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## ECONOMIC AND POLITICAL OVERVIEW

### ECONOMIC OVERVIEW

As the tenth-largest trading power and the third-largest financial centre in the world in 2023, Hong Kong is often cited as a model of liberal economics. However, the economy has been experiencing a slowdown in recent years, resulting largely from the impact of the COVID-19 pandemic, but also from the cooling Chinese economy. After contracting by 3.5% in 2022 due to the fifth local wave of Covid and the associated very tight restrictive measures applied under the "zero-Covid" policy, in 2023, real GDP rebounded with a growth rate of 3.2% driven by private consumption (official governmental data). Looking forward, in 2024, Hong Kong's export of goods may face ongoing challenges due to the challenging external environment. However, if advanced economies follow through with anticipated interest rate cuts, the situation could stabilize later in the year. Moreover, visitor arrivals are expected to rise as handling capacity improves, further bolstered by government initiatives promoting mega events. Combined with various governmental measures, increasing household income is poised to sustain private consumption. The IMF expects growth to hover around 2.9% over the forecast horizon.

During FY22 (April 2022 to March 2023), Hong Kong's fiscal situation weakened primarily due to heightened public spending linked to the pandemic. Nevertheless, it anticipates a reduction in budget deficit for 2023/24 as support measures for households and businesses, such as unemployment assistance, government-backed business loans, and direct cash transfers to households, are phased out. Despite ongoing efforts to address quality of life concerns, particularly housing issues, the government aims to trim total expenditure by 6% to HKD 761 billion. Official figures indicate that between April and October 2023, the government's expenditures totaled HKD 413.9 billion, while its earnings amounted to HKD 174.4 billion. Factoring in a profit of HKD 66.6 billion from the issuance of green bonds under a government-led initiative to foster green finance, the cumulative deficit stood at HKD 172.9 billion. Although increasing, Hong Kong's debt-to-GDP ratio is one of the lowest in the world: it was estimated at 6.1% in 2023, with an expected uptick to 7.6% by 2025 (IMF). Inflation stood at 2.2% in 2023 and should remain relatively stable over the forecast horizon as external price pressures continue to recede.

The unemployment rate had been on the rise in recent years; nevertheless, it started to recede in 2023, when it was estimated at 3.2% (from 4.3% one year earlier – data IMF). The IMF expects a reduction in the unemployment rate to 3.1% this year and 3% in 2025. Overall, Hong Kong citizens enjoy a high standard of living, with a GDP per capita (PPP) estimated at USD 72,861 in 2023 by the IMF; however, inequalities persist: according to Oxfam, the pandemic has worsened Hong Kong's wealth gap, with the city's poorest making 47 times less than its richest residents (was 34.3 times before the pandemic).

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
<b>GDP</b> ( <i>billions USD</i> )	359.84	385.55	410.36	431.71	453.69
<b>GDP</b> ( <i>Constant Prices, Annual % Change</i> )	-3.5	4.4	2.9	2.9	2.7
<b>GDP per Capita</b> ( <i>USD</i> )	48,154	51,168	54,078	56,564	59,102
<b>General Government Balance</b> ( <i>in % of GDP</i> )	-4.6	-3.1	-0.4	0.5	0.8

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
<b>General Government Gross Debt</b> <i>(in % of GDP)</i>	4.3	6.1	7.0	7.6	8.7
<b>Inflation Rate</b> <i>(%)</i>	n/a	2.2	2.3	2.4	2.5
<b>Unemployment Rate</b> <i>(% of the Labour Force)</i>	4.3	3.2	3.1	3.0	2.9
<b>Current Account</b> <i>(billions USD)</i>	38.02	27.25	25.87	26.13	26.37
<b>Current Account</b> <i>(in % of GDP)</i>	10.6	7.1	6.3	6.1	5.8

Source: IMF – World Economic Outlook Database , October 2021

## Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

## MAIN SECTORS OF INDUSTRY

Hong Kong relies heavily on financial services, production of electronics, and tourism as its main industries. The agricultural sector is almost non-existent since Hong Kong possesses no natural resources and is completely reliant on raw material and energy imports. The contribution of agriculture to the economy is practically null at 0.1% of GDP and 0.1% of the workforce employed (World Bank, latest data available). Hi-tech vertical farming is being adopted as an alternative to traditional farming (South China Morning Post). Presently, the local agricultural industry consists of approximately 2,500 farms, with a workforce of around 4,300 farmers and workers. In 2022, agricultural output was estimated at approximately HKD 1.35 billion. Despite its modest size, this sector plays a vital role in Hong Kong's economy by offering alternative food sources. In 2020, it contributed approximately 2%, 19%, and 100% to the local consumption of fresh vegetables, live pigs, and live poultry, respectively (official governmental data).

The manufacturing industry represents a larger, albeit still small share of GDP (6.3%) and employment with 14% of the workforce (World Bank). Hong Kong's industrial and manufacturing sector, once dominant, has shifted towards a service-oriented economy. Key subsectors include textiles and garments, electronics and electrical appliances, plastics and chemicals, printing and publishing, and jewelry and watches. While manufacturing activities have declined, the city is witnessing growth in innovative technologies, environmental and sustainable technologies, and advanced manufacturing. With a focus on biotechnology, information technology, and green technology, startups and tech firms are receiving support to foster growth. Hong Kong remains a regional hub for certain manufacturing activities, particularly in luxury items like jewelry and watches. According to the provisional data from the Census and Statistics Department (C&SD), the index of industrial production for manufacturing industries as a whole increased by 4.4% in the Q3 of 2023 compared with a year earlier, following a year-on-year increase of 2.7% in Q2 of 2023.

The services sector contributes around 90.8% of GDP and employs over 86% of the workforce (World Bank, 2023). The tertiary sector dominates Hong Kong's economy, marked by finance, trade, and services. Major subsectors include finance and banking, logistics and transportation, tourism and hospitality, professional services, and retail. The city's role as a global financial center underscores the significance of finance and banking services, while its strategic location fosters a thriving logistics and transportation industry. Tourism and hospitality sectors benefit from Hong Kong's attractions and international connectivity. Professional services, including legal, accounting, and consulting, contribute significantly to the economy. Retail remains vibrant, serving both local residents and international visitors. Moreover, Hong Kong acts as a service centre for Asian companies, particularly for those trading with China.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
<b>Employment By Sector</b> <i>(in % of Total Employment)</i>	0.2	13.5	86.3
<b>Value Added</b> <i>(in % of GDP)</i>	0.1	6.0	89.7
<b>Value Added</b> <i>(Annual % Change)</i>	-6.0	3.2	-3.1

Source: World Bank - Latest available data.

Monetary Indicators	2015	2016	2018	2019	2020
<b>Hong Kong Dollar (HKD) - Average Annual Exchange Rate For 1 USD</b>	7.75	7.76	7.84	7.80	7.76

Source: World Bank - Latest available data.

## FOREIGN TRADE

Hong Kong's economy is considered a model of capitalism due to its commitment to free trade, with foreign trade representing 384% of its GDP, the second-largest share worldwide after Luxembourg (World Bank, latest data available). In 2022, the largest category of imports into Hong Kong comprised "electrical machinery, apparatus, appliances, and their electrical components," constituting 45.7% of the total. Other significant import categories included "telecommunications, sound recording, and reproduction equipment," accounting for 11.3%, and "office machines and automatic data processing machines," making up 8.4% of Hong Kong's import value in the same year. As per exports, telecommunications equipment had the largest share (41.3%), followed by computer products and hardware (34.7%) and parts and accessories of computer hardware (22.2% - data Census and Statistics Department).

In 2022, export destinations included China (57.4%), the United States (6.2%), India (3.7%), Vietnam (2.4%), Japan (2.1%), the United Arab Emirates (2.1%), and Singapore (2.0%), whereas imports came chiefly from China (40.1%), Singapore (7.7%), South Korea (5.6%), Japan (5.3%), the United States (4.2%), Malaysia (3.4%), and Vietnam (2.7% - data Comtrade). Hong Kong was the world's 10th exporter and 11th importer in 2022 (WTO).

According to data by WTO, Hong Kong merchandise exports reached USD 609.9 billion in 2022 (-8.9% y-o-y), compared to USD 667.5 billion in imports (-6.3% y-o-y). As per services, exports stood at USD 82.9 billion against USD 63 billion in imports (+4.8% and +2.1% y-o-y, respectively). The overall trade balance for the year was estimated to be positive by 3.9% of the country's GDP by the World Bank. The latest data from the Census and Statistics Department show that throughout 2023, there was a 7.8% decline in the total value of exported goods compared to 2022 (at HKD 4.1 billion), while concurrently, there was a 5.7% decrease in the value of imported goods (HKD 4.6 billion). Looking forward, factors such as heightened geopolitical tensions and a deceleration in global economic growth will persistently impact Hong Kong's export performance in the near future.

Foreign Trade Values	2018	2019	2020	2021	2022
<b>Imports of Goods</b> <i>(million USD)</i>	626,616	577,834	569,769	712,358	667,554
<b>Exports of Goods</b> <i>(million USD)</i>	568,456	534,887	548,773	669,903	609,925
<b>Imports of Services</b> <i>(million USD)</i>	81,642	80,940	54,949	61,754	63,048
<b>Exports of Services</b> <i>(million USD)</i>	113,144	101,982	66,932	79,126	82,921

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
<b>Foreign Trade</b> <i>(in % of GDP)</i>	376.9	353.7	350.7	402.5	383.8
<b>Trade Balance</b> <i>(million USD)</i>	-32,272	-15,362	-5,315	3,160	-5,702

Foreign Trade Indicators	2018	2019	2020	2021	2022
<b>Trade Balance (Including Service)</b> <i>(million USD)</i>	-765	5,668	6,664	20,535	14,171
<b>Imports of Goods and Services</b> <i>(Annual % Change)</i>	4.5	-7.2	-6.9	15.8	-12.2
<b>Exports of Goods and Services</b> <i>(Annual % Change)</i>	3.7	-6.1	-6.7	17.0	-12.6
<b>Imports of Goods and Services</b> <i>(in % of GDP)</i>	188.6	176.1	174.4	198.5	189.9
<b>Exports of Goods and Services</b> <i>(in % of GDP)</i>	188.3	177.7	176.3	204.0	193.9

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
<b>Volume of exports of goods and services (Annual % change)</b>	-5.1	8.6	5.4	4.0	3.9
<b>Volume of imports of goods and services (Annual % change)</b>	-4.4	8.3	5.6	4.1	4.1

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

## International Economic Cooperation

Hong Kong is a member of the following international economic organisations: IMF, Asia-Pacific Economic Cooperation (APEC), ICC, World Customs Organization (WCO), WTO, among others. For the full list of economic and other international organisations in which participates Hong Kong click [here](#). International organisation membership of Hong Kong is also outlined [here](#).

## Free Trade Agreements

The complete and up-to-date list of Free Trade Agreements signed by Hong Kong can be consulted [here](#).

## Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
<b>China</b>	57.4%
<b>United States</b>	6.2%
<b>India</b>	3.7%
<b>Vietnam</b>	2.4%
<b>Japan</b>	2.1%
<b>See More Countries</b>	28.1%

Main Suppliers (% of Imports)	2022
<b>China</b>	40.1%
<b>Singapore</b>	7.7%
<b>South Korea</b>	5.6%
<b>Japan</b>	5.3%
<b>United States</b>	4.2%
<b>See More Countries</b>	37.1%

Source: Comtrade, Latest Available Data

## POLITICAL OUTLINE

### Current Political Leaders

Head of State: President of China, Xi Jinping (since 14 March 2013) - Chinese Communist Party  
Chief Executive: John Lee Ka-Chiu (since 1 July 2022).

### Next Election Dates

President: March 2028  
Chief Executive: 2027  
Legislative Council: 2025

### Current Political Context

Since the national security law took force in 2020, the culmination of years long efforts, Beijing has deployed a series of actions to bring Hong Kong into political lockstep with the Chinese Communist Party, a move reinforced since then.

An overhaul of Hong Kong's electoral system, including the Legislative Council, took place after the National People's Assembly of China passed a resolution on Hong Kong electoral reforms in March 2021. The reform increased the number of seats (70 to 90), but reduced the number of those who are directly elected (35 to 20), without any coming from the local council. The electoral committee elects 40 seats, while 30 remain functional trade-based constituencies. Furthermore, the new process for examining potential candidates for parliamentary elections allows only government-approved candidates to run for office. With no opposition presence in the LegCo, the current government, led by John Lee since May 2022, is anticipated to experience unchallenged political stability until the forthcoming elections in 2025.

At the beginning of 2023, Hong Kong witnessed a high-profile trial of 47 opposition politicians, charged with subversion due to their participation in an unofficial primary election, while the year concluded with another closely monitored case involving media tycoon Jimmy Lai Chee-ying, facing accusations of sedition and collusion with foreign forces.

### Main Political Parties

Hong Kong is not independent of Chinese politics. As such, there are no governing political parties. Legislative matters are largely carried out through the business or professional sectors; political parties will often officially register under the auspices of a company or business corporation. The main parties include:

- **Democratic Alliance for Betterment and Progress of Hong Kong (DAB)**: centre to centre-right, conservative, pro-government
- **Business and Professional Alliance for Hong Kong (BPA)**: conservative, liberal

- [Democratic Party](#): centre-left, pro-democracy
- [Hong Kong Federation of Trade Unions](#) (HKCTU): liberal, pro-government
- Civic Party (CP): social-liberal , constitutionalist.
- [New People's Party](#) (NPP): conservatism
- [Professional Commons](#) (PC): liberal
- [New Territories Association of Societies](#) (NTAS): Chinese nationalist, conservatism

## Executive Power

The territory is governed by a Chief Executive, elected for five years by a college of 1,200 large voters including parliamentarians, eminent personalities and representatives of the professional sectors. Chief Executive represents Hong Kong to the authorities of the People's Republic of China.

The government answers to the [Chief Executive](#) and is composed of 12 ministers (Secretaries) who are assisted by 17 senior functionaries who hold the title of "Permanent Secretaries". In hierarchical order, the three main government posts are the Chief Secretary (who is second to the Chief Executive), the Financial Secretary and the Secretary for Justice. If the Chief Executive is unable to conduct his functions temporarily, they will be conducted in this order of precedence by the title holders of the main posts.

In addition, the Chief Executive is assisted by an Executive Council or Exco which includes the government ministers and 15 non-official members who are parliamentarians nominated by the Chief Executive; personalities from the business world or from civil companies. The Exco serves as the Council of Ministers by being the venue for the formulation of the government's policies. This council is consulted for all important political decisions. It meets once a week, under the chairmanship of the Chief Executive who should specially justify his decisions in case of disagreement with the majority of its members.

## Legislative Power

The unicameral legislative power is conferred to a [Legislative Council](#). The Legislative Council is composed of 90 members elected for 4 years, with 20 Members returned by geographical constituencies through direct elections, 40 by election committee and 30 by functional constituencies. The President of the Legislative Council is elected by and from among Members of the Legislative Council.

The council votes for and amends laws and can also introduce any new proposal. It examines and approves the budget, taxes and public expenditure, and appoints the judges for the Court of Final Appeal and the President of the High Court. It is also responsible for monitoring the conduct of the Chief Executive and ensuring the Government appropriately applies its policy. The absence of political responsibility of the ministers can make the Legislative Council limit the control exercised by this assembly on the executive power.

Members are on the Council for four years. The Government is dependent on parliament's support, which is often given through a vote of confidence. The Chief Executive does not have the power to dissolve the parliament. He cannot refuse to sign a bill which has been voted in by two-thirds of the parliament.

## COVID-19 COUNTRY RESPONSE

### Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

### Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

### **Economic recovery plan**

For the general overview of the financial measures undertaken by Hong-Kong in response to the pandemic, refer to the portal of the [Hong Kong Monetary Authority](#).

### **Support plan for businesses**

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).