in 2024, amid a gradual improvement in the local

consumption market *(chart 6)*. It resumed growth from the second quarter, with the pace accelerating slightly in the second half of the year. Meanwhile, government consumption expenditure increased by 1.5 per cent in real terms in 2025, further to the 0.7 per cent increase in 2024.

Chart 6 **Main Components of Domestic Demand**

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



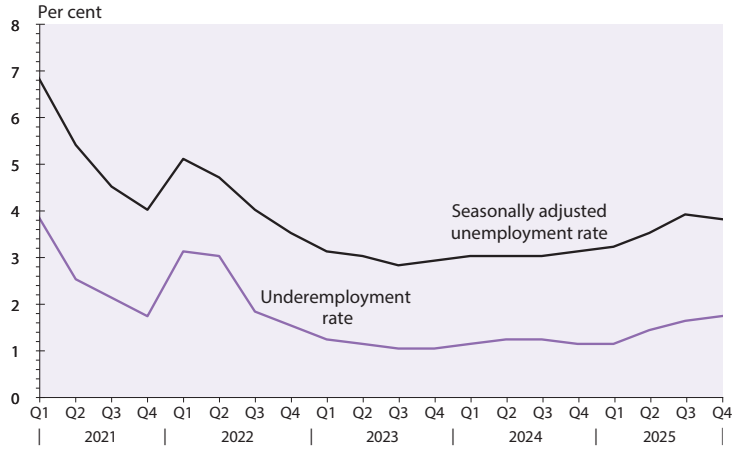
Private consumption reverted to a modest increase while investment posted accelerated growth in 2025.

Overall investment spending in terms of gross domestic fixed capital formation became more entrenched alongside the economic expansion, and posted accelerated growth of 4.8 per cent in real terms in 2025, following the 1.9 per cent increase in 2024. Expenditure on acquisitions of machinery, equipment and intellectual property products rose sharply by 25.6 per cent, with private-sector spending showing particularly strong growth. Costs of ownership transfer increased markedly by 37.8 per cent as the number of property transactions bounced back strongly. These more than offset the weak performance in the expenditure on building and construction, which declined by 9.6 per cent.

Labour Market

The labour market softened in the beginning of 2025, but showed signs of stabilisation towards the latter part of the year. The seasonally adjusted unemployment rate retreated slightly to 3.8 per cent in the fourth quarter from 3.9 per cent in the previous quarter, after trending up from 3.2 per cent in the first quarter *(chart 7)*. Meanwhile, the overall underemployment rate went up to 1.7 per cent in the fourth quarter from 1.1 per cent in the first quarter. The unemployment rates of many sectors went down in the fourth quarter of 2025 compared with the preceding quarter, including the construction sector, the retail, accommodation and food services sector, the financing sector, and the professional and business services sector (excluding cleaning and similar activities).

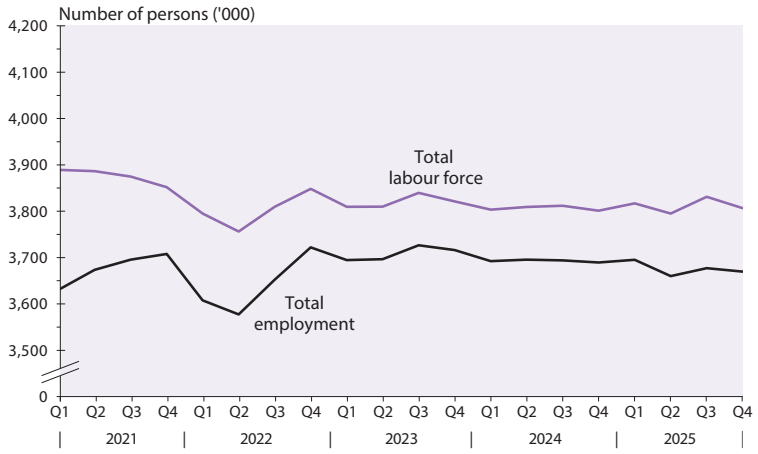
Chart 7 **Unemployment and Underemployment Rates**



The labour market showed signs of stabilisation towards the latter part of 2025.

The labour force increased by 0.1 per cent to 3,805,200 in the fourth quarter of 2025 over a year earlier *(chart 8)*. Over the same period, the working-age population (land-based non-institutional population aged 15 and above) rose by 0.4 per cent to 6,709,400, whereas the overall labour force participation rate went down by 0.2 percentage point to 56.7 per cent.

Chart 8 **Total Labour Force and Total Employment**



The labour force increased over a year earlier in the fourth quarter of 2025, whereas total employment declined.

Total employment declined by 0.5 per cent from a year earlier to 3,667,000 in the fourth quarter of 2025, though the trends varied across different sectors. Some major sectors, including construction, retail, import and export trade, information and communications, and food and

beverage service activities, recorded decreases in employment. On the other hand, the human health activities, social work activities, professional and business services (excluding cleaning and similar activities), and financing sectors recorded increases in employment.

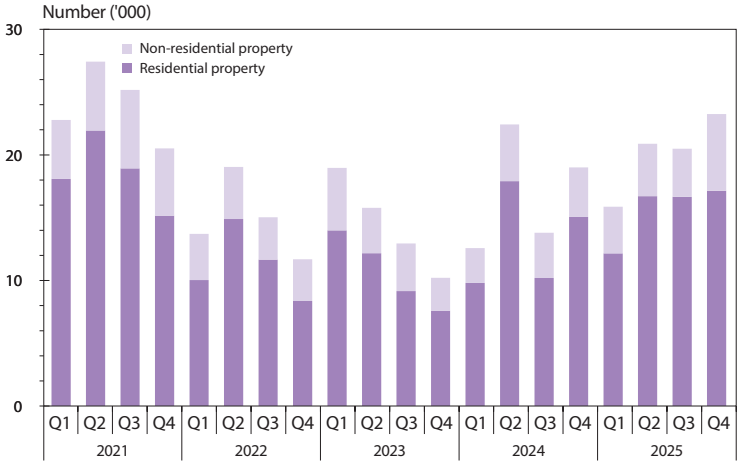
Labour earnings recorded further year-on-year growth throughout 2025. The index of payroll per person engaged for all selected industry sections, which covers basic wage, overtime pay, discretionary bonuses and other irregular payments, increased by 3.2 per cent in nominal terms or 1.9 per cent in real terms in the fourth quarter over a year ago. Besides, the median monthly employment earnings of full-time employees (excluding foreign domestic helpers) increased by 4.2 per cent in nominal terms over a year earlier to $25,000 in the fourth quarter. After discounting for inflation, it rose by 2.8 per cent in real terms.

Property Market

The residential property market showed a visible turnaround in 2025. After a relatively soft first quarter, the market gained a firmer footing from the second quarter. Momentum started to strengthen more noticeably in the ensuing two quarters, buttressed by robust local economic growth, strong performance of the local financial market and the start of interest rate cuts in the US.

For 2025 as a whole, the total number of sale and purchase agreements for residential property received by the Land Registry increased further by 18 per cent over the preceding year to a four-year high of 62,832 *(chart 9)*. Total consideration also went up by 14 per cent to $519.8 billion. Residential property transactions valued below $4 million rose visibly by 29 per cent in the year following the significant reduction in stamp duty for property transactions which took effect in February.

Chart 9 **Sale and Purchase Agreements by Broad Type of Property**

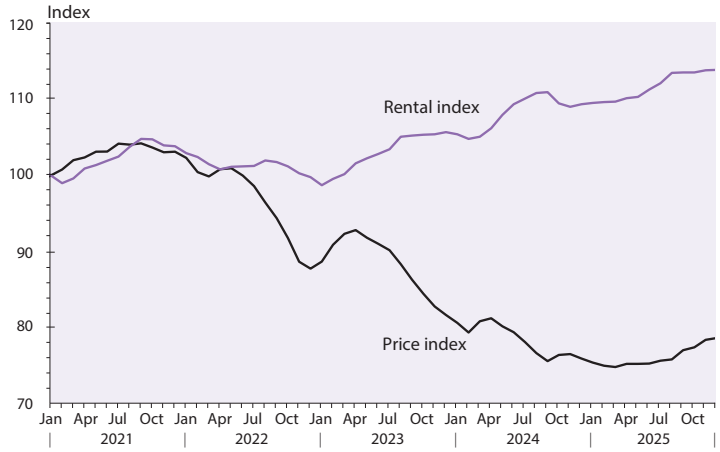


Property trading activities were more active in 2025.

Overall flat prices turned to an annual increase after three years of declines. Flat prices in December were on average 4 per cent higher than a year ago, though still 25 per cent below the peak in September 2021. Meanwhile, the leasing market for residential property sustained solid performance throughout 2025. Overall flat rentals in December were 4 per cent higher than a year earlier, and have surpassed the peak in 2019 *(chart 10)*.

Chart 10 **Prices and Rentals of Residential Property**

(Jan 2021=100)



Both flat prices and rentals rose in 2025.

Amid the decline in mortgage rates, the index of home purchase affordability[1] improved from 61 per cent in the fourth quarter of 2024 to 59 per cent in the fourth quarter of 2025.

As estimated at end-2025, 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) decreased by around 3,000 units over the year, but remained at a high level of 104,000 units. The demand-supply balance of private flats slightly tightened in 2025. The vacancy rate edged down from 4.5 per cent at end-2024 to 4.3 per cent at end-2025, marginally below the long-term average of 4.4 per cent over 2005-2024.

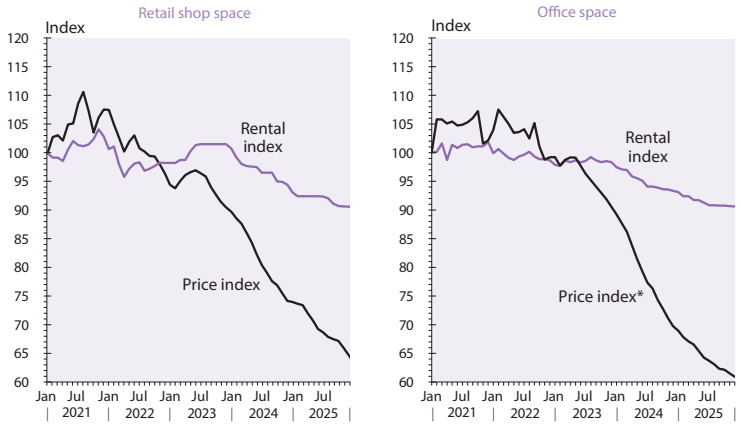
The non-residential property market stayed comparatively sluggish in 2025, but trading activities picked up visibly. For 2025 as a whole, the number of sale and purchase agreements for non-residential property rose by 20 per cent to 17,900 and exceeded the five-year average of 16,000 in 2020-2024. Total consideration increased by 18 per cent to $94.4 billion.

[1] 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.

Prices and rentals across all major market segments remained soft. Sale prices and rentals of retail shop space fell by 13 per cent and 4 per cent year-on-year respectively in December 2025, while prices and rentals of office space dropped by 13 per cent and 3 per cent respectively *(chart 11)*. Prices and rentals of flatted factory space also declined by 16 per cent and 3 per cent respectively.

Chart 11 **Prices and Rentals of Retail Shop Space and Office Space**

(Jan 2021=100)



* The price index of overall office space cannot be compiled in March 2022, August to October and December 2023, February and April 2024, and May 2025 as there were insufficient transactions in those months. Missing values in the graph are filled in by interpolation.

The non-residential property market stayed comparatively sluggish in 2025.

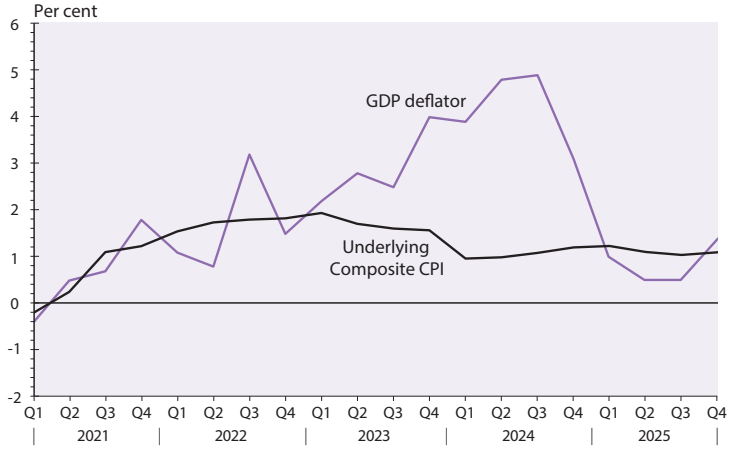
As for the demand-supply balance, the vacancy rates of retail shop space, office space and flatted factory space climbed up further from 11.8 per cent, 16.3 per cent and 7 per cent at end-2024 to 12.5 per cent, 17.6 per cent and 7.6 per cent at end-2025 respectively. The respective long-term averages for the vacancy rates of these three types of non-residential property over 2005-2024 were 9.1 per cent, 9.5 per cent and 6.2 per cent.

Price Movements

Consumer price inflation remained modest throughout 2025. Price pressures on major components were generally soft, as cost pressures on the domestic and external fronts stayed mild, and firms in general remained prudent in raising prices amid the early stage of recovery in local consumption. Headline Composite consumer price index (CPI) inflation was 1.4 per cent in 2025, as compared with 1.7 per cent in 2024. Netting out the effects of the government's one-off relief measures, the underlying Composite CPI rose by 1.1 per cent in 2025, same as that in 2024 *(chart 12)*. The somewhat higher headline inflation rate than its underlying counterpart in 2025 was mainly due to the smaller amount of electricity charges subsidies and lower rates concessions offered by the government compared with the preceding year.

Chart 12 **Main Inflation Indicators**

(year-on-year rate of change)



Consumer price inflation remained modest throughout 2025.

As a broad measure of the overall change in prices in the economy, the increase in the GDP deflator slowed to 0.9 per cent in 2025 from 4.1 per cent in 2024. Within the GDP deflator, the terms of trade turned to a slight decrease of 0.3 per cent. Taking out the external trade components, the domestic demand deflator saw a decelerated increase of 1.5 per cent.

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.