



NEW ZEALAND  
FOREIGN AFFAIRS & TRADE  
Manatū Aorere

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# Hong Kong Economic Update: Q1 2024

MARKET INTELLIGENCE REPORT

# Summary

*This is a joint MFAT and NZTE report.*

- Hong Kong's economic recovery remains slow but tracking positively. From 3.2% growth year-on-year in 2023 (from 3.5% in 2022), Hong Kong posted 2.7% growth in the first quarter of 2024.
- This growth was driven by strong visitor arrivals (over 11.2 million in Q12024, predominantly from the mainland, around 70% of pre-Covid numbers) along with a significant jump in services exports (21.2% for 2023). Hong Kong's exports and imports rose 6.7% and 3.2% respectively in the same period.
- Hong Kong's economic outlook remains modest with official GDP forecasts for 2024 in the range of 2.5-3.5%. Economic measures earmarked in Hong Kong's Budget seek to boost business sector confidence, build a diversified economy through greater innovation and technology, and support infrastructure projects to strengthen connectivity across the Greater Bay Area network.
- Hong Kong is a mature established market for New Zealand goods and services. At the same time, New Zealand companies have been successful in gaining

entry into new sectors to meet Hong Kong consumer demand for high quality, environmentally sustainable products. In-market presence helps to deepen relationships and in turn, increase commercial outcomes.

- Importantly, Hong Kong also continues to be a strong gateway for re-exports of New Zealand goods into mainland China.

# Report

## Hong Kong's economic outlook remains modest

Hong Kong's real GDP grew by 2.7% year-on-year in Q1 2024, as exports of services continued to show growth due to the increase in visitor arrivals. For 2023, real GDP rose by 3.2% yoy. The Hong Kong Government has forecast GDP growth of 2.5% to 3.5% for 2024.

Consumer prices rose by 2% in March. The Government forecast inflation at 1.7% for 2024. The unemployment rate has stayed low at pre-pandemic levels, at 3%, for the period between January - March 2024.

Hong Kong exports and imports of goods rose 6.7% and 3.2% respectively in Q1 2024, (after exports fell by 10.3% in 2023). Geopolitical tensions and tight financial conditions are expected to continue to affect exports, but external demand has held up relatively well. Hong Kong's exports (predominantly re-exports from other countries as well as tourism services) are forecast to grow by 4-6% in 2024. Mainland China, ASEAN, the EU, and the USA accounted for 76.5% of its exports in 2023.

Hong Kong visitor arrivals continued to grow, helping to drive 2.7% growth in the local economy in Q1 2024. However, there are signs tourists are spending less. Tourists from the mainland China, in particular, are now predominantly day-trippers bringing their own snacks meaning limited cash-injection into Hong Kong's sagging hotel and restaurant sector. Major holiday periods now see large numbers of Hong Kongers heading across the border to the bright lights of Shenzhen and further afield, with mainland visitors not providing a commensurate balance in economic impact.

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## Action to boost Hong Kong's economic confidence and recovery

In a fiscally challenging environment, Hong Kong's budget announcements in March (with healthy government reserves continuing to fund a fifth consecutive budget deficit since 2019-20) included measures to restore economic confidence and create favourable conditions for recovery. Measures included:

### **Bolstering tourism**

- HK\$100 million (NZ\$21m) earmarked for international mega-events i.e. fireworks, creative arts and cultural festivals to enhance the city's international image;

- offering extended tourist visas (for mainland visitors).

### **Building a diversified economy by**

- reinforcing Hong Kong's status as international financial centre, enhancing stock market liquidity, expanding offshore Renminbi business, deepening Greater Bay Area (GBA) collaboration and venturing into green finance;
- modernizing Hong Kong's logistics industries through smart technologies sustainability, internationalization and facilitation;
- accelerating development of Hong Kong's innovation and technology ecosystem including establishing a new office to support development of strategic enterprises; facilitating research and development of the microelectronics industry; setting up a supercomputing centre to foster development of artificial intelligence; and fostering international green finance and technology hubs; and
- promoting high value-added maritime services to facilitate GBA maritime collaboration.

### **Attracting and retaining talent**

- encouraging more professionals from Mainland China to work and settle in Hong Kong;
- permitting expatriates, including foreign staff of companies in Hong Kong, to travel to mainland China on "multiple-entry visas" with priority visa processing to harness GBA collaboration.

### **Infrastructure-related initiatives**

- enhancing rail connectivity with the Greater Bay Area with Hong Kong collaboration with Shenzhen on cross-boundary railway infrastructure;
  - continued development of the Northern Metropolis mega-district, with an "industry-driven" approach;
  - promoting green energy and transportation including developing bunkering of green maritime fuel and supply of sustainable aviation fuel; hydrogen development; and green transformation of public land transport.
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# Hong Kong's international competitiveness is recognised

Hong Kong was ranked fifth overall (up two places from last year) in the latest Swiss-based IMD World Competitiveness Rankings announced in mid-June. The annual international survey ranked Hong Kong first in international trade and business legislation, second in tax policy, and third in international investment. The city performed strongly in real GDP per capita and improved on goods and commercial services exports and tourism receipts. However, Hong Kong ranked 65 out of 67 in its management of inflation and rising living costs.

At the same time, the IMD report noted the decline in government policy and transparency, highlighting a drop in Hong Kong's ranking in the rule of law index from 17th to 22nd, and 28th out of 30th on societal framework indicators which include measures such as the administration of justice, level of social cohesion and political stability.

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## Hong Kong continues to be an attractive market for New Zealand exports, including new sectors

In 2023, New Zealand's total trade in goods and services with Hong Kong was valued at NZ\$1.39 billion, comprising NZ\$1.09 billion in goods and NZ\$308 million in services (figures for year ending December 2023).

Over this period, the Hong Kong market was New Zealand's 12th largest export market for goods, with dairy products, fruit and meat being the top products:

- 8th largest market for kiwifruit (NZ\$48 million)
- 9th largest market for honey (NZ\$11 million)
- 13th largest market for healthcare products (NZ\$26 million)
- 22nd largest market for dairy and honey products (NZ\$145 million).

Outside of these sectors, New Zealand agri-based companies are also finding success in Hong Kong. New Zealand's five largest **poultry** companies and three largest producers of **eggs** have continued to establish market profile for their products.

Hong Kong is also a growing destination for non-food and beverage products from New Zealand. An emerging and fast-growing export sector is **petfood** where New Zealand export value has surged over the past five years, from NZ\$5.3m in 2018 to NZ\$10.25m in 2023 driven by increasing consumer demand for high quality products.

New Zealand **natural health and personal care items** are becoming popular as consumers look for fresh, environmentally sustainable alternatives to large established

brands from Korea, Europe and the US.

Hong Kong also continues to be a top market for New Zealand **thoroughbred live horse exports**, driven by the popularity of horse-racing and the strong and consistent performance of New Zealand horses at the Hong Kong Jockey Club. In 2023, Hong Kong was our second largest market after Australia.

New Zealand financial technology (fintech) services is another emerging sector that is attracting close attention as Hong Kong's international finance services expand their delivery to international customers.

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## Asian markets value in-market presence

NZTE has observed the growth of New Zealand companies that have committed to developing their presence in the Hong Kong market place, including employing staff in Hong Kong to build customer relationships. The value of *kanohi ki te kanohi* resonates deeply in markets across Asia, including Hong Kong. New Zealand companies that have been able to establish in-person presence have all experienced an increase in commercial success in Hong Kong.

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## Maximising benefits of the New Zealand - Hong Kong Closer Economic Partnership

With a long history of an open economy with few barriers to trade and internationally focused, the characteristics of Hong Kong as a trading partner remain distinct from mainland China. Through the [Hong Kong China-New Zealand Closer Economic Partnership](#), the agreement helps New Zealand companies gain a competitive edge as well as the ability to take advantage of growing opportunities in the region, utilising Hong Kong as a platform for trade into mainland China. Around 40-60% of Hong Kong imports of New Zealand goods are re-exported to mainland China annually. New Zealand recently updated the list of relevant entities covered by government procurement provisions with Hong Kong through an exchange of letters. The government procurement provisions in the CEP ensure that New Zealand businesses are able to compete with Hong Kong businesses for government procurement contracts on a level playing field.

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