



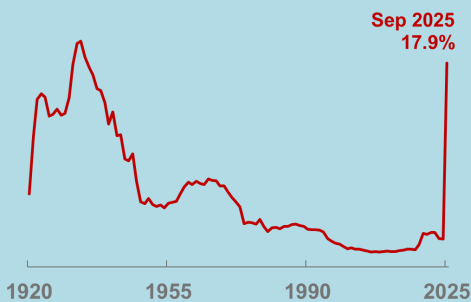
Highlights



External Environment

- US reciprocal tariffs have fuelled market volatility, intensified concerns over US growth and inflation
- While growth has so far remained resilient in Asia Pacific, the impact of US tariffs and trade policy uncertainty on the region's exports, investment and supply chains may gradually emerge

US average tariff rate (%)



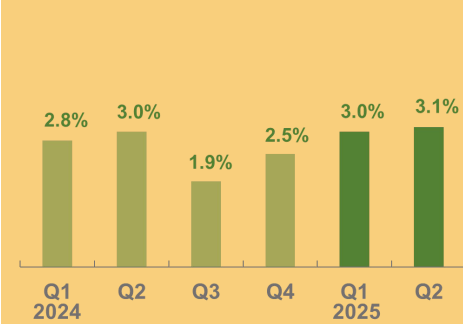
Source: Yale Budget Lab



Domestic Economy

- Hong Kong's economy maintained solid growth in 1H 2025 amid strong export performance
- While US tariffs may exert pressure on Hong Kong's goods exports outlook, steady growth in services exports and supportive government measures should underpin a moderate economic growth for the rest of 2025

Hong Kong real GDP growth (%yoy)



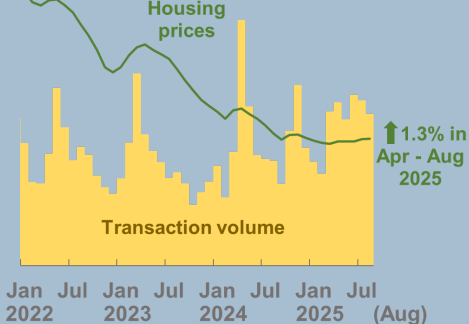
Source: Census and Statistics Department



Property Markets

- Housing market activities have improved since Q2 2025 amid eased financial conditions, with housing prices stabilising
- Commercial real estate prices and rents remained under pressure in the first seven months of 2025

Housing prices and transaction volume



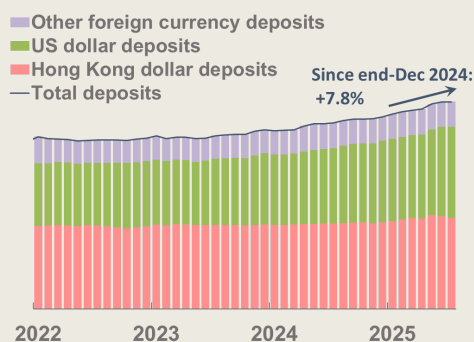
Sources: Rating and Valuation Department and Land Registry



Monetary Environment and Interest Rates

- HKD weak-side Convertibility Undertaking was triggered repeatedly in June-August, and HKD interest rates headed higher since mid-August
- Total deposits increased by 7.8% since end-Dec 2024, reflecting investor confidence in Hong Kong

Deposits with authorized institutions by currency (HKD)



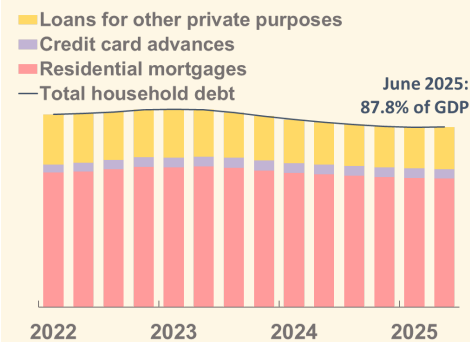
Source: HKMA



Credit Risk - Household Debt

- Hong Kong's households remained financially sound, and the household debt-to-GDP ratio edged down by 0.1 percentage points to 87.8% in 1H 2025

Household debt-to-GDP and its components



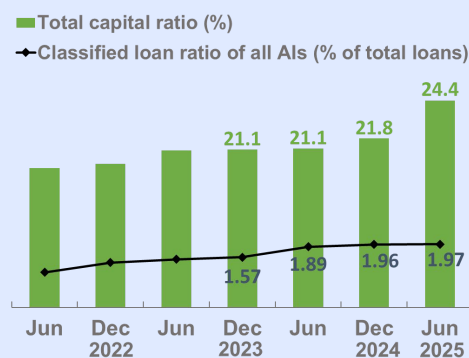
Source: HKMA



Banking Sector Performance

- While the classified loan ratio continued to face upward pressure during 1H 2025, the overall asset quality of the banking sector remained manageable with sufficient provisions
- The banking sector remained resilient and well-capitalised, but it may face challenges from uncertainties over global trade tensions, risks from fund flow volatility, and subdued performance of some local economic sectors

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



Source: HKMA



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