



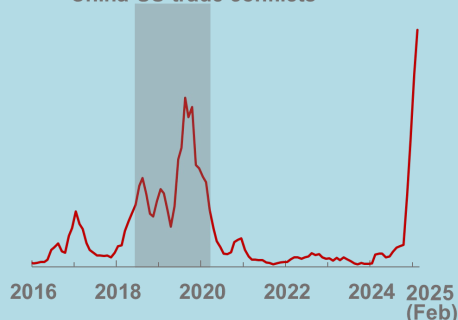
Highlights



External Environment

- The imposition of tariffs by the new US administration on various economies over trade and other strategic issues has significantly heightened uncertainty in global trade
- As tit-for-tat tariff hikes increased both the upside risk to inflation and the downside risk to growth, the pace of future US interest rate cuts remains subject to considerable uncertainty

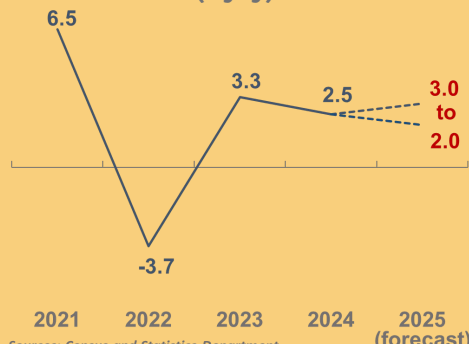
**US trade policy uncertainty index
(3-month moving average)**
China-US trade conflicts



Domestic Economy

- The Hong Kong economy maintained moderate growth in 2H 2024, with services exports showing notable sequential growth
- Despite a challenging external environment in 2025, the economy is expected to continue to grow at a moderate pace alongside improvements in inbound tourism and private investment

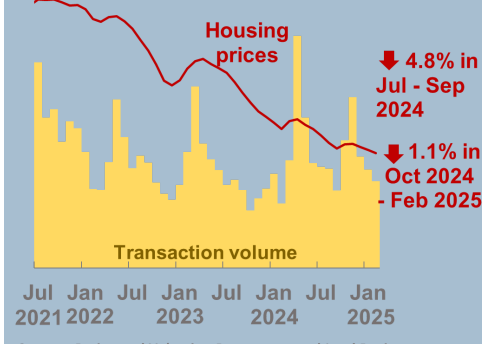
**Hong Kong real GDP growth
(%yoy)**



Property Markets

- Housing market exhibited signs of stabilisation following the commencement of the interest rate cut cycle in September 2024
- Both prices and rentals of commercial real estate properties remained under pressure in 2H 2024

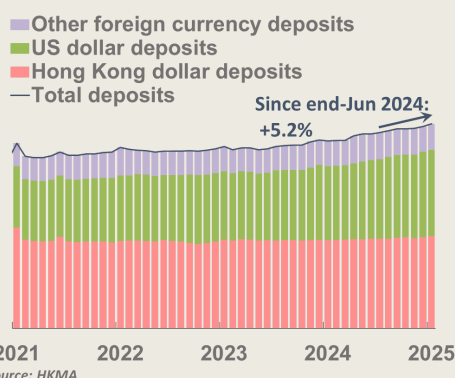
Housing prices and transaction volume



Monetary Environment and Interest Rates

- HKD interest rates generally tracked the US dollar counterparts and might remain at relatively high levels for some time
- Total deposits increased by 5.2% since end June 2024, reflecting investor confidence in Hong Kong

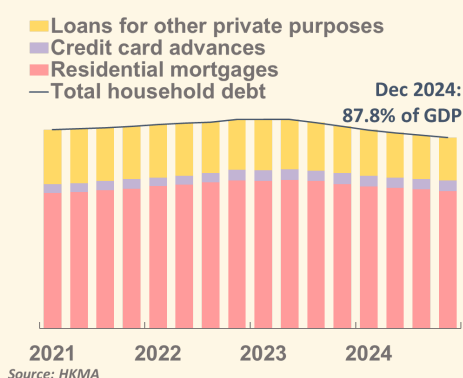
**Deposits with authorized institutions
by currency (HKD)**



Credit Risk - Household Debt

- Hong Kong's households remained financially sound, and the household debt-to-GDP ratio edged down by 2.2 percentage points to 87.8% in 2H 2024

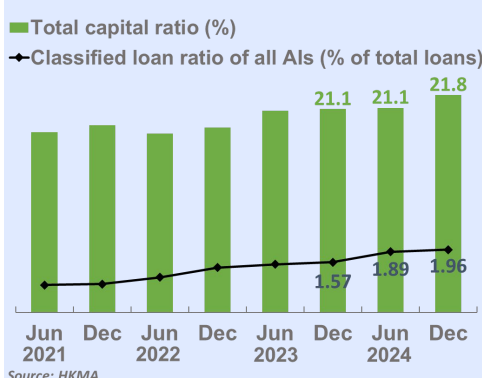
**Household debt-to-GDP
and its components**



Banking Sector Performance

- The classified loan ratio increased in 2H 2024, but the overall asset quality of the banking sector remained manageable
- The banking sector remained resilient and well-capitalised, but it may face challenges from uncertainties over US trade policies and the future path of US interest rates going forward

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



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