

ECONOMY

WEAK DEMAND LIMITS REBOUND IN GDP TO 3.2%

Inbound tourism and private consumption remain key drivers, but difficult external environment will continue to weigh on exports, government says

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Hong Kong's economy rebounded to less-than-expected growth of 3.2 per cent last year from a contraction in 2022, as weak global demand cast a shadow on the city's post-pandemic recovery.

Advance estimates released by the Census and Statistics Department yesterday showed gross domestic product (GDP) expanded 4.3 per cent year on year in the fourth quarter.

GDP grew 4.1 per cent in the third quarter, 1.5 per cent in the second and 2.9 per cent in the first. The return to growth followed a 3.5 per cent contraction in 2022 from 2021.

A government spokesman said the economic revival continued in

the fourth quarter of 2023, with inbound tourism and private consumption remaining key drivers.

"The difficult external environment will continue to pose pressures on Hong Kong's exports of goods in 2024. The situation may stabilise later in the year if advanced economies cut interest rates as expected," he said.

The full-year GDP figure was in line with the 3.2 per cent forecast by Financial Secretary Paul Chan Mo-po in November, leaving the economy's performance short of the government's earlier estimate of 4 to 5 per cent growth.

In the fourth quarter, private consumption rose 3.5 per cent over a year earlier, after a 6.2 per cent surge in the previous three months. Government expenditure dropped 5.2 per cent in the last three months of the year.

For the whole of 2023, private consumption surged 7.4 per cent year on year, while government expenditure declined 4.3 per cent.

Samuel Tse Ka-hei, an economist and strategist with DBS Hong Kong, said the rebound in private consumption was still relatively slow despite the city seeing mild growth in the fourth quarter.

"The declines in both the real estate and stock markets mean residents find it difficult to make money through stocks and by selling property. Particularly in a high-interest environment like this, people are hesitant to spend money," Tse said.

"Another issue is that the import of services has been growing faster than the export of services for consecutive quarters, indicating that we spend more when we go abroad, while fewer

people come here to spend money."

The city's exports plunged 7.8 per cent last year compared with 2022, even after a rebound in growth in the fourth quarter following a prolonged contraction.

In terms of tourism, 33.9 million people visited the city last year, about 55 per cent of the average across 2017 and 2018.

"Visitor arrivals should increase further as handling capacity continues to recover, with an additional boost from the government's efforts to promote mega events," the government spokesman said.

Thomas Shik Chun-sing, head of economic research and chief economist at Hang Seng Bank, predicted a 2.8 per cent growth rate for 2024.

"We believe that the anticipated rate cuts by the US Federal Reserve later in the year will provide additional support to Hong Kong's economy in the second half," Shik said.