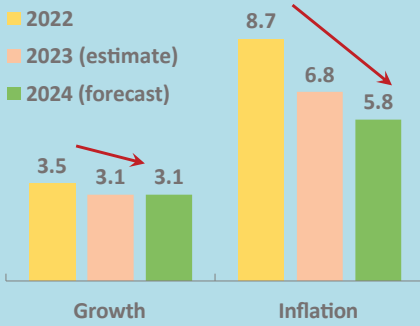




External Environment

- Global monetary tightening slows economic growth as inflation eases
- Uncertainties from the pace of US rate cuts, global growth prospects, and geopolitical tensions

Global GDP growth and inflation (%yoy)



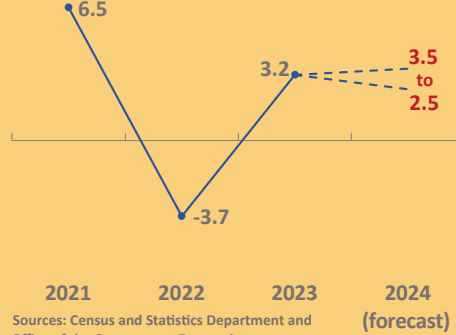
Source: IMF



Domestic Economy

- The Hong Kong economy recovered further in 2H 2023 led by tourism and consumption
- Economic recovery to continue at a moderate pace in 2024 amid further recovery of tourism and stabilisation of goods export

Hong Kong GDP growth (%yoy)



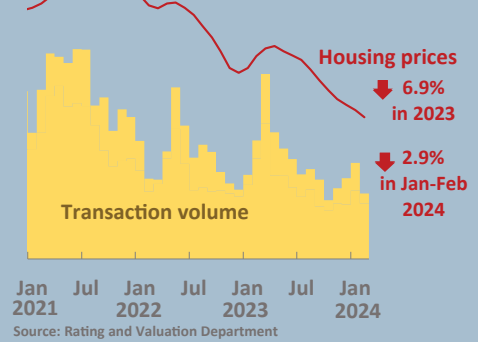
Sources: Census and Statistics Department and Office of the Government Economist



Property Markets

- Housing market remained soft, despite showing some signs of stabilisation after the relaxation of policy measures
- Commercial real estate, especially offices, faced high vacancy amid external uncertainties

Housing prices and transaction volume



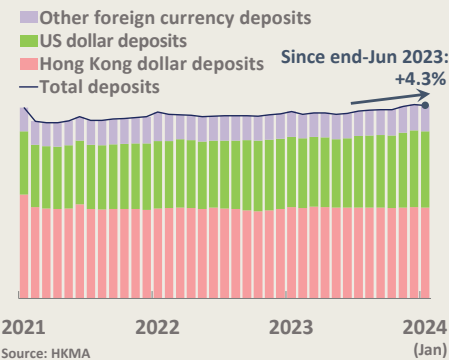
Source: Rating and Valuation Department



Monetary Environment and Interest Rates

- HKD interest rates remain high, posing downward pressures on economy and asset markets
- Total deposits increased by 4.3% since end-June 2023, reflecting investor confidence in Hong Kong

Deposits with authorized institutions by currency (HKD)



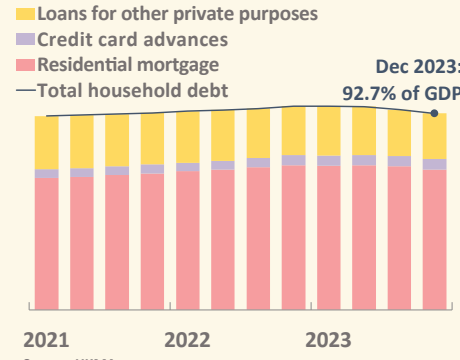
Source: HKMA



Credit Risk - Household Debt

- Hong Kong's households remained financially sound, and the household debt-to-GDP ratio edged down by 3.2 percentage points to 92.7% in 2H 2023

Household debt-to-GDP and its components



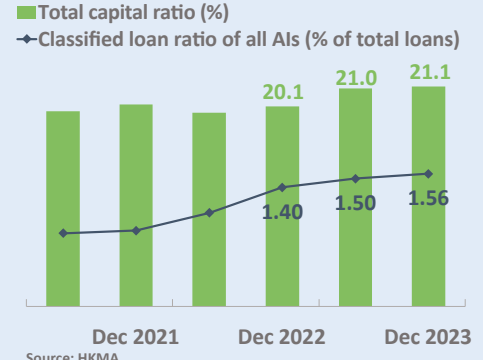
Source: HKMA



Banking Sector Performance

- The banking sector remained safe and well capitalised
- Asset quality stayed healthy despite challenges arising from uncertainties over the US monetary policy, global growth prospects and geopolitical tensions

Capital adequacy ratio and asset quality of the Hong Kong banking sector



Source: HKMA



Featured Studies

- ESG fund flows under shocks: Are they more resilient against macro-financial shocks?
- The financial stability implications of the private credit sector in Asia-Pacific
- The impact of climate change on Hong Kong's housing prices: an initial analysis
- Assessing the mitigating effects of cash buffers on corporate sector vulnerability in Asia-Pacific

Full text of this Report is available on the HKMA website at www.hkma.gov.hk

