

## 3. Domestic economy

### 3.1 Real activities

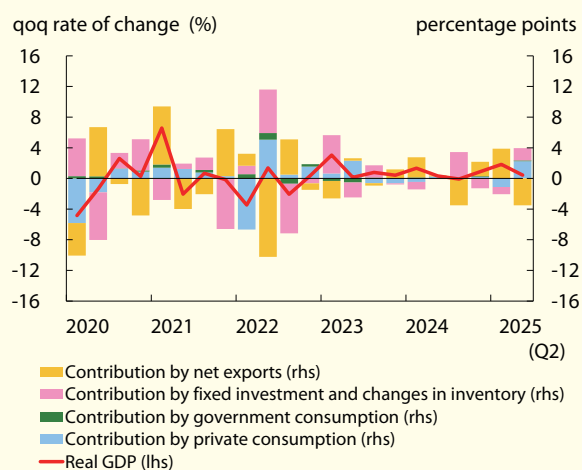
The Hong Kong economy registered solid growth in the first half of 2025 despite intensified global trade tensions, with real GDP increasing by 3.0% and 3.1% year on year in the first and second quarters respectively (Table 3.A). On a seasonally adjusted quarter-to-quarter basis, real GDP grew moderately by 0.4% in the second quarter after registering significant growth of 1.8% in the preceding quarter (Chart 3.1).

**Table 3.A**  
**Real GDP growth**

		Year-on-year growth rate (%)	Seasonally adjusted quarter-on-quarter growth rate (%)
2024	Q1	+2.8	+1.3
	Q2	+3.0	+0.3
	Q3	+1.9	-0.1
	Q4	+2.5	+0.9
2025	Q1	+3.0	+1.8
	Q2	+3.1	+0.4

Source: Census and Statistics Department (C&SD).

**Chart 3.1**  
**Real GDP growth and contribution by major expenditure component**

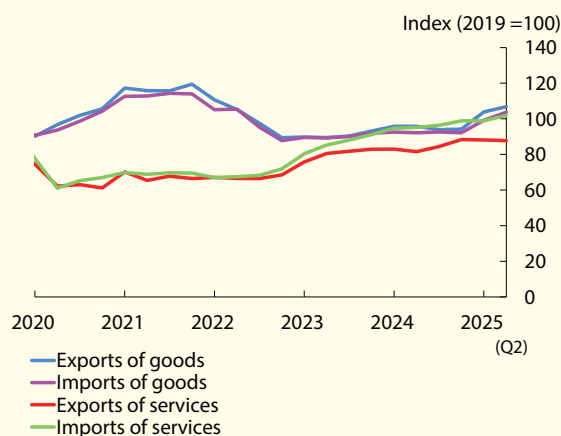


Note: Growth rates are seasonally adjusted.  
Sources: C&SD and HKMA staff estimates.

The economic growth during the review period was supported by strong export performance and improved domestic demand. Externally, exports of goods were underpinned by importers' front-loading orders ahead of the expected tariff hikes (Chart 3.2). Exports of services also benefited from the steady growth in inbound tourism and the surge in cross-border financial activities in the face of a vibrant stock market, while growth in imports of services moderated alongside slower growth in outbound tourism.<sup>20</sup>

Domestically, investment spending increased in the first half of 2025, due partly to an improvement in property market transactions. Meanwhile, private consumption showed tentative signs of stabilisation, with year-on-year growth turning positive in the second quarter of 2025 after four consecutive quarters of contraction.

**Chart 3.2**  
**Export and import volume**



Note: The data are seasonally adjusted.  
Source: C&SD.

<sup>20</sup> Visitor arrivals into Hong Kong reached about 33.2 million persons in the first eight months of 2025, equivalent to 76% of the level in the same period of 2019. Over the same period, Hong Kong's resident departures reached about 76.9 million persons, exceeding the corresponding pre-pandemic level in 2019 by 20%.

For the remainder of 2025, the Hong Kong economy is expected to grow at a moderate pace. As an international trade centre, Hong Kong is likely to be affected by the widespread imposition of US tariffs, which may lead to a slowdown in merchandise exports growth in the second half of 2025. That said, the steady growth in inbound tourism and a vibrant stock market may continue to provide support to services exports, offsetting the above adverse effects to some extent. Domestically, while heightened trade tensions may weigh on private investment, the multifaceted support measures<sup>21</sup>, together with Chinese Mainland's economic stimulus measures, should bolster the resilience of local enterprises. Meanwhile, private consumption may continue to be affected by the ongoing challenges posed by the shift in the consumption patterns of local residents.

Taking into account the latest economic situation, the Government maintained its real GDP growth forecast for 2025 at 2%–3%.<sup>22</sup> This growth outlook is subject to various risks and uncertainties as discussed in the previous chapters, particularly those related to US tariffs and their impact on global economic growth, as well as the pace of the US policy rate cut.

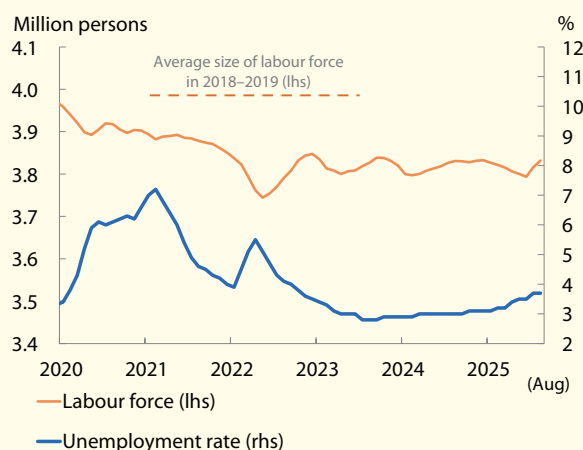
<sup>21</sup> In April 2025, the HKMA and the banking sector introduced specific measures to assist small and medium-sized enterprises (SMEs) from various industries in obtaining bank financing and in their upgrade and transformation. The sector-specific support measures included (i) providing flexible extensions to trade facilities (e.g. 90 or 120 days) for the import and export and manufacturing sectors; (ii) offering flexible financial arrangements to alleviate cashflow pressure of customers in the construction sector through a collaborative mechanism; and (iii) introducing financing products that are better suited to the transport sector and offering more flexible repayment arrangements. Banks have also reaffirmed their commitment to actively implementing the “9+5” SME support measures launched in 2024. In September 2025, the Government also announced the extension of the application period for the 80% Guarantee Product under the SME Financing Guarantee Scheme (SFGS), the increase in the amount of total loan guarantee commitment under the SFGS, and the extension of the principal moratorium arrangement.

<sup>22</sup> The latest private-sector analysts' consensus forecast on Hong Kong's real GDP growth for 2025 averaged at 2.6%.

### 3.2 Labour market conditions

The labour market softened slightly, with the unemployment rate increasing to 3.7% in August 2025 from 3.2% in March 2025. The size of the labour force has returned to a level comparable to the recent peak recorded in December 2024, although it remained below its pre-pandemic level (Chart 3.3). Looking ahead, labour demand is expected to remain largely stable, although certain sectors may face challenges due to heightened trade tensions and changing consumption patterns. Meanwhile, the Government continued to enrich Hong Kong's talent pool via a range of initiatives.<sup>23,24</sup>

**Chart 3.3**  
Labour market conditions



Source: C&SD.

<sup>23</sup> On 30 May 2025, the Government announced the introduction of a new channel under the General Employment Policy and the Admission Scheme for Mainland Talents and Professionals, allowing individuals from outside Hong Kong to apply for entry into eight skilled trades facing acute manpower shortage.

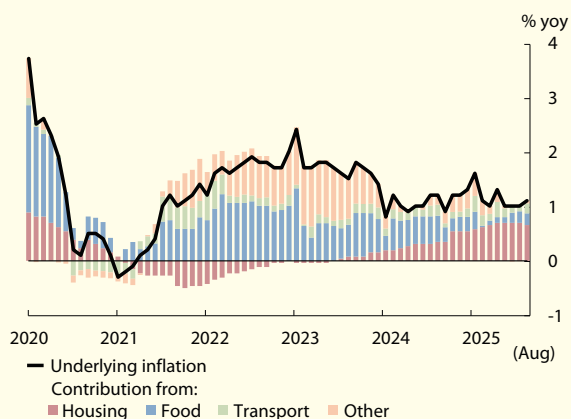
<sup>24</sup> More than 510,000 applications under the various talent attraction schemes were received from the end of 2022 to July 2025, of which over 340,000 applications have been approved. Over 220,000 of the successful applicants have already arrived in Hong Kong with their families.

### 3.3 Inflation

Consumer price inflation remained modest. On a year-on-year basis, the underlying composite consumer price index rose slightly by 1.2% and 1.1% in the first and second quarters of 2025 respectively, and by 1.1% in August 2025 (Chart 3.4). Analysed by component, the increase in housing rentals continued to feed through gradually to the housing component, while price pressures on food and other components remained largely contained.

Looking ahead, overall inflation is anticipated to remain mild, with pressures from domestic costs and external prices staying broadly in check, thus mitigating the upward price pressure from rising housing rentals. The Government projects the underlying and headline inflation rates to be 1.5% and 1.8% respectively in 2025.<sup>25</sup>

**Chart 3.4**  
Underlying consumer price inflation and its drivers



Sources: C&SD and HKMA staff estimates.

<sup>25</sup> The market consensus forecasts for the headline inflation rate for 2025 is 1.6%.