



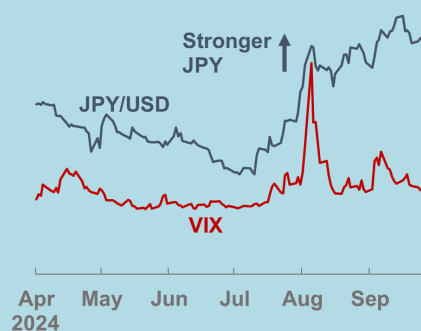
Highlights



External Environment

- Markets priced in aggressive US rate cuts after an unwinding of Japanese yen carry trades jolted global financial markets
- Global outlook clouded by uncertainties from the pace of US rate cuts, US presidential election and geoeconomic fragmentation

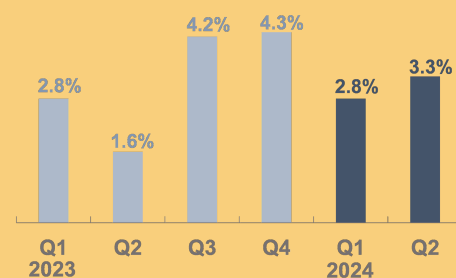
VIX and JPY/USD



Domestic Economy

- The Hong Kong economy recorded moderate growth in 1H 2024, driven primarily by stronger goods exports
- Supported by the sustained growth in external trade and inbound tourism, the economy should continue to grow steadily for the rest of 2024 with full-year growth of 2.5%-3.5%

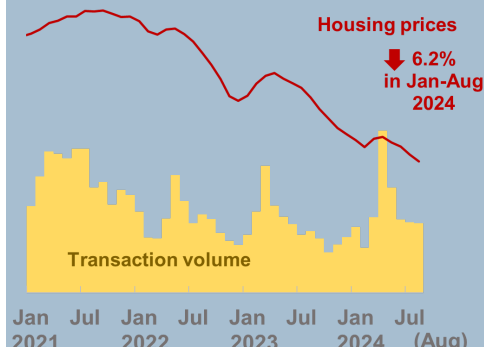
Hong Kong GDP growth (yoy)



Property Markets

- Housing market has softened since May, following a modest improvement in response to the policy relaxations announced in late Feb 2024
- Commercial real estate remained weak across all three segments in the first seven months of 2024

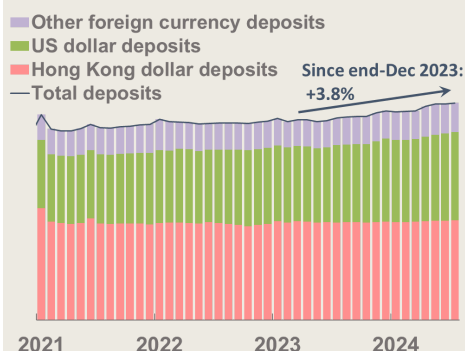
Housing prices and transaction volume



Monetary Environment and Interest Rates

- While the US rate-cut cycle has begun, HKD interest rates stayed high, posing downward pressures on the economy and asset markets
- Total deposits increased by 3.8% since end-Dec 2023, reflecting investor confidence in Hong Kong

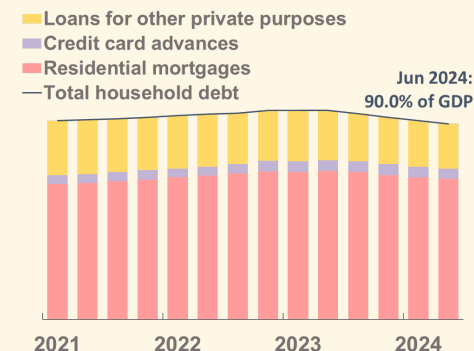
Deposits with authorized institutions by currency (HKD)



Credit Risk - Household Debt

- Hong Kong's households remained financially sound, and the household debt-to-GDP ratio edged down by 3.0 percentage points to 90.0% in 1H 2024

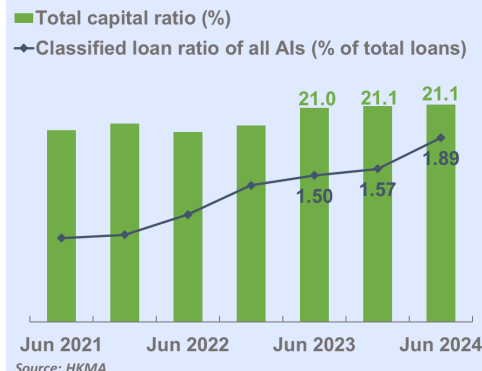
Household debt-to-GDP and its components



Banking Sector Performance

- The banking sector remained safe and well-capitalised, despite challenges arising from uncertainties over the future path of US policy rate and geoeconomic fragmentation
- While the classified loan ratio increased in 1H 2024, it remained at a manageable level

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



Featured studies

- Assessing the risks of forced property liquidations and credit downgrades of real estate investment trusts in a commercial property market downturn: A stress-testing approach
- Examining the ripple effect of corporate ESG performance along global value chains
- Assessing the impact of R&D investment on Hong Kong's long-term economic growth
- Assessing the impact of digitalisation adoption on banks' financial performance: New evidence based on textual analysis

Full text of this Report is available on the HKMA website at [www.hkma.gov.hk](http://www.hkma.gov.hk)

