



Mainland China and Hong Kong Macro Outlook

Economics – Hong Kong Q4 2024

Economics



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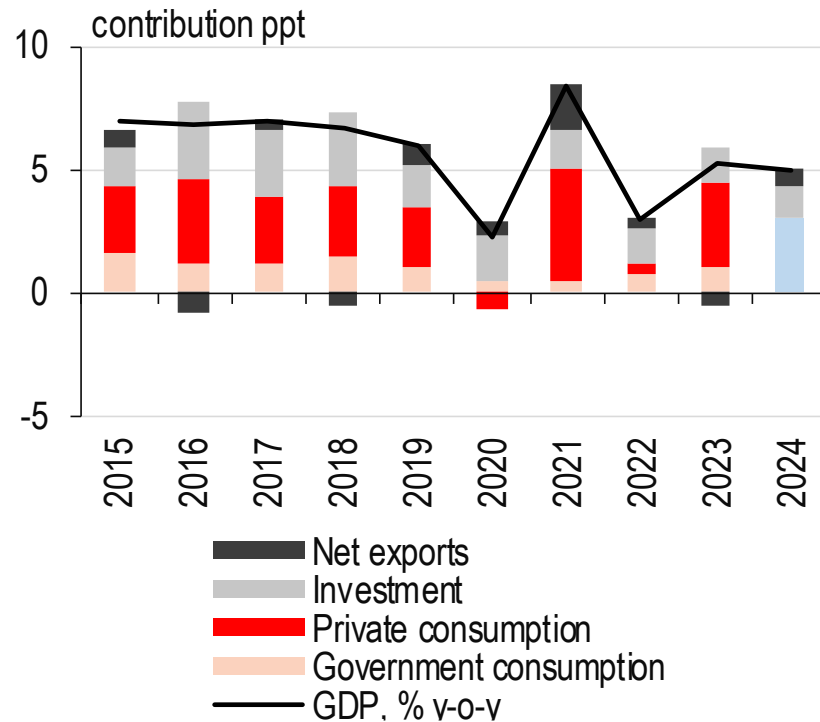
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Mainland China outlook

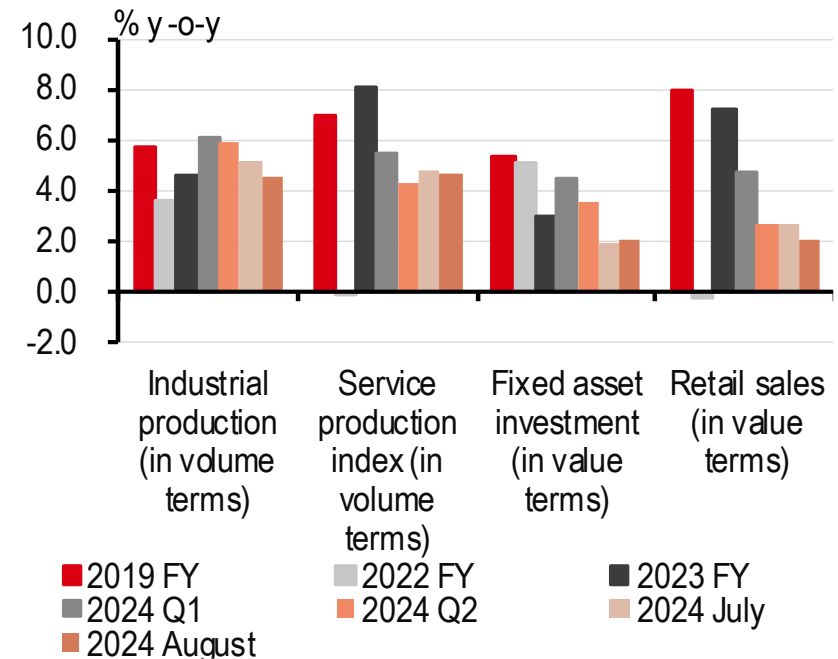
Near-term growth lost some steam

Consumption contributed more than 80% of GDP growth in 2023, but slowed to c60% in H1 2024



Note: 2024 is through H1, where blue bar denotes combined consumption contribution, as private and government split is not yet available
Source: CEIC, HSBC

The uneven recovery will need more policy support to solidify growth



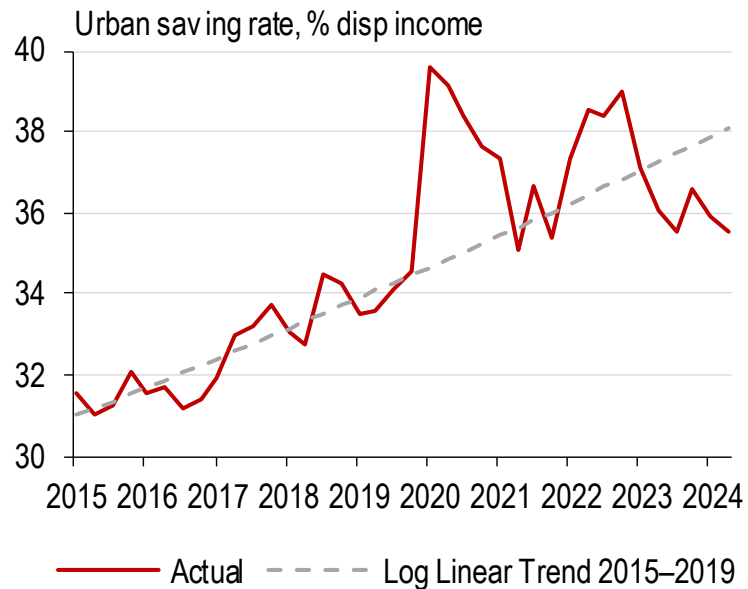
Source: Wind, HSBC

September surprises: unveiled stimulus package and structural reforms

- ❖ **Frequency and magnitude of supportive policy rollouts**
- ❖ **26 September Politburo meeting**
 - ✓ Empower working levels to explore ways to boost economy
 - ✓ Cyclical and structural measures in the pipeline
- ❖ **24 September joint conference by financial regulators**
 - ✓ Pre-market, punchy language, proactive transparency
 - ✓ 50bp RRR cut and 20bp policy rate cut, hints on 25-50bp RRR cut within 2024
 - ✓ Unprecedented liquidity backstop for stock market
- ❖ **12 October MoF press conference**
 - ✓ More room for central government to borrow
 - ✓ Risk prevention: bank recapitalisation, local government refinancing
 - ✓ Stabilising housing market (LGSB allowed to acquire unsold housing and land)
- ❖ **14 October joint conference by four ministries**
 - ✓ Additional policies to boost consumer goods and equipment upgrading (4Q24)
 - ✓ Fair competition: Anti-monopoly law and Law on promoting private economy
- ❖ **17 October joint conference on housing market**
 - ✓ 1 million homes in urban villages will be renovated
 - ✓ Approved “whitelist” of property projects to increase to RMB4trn by end-2024 (from RMB2.23trn)

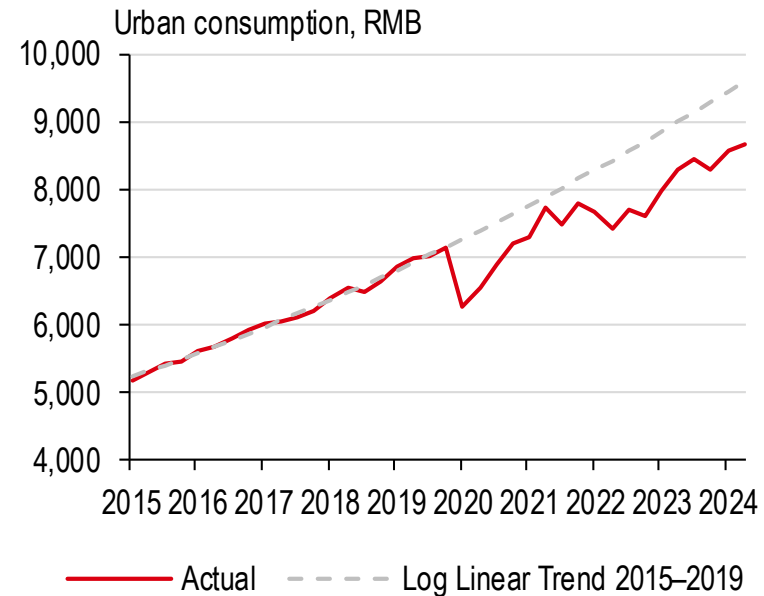
What's holding consumption back? Not precautionary saving anymore...

The household saving rate has dropped below trend...



Source: Wind, HSBC

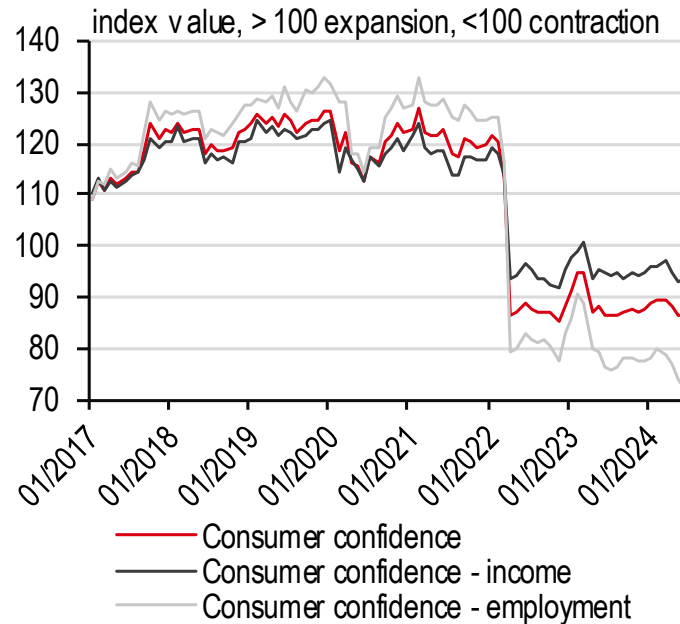
... but the urban per capita consumption still has a gap to close



Source: CEIC, HSBC

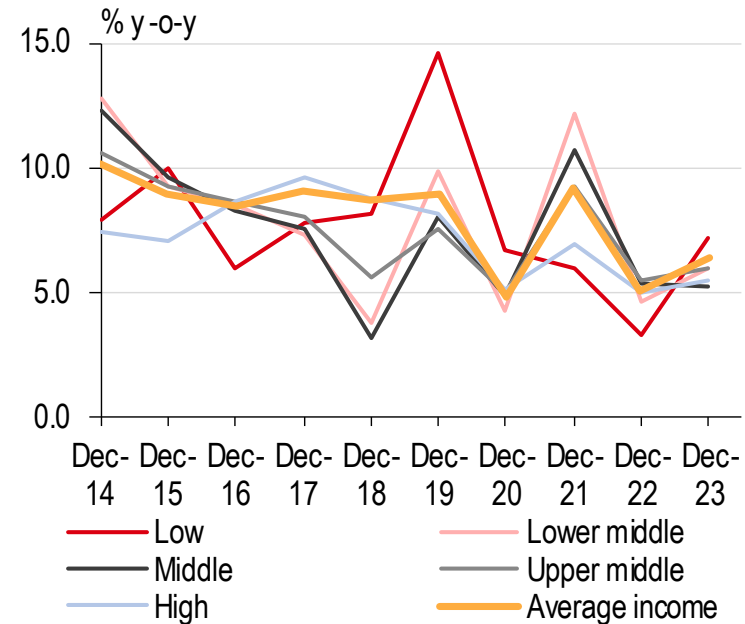
...but the wealth effect

Consumer confidence remains low



Source: Wind, HSBC

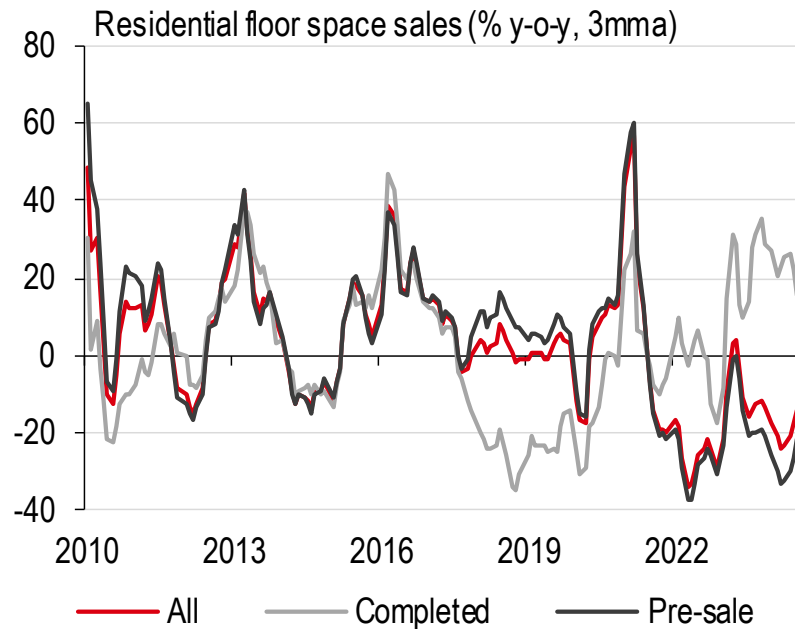
Consumption downgrade: slower growth among higher income earners



Source: CEIC, HSBC

Housing market not yet out of the woods

Pre-sales have been a primary drag ...



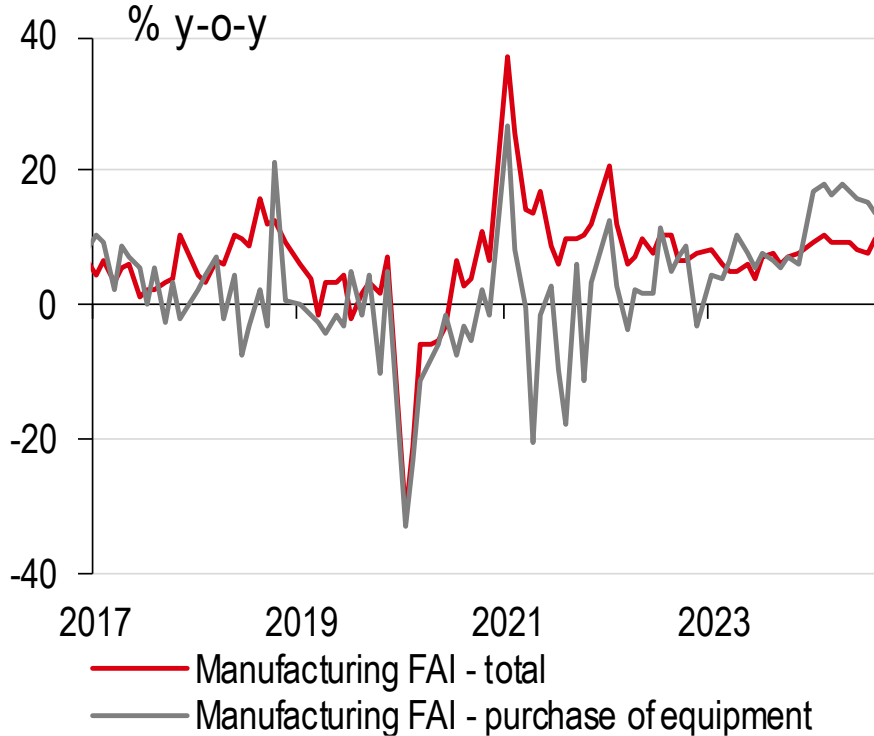
... but more support is underway

- **A new housing development model**
- **Local governments to have more discretion** on housing policies, such as regarding restrictions on housing purchases, as well as standards on luxury versus ordinary housing
- **Scale up supply** of government-subsidised housing: proceeds of LGSBs allowed to acquire land and unsold commodity housing and convert into social housing
- **17 Oct housing ministry:** 1 million homes in urban villages to be renovated and “whitelist” approvals to increase to RMB4trn by year-end

Source: CEIC, HSBC

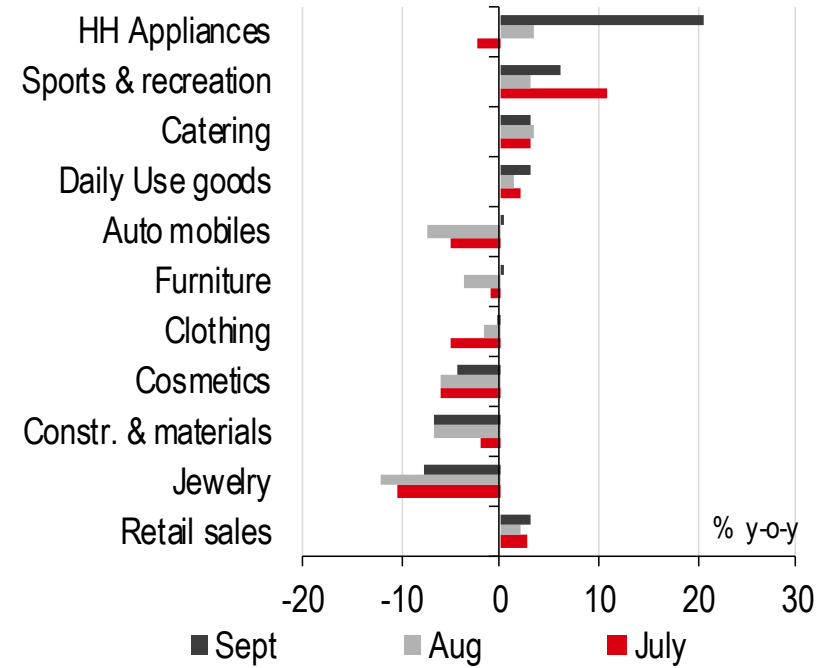
Recent expansion of trade-in programs help

Manufacturing purchases of equipment are up over 16% ytd



Source: Wind, HSBC

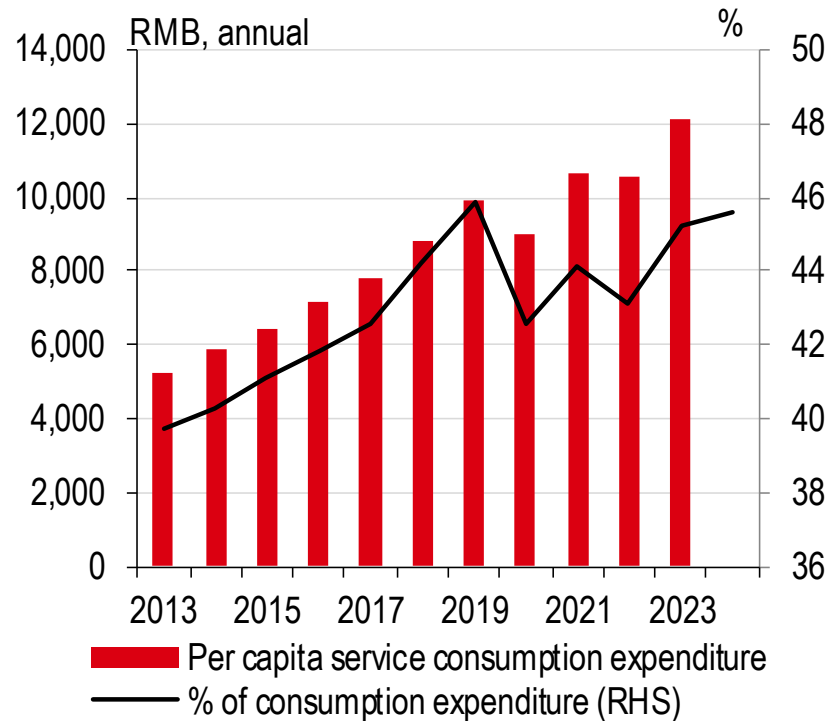
Consumer durables boosted in September, led by home appliances



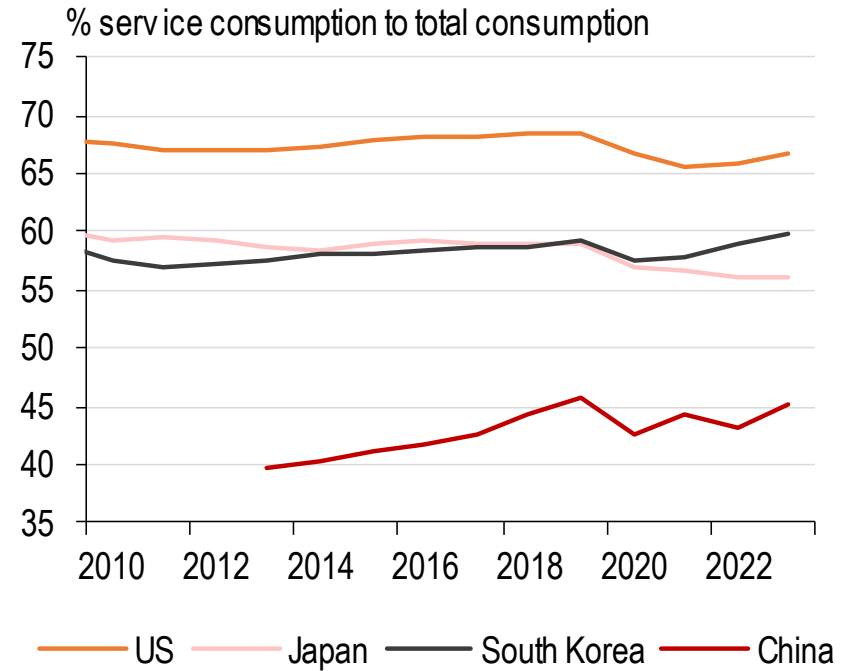
Source: Wind, HSBC

Policies oriented to support service consumption

Service consumption makes up c46% of total consumption ...



... lagging far behind advanced economies, indicating great growth potential

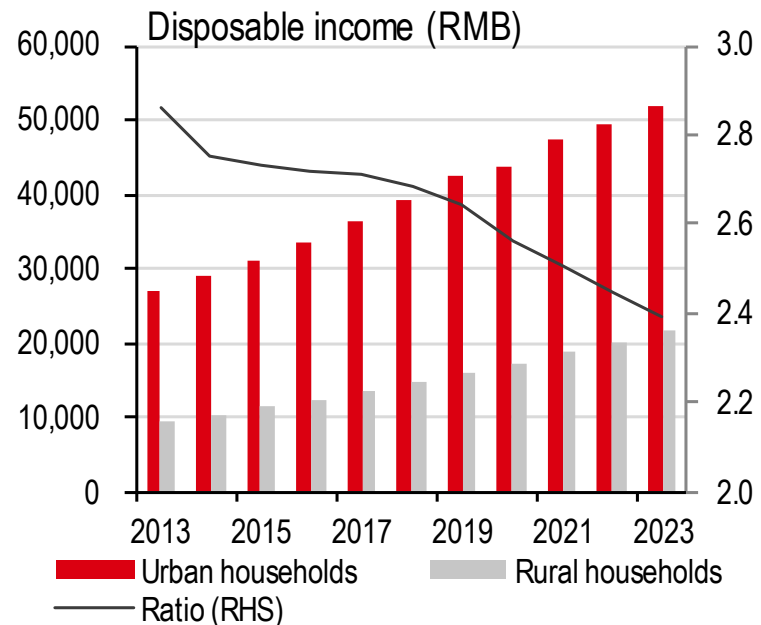


Note: 2024 is through H1
Source: Wind, HSBC

Source: Wind, HSBC

Structural reforms for sustainable consumption growth

Still considerable income gap between urban and rural households



Source: Wind, HSBC

❖ New phase of urbanisation

- Urban development to achieve synergy of city clusters and industrial clusters

❖ Accelerate urbanisation of migrant workers

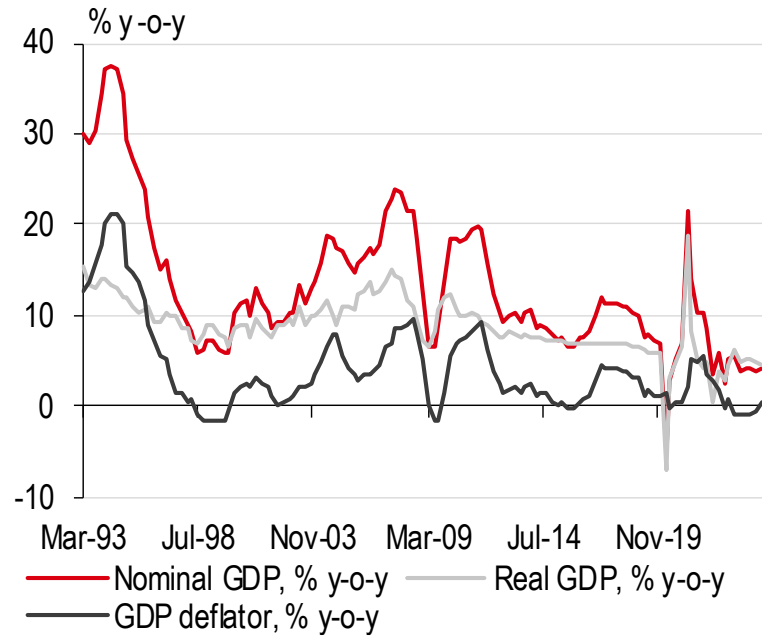
- Public services/social welfare based on **permanent residence**
- Migrant workers entitled to their: contract use, land sales, etc.; **rural land-related revenues**

❖ Silver economy

- Gradually raise the statutory retirement age
- Develop community-based facilities

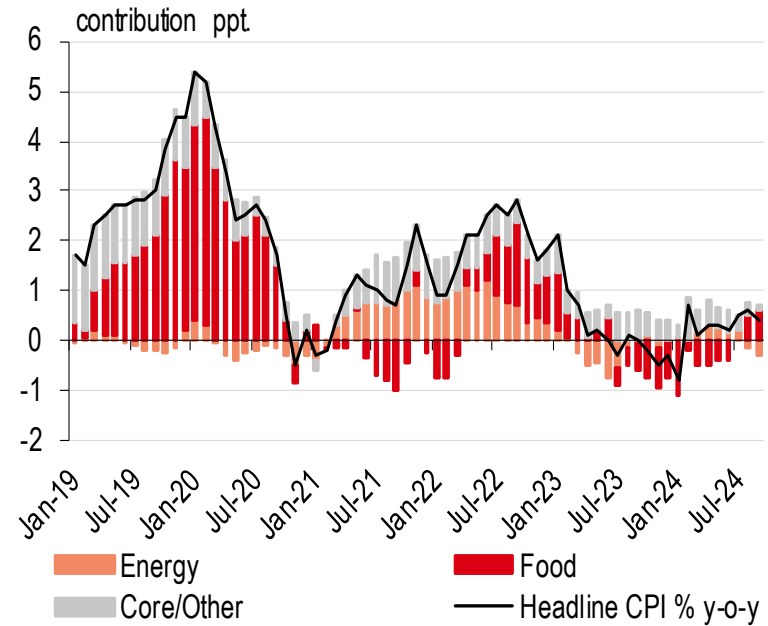
More policies expected to “reflate” the economy

GDP deflator remained in contraction for six consecutive quarters, the second-longest period since 1998-1999



Source: Wind, HSBC

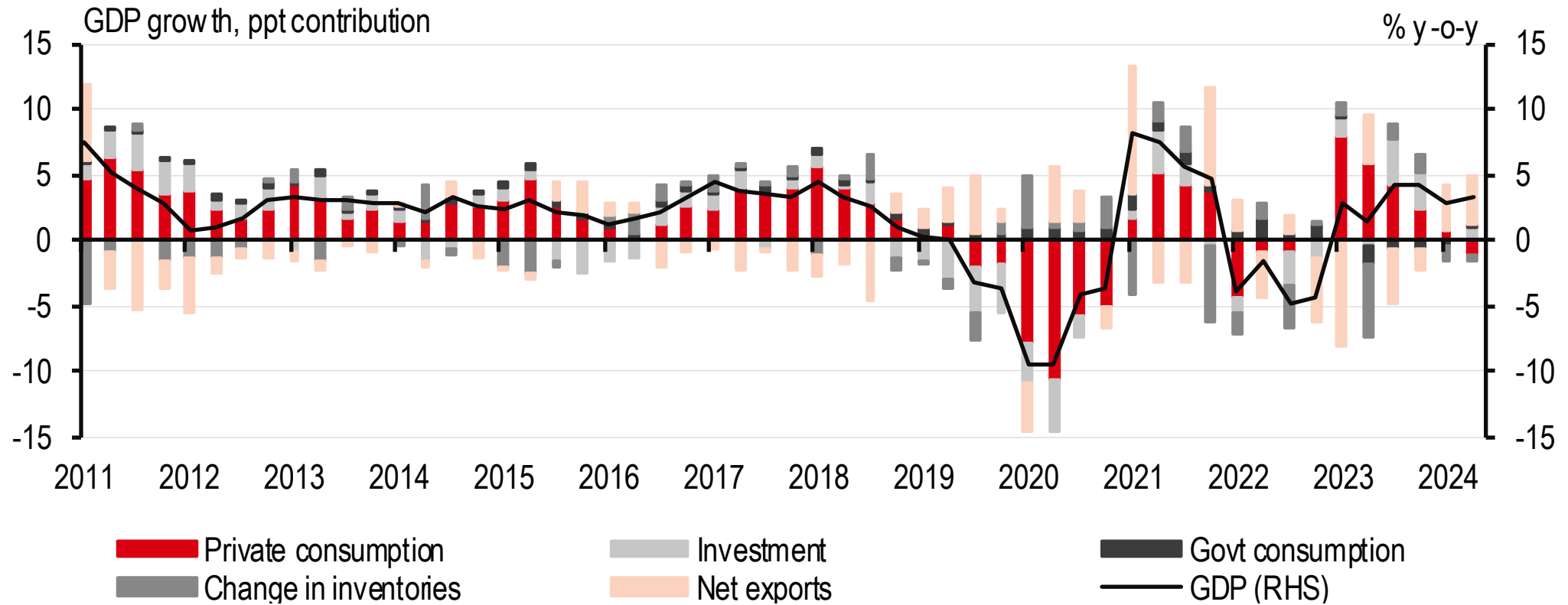
Headline CPI may turn up moderately due to food prices, while core CPI may edge up



Source: Wind, HSBC

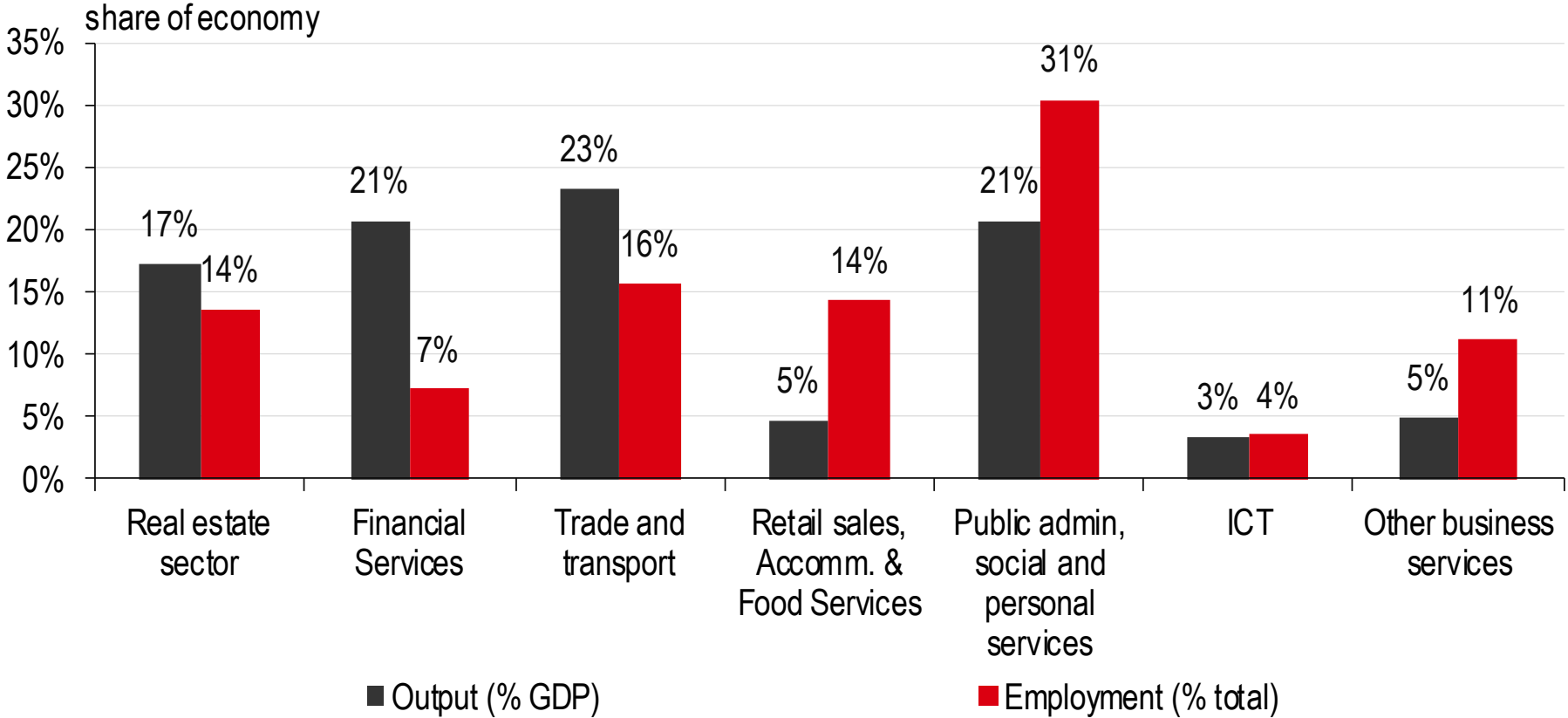
Hong Kong outlook

GDP growth is expected to reach 3% this year



Source: CEIC, HSBC

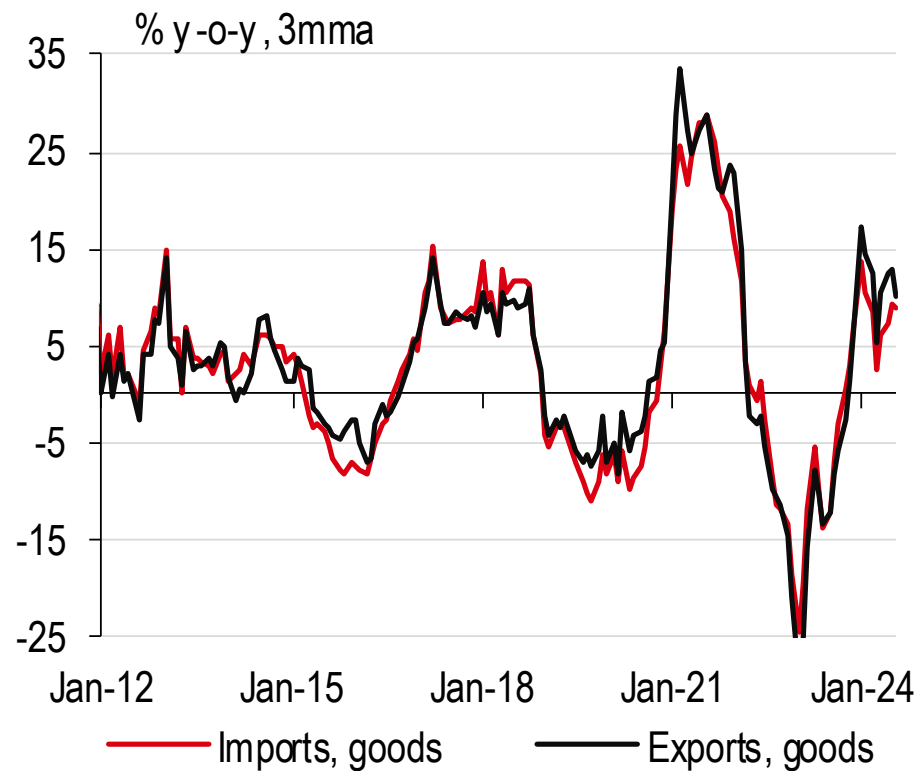
A snapshot of Hong Kong's economy



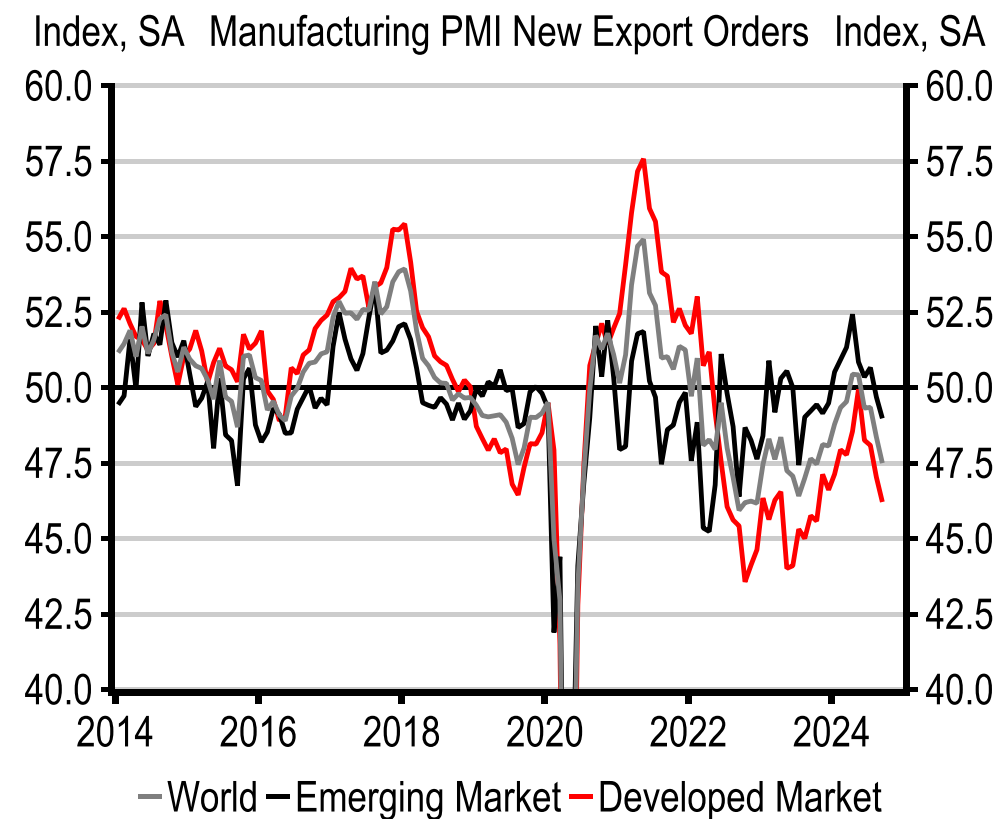
As of FY 2023
Source: CEIC, HSBC



Trade in goods has been a key support for growth this year, but faces some uncertainties

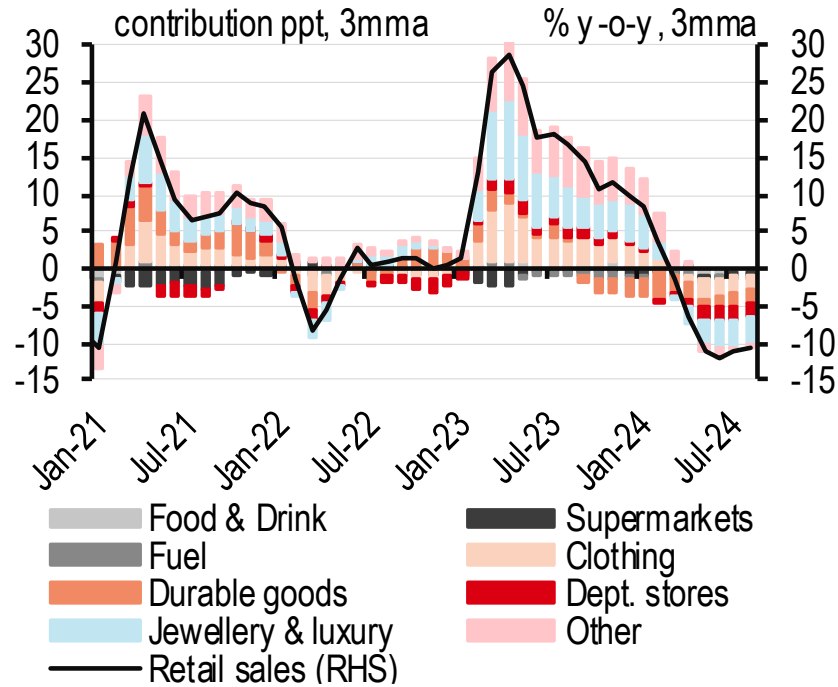


Source: CEIC, HSBC

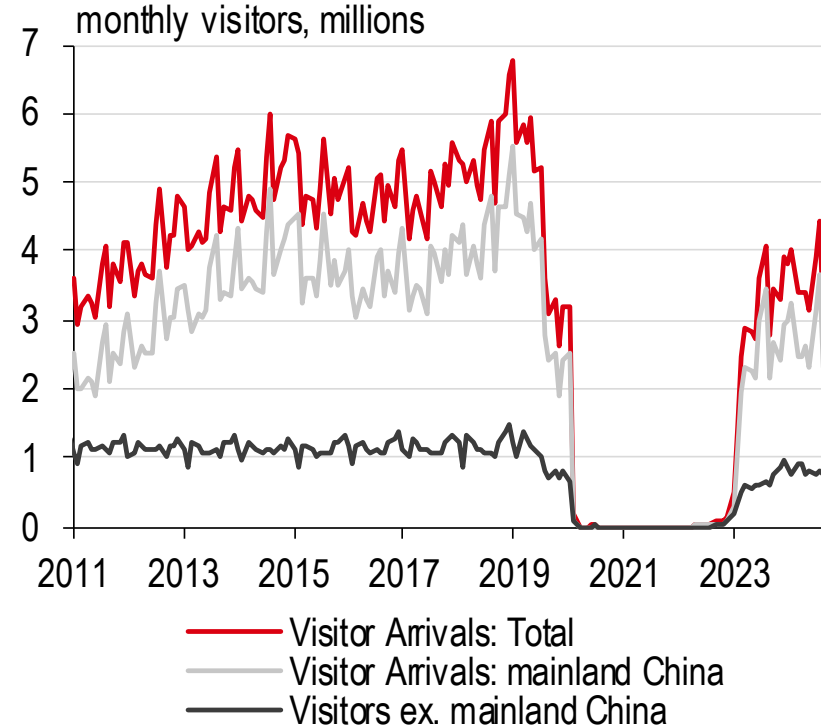


Source: Macrobond, HSBC

Domestic consumption has faced some challenges

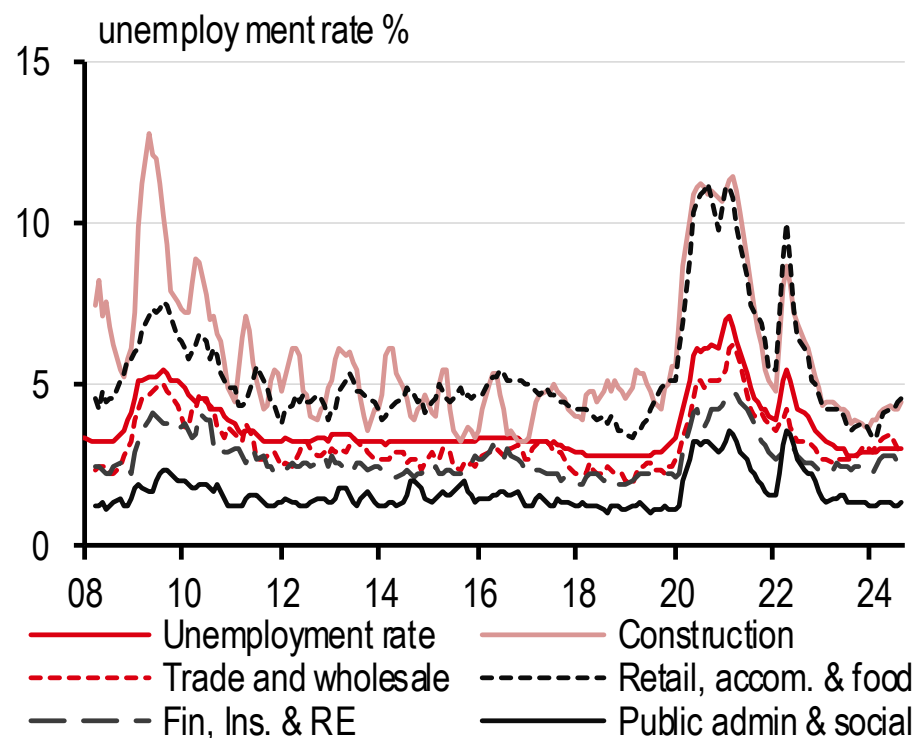


Source: CEIC, HSBC

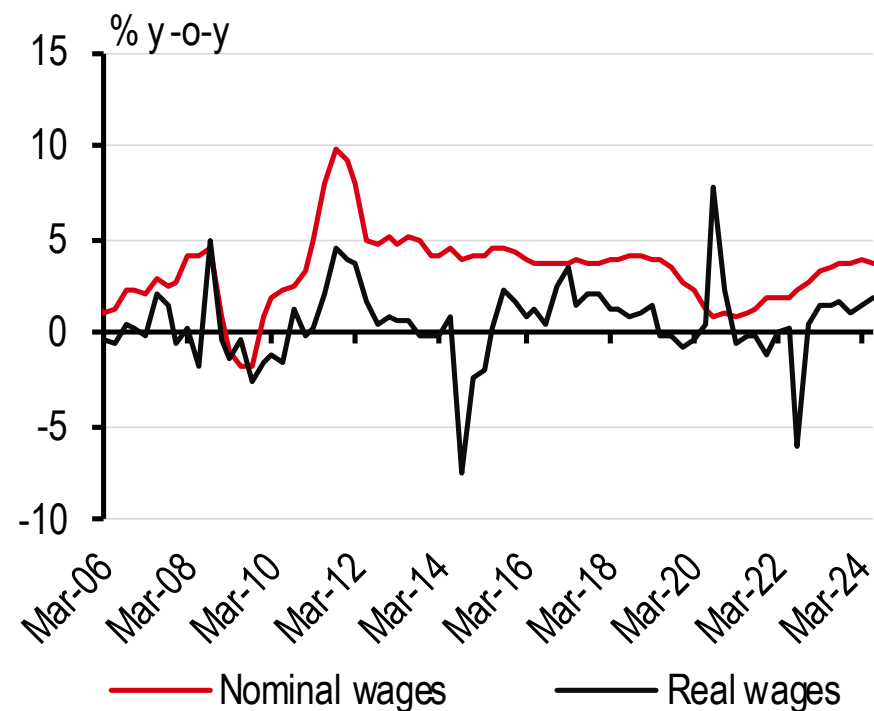


Source: CEIC, HSBC

Labour market is healthy, while real wages have stayed positive

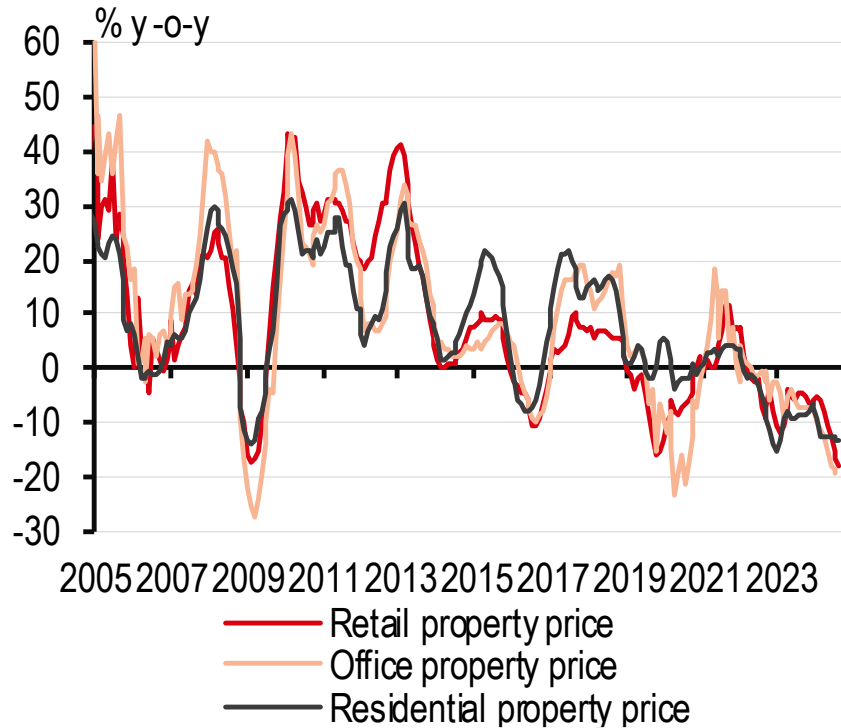


Source: CEIC, HSBC

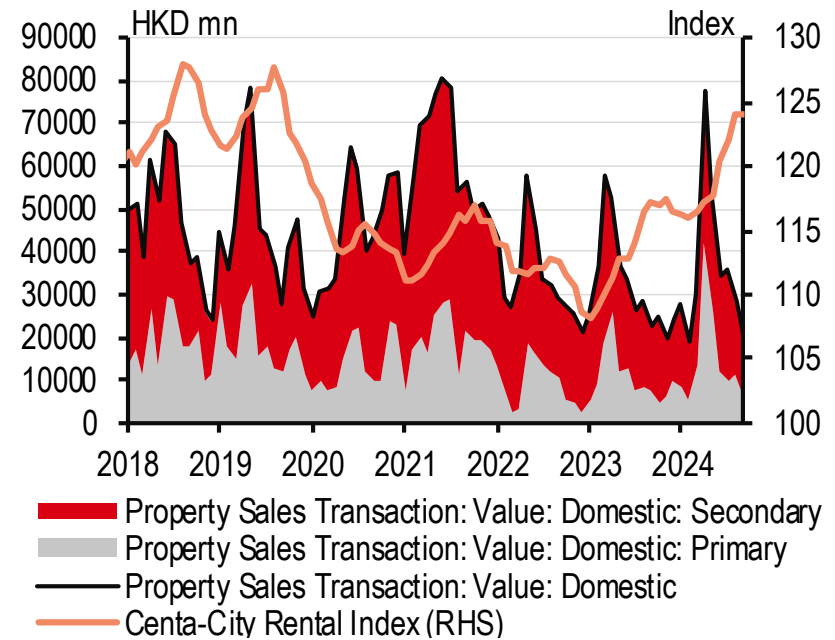


Source: CEIC, HSBC

Property market has been under pressure, but should see a gradual recovery

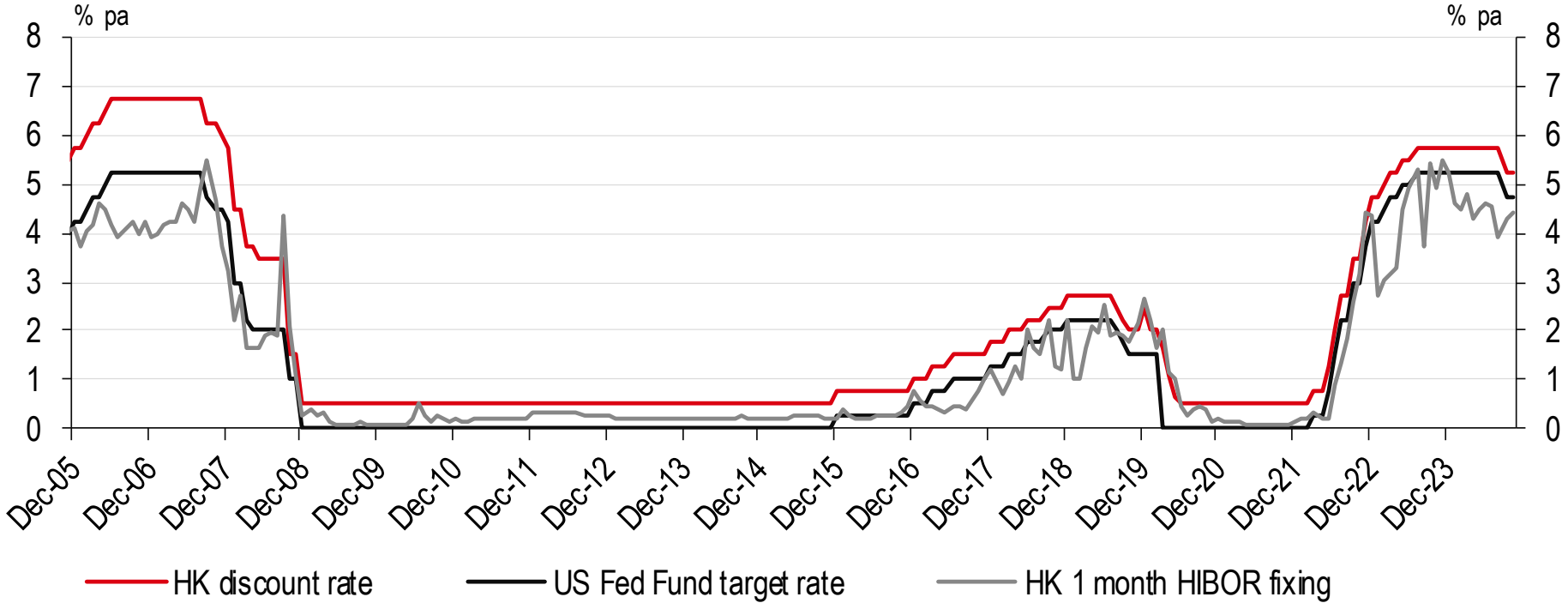


Source: CEIC, HSBC



Source: CEIC, HSBC

Fed easing cycle should provide some tailwinds



Source: CEIC, HSBC

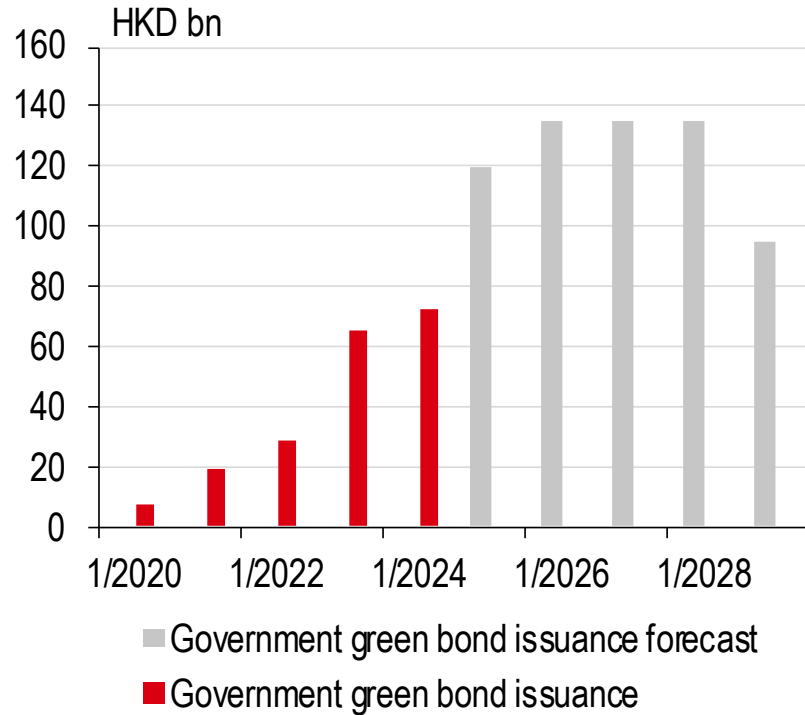


2024 Policy Address: Comprehensive and focused on the longer-term

- Enhancing competitiveness via trade and finance
 - Build up of a commodities trading hub (e.g. metals, gold)
 - Expansion of RMB-denominated trading products
- Integration with mainland China
 - Buildout of Northern Metropolis
 - Expansion of connect programs (e.g. Wealth Management Connect, Southbound Bond Connect)
- Talent attraction and Tourism development
 - Expansion of Top Talent Scheme (so far has attracted 160k people, c2% of the population)
 - Resumption of 'multiple entry' visits and easing of some visa criteria from some ASEAN countries
- Property support measures
 - Inclusion of residential property into the Capital Investment Entrant Scheme
 - Raising of LTV ratios for all residential properties to 70%

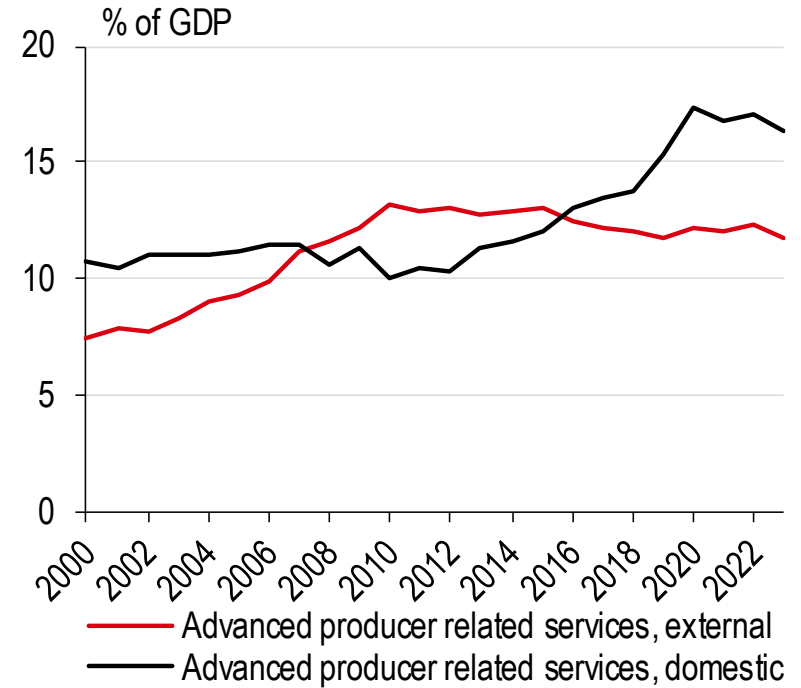
Diversifying economic drivers

Green financing and development



Source: CEIC, HSBC; Forecast is from government budget.

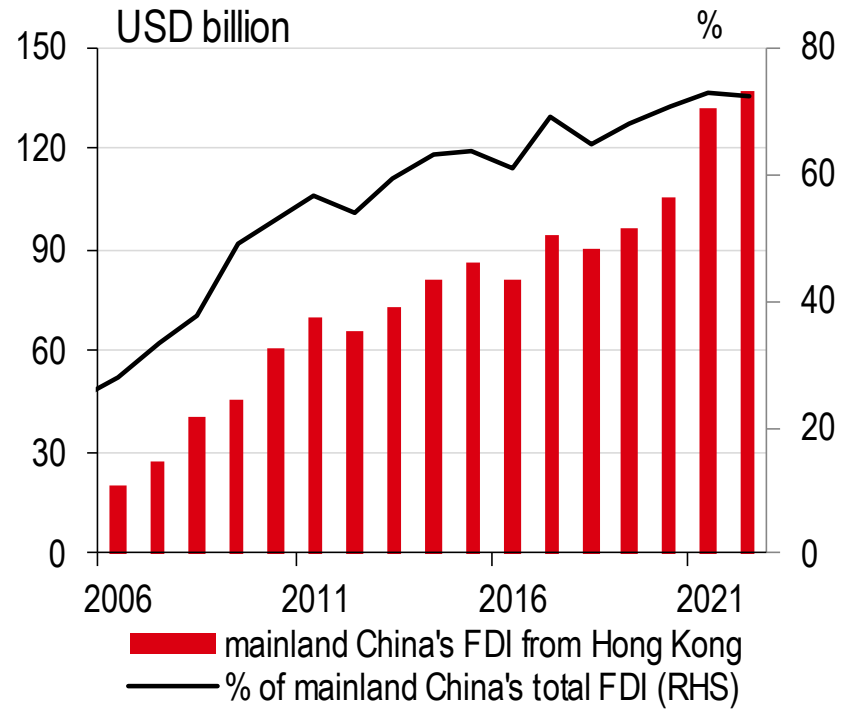
Advanced producer services still has room to improve



Source: CEIC, HSBC; Note: Includes ICT, financial and insurance services and other professional business services

Gateway to and from mainland China

Hong Kong is a key source of FDI to mainland China...



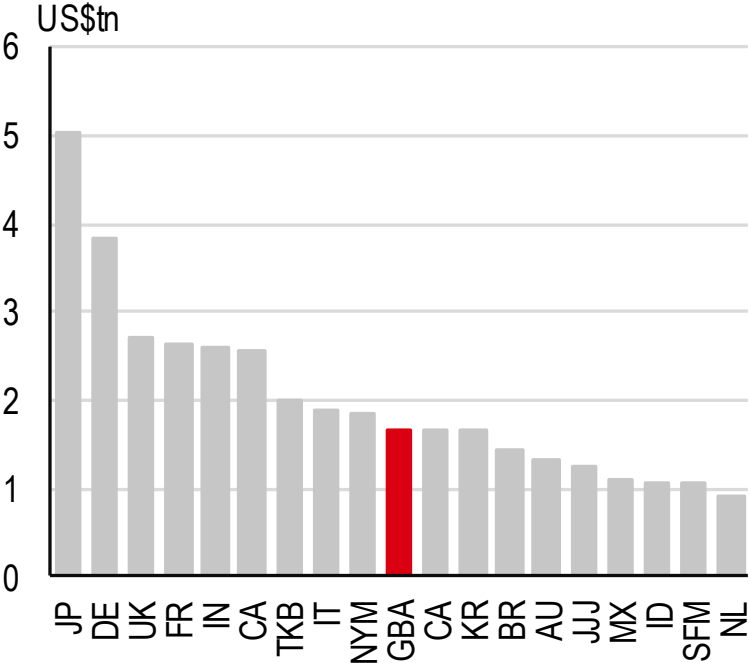
...as well as a key recipient of ODI from mainland China



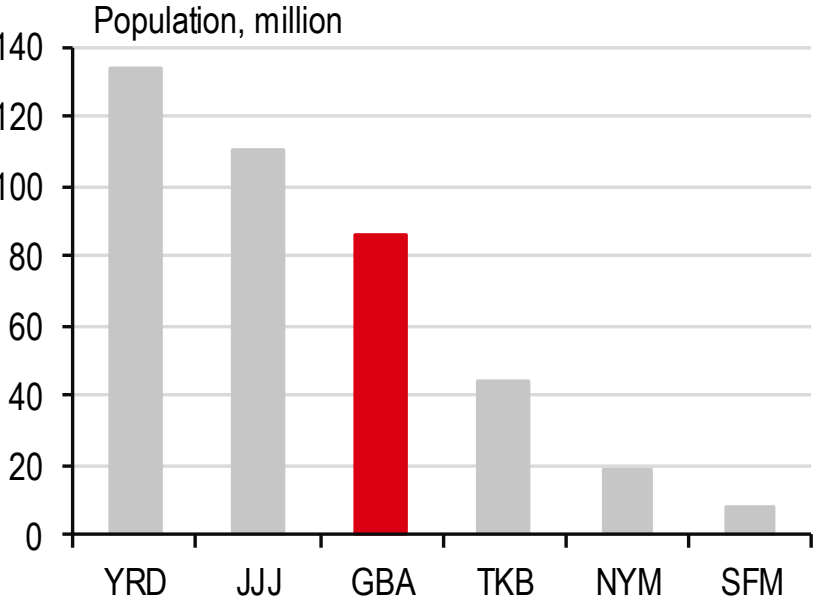
Source for all charts: CEIC, HSBC

Greater Bay Area: A growth opportunity

The GBA economy is larger than some developed economies...



...with a population that surpasses other city clusters



Source for both charts: CEIC, Regional jurisdictions, HSBC



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