

## Hong Kong Watch

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CPI inflation in Hong Kong further edged down to 1.7% yoy in Jan from 2.4% in Dec, lower than consensus of 2.1%. Inflation in majority of components were lower. Netting out the government's one-off relief measures, the underlying inflation further dropped to 0.8% in Jan from 1.4% previously.

## Disinflation &amp; deflation across categories

The majority of goods/services recorded disinflation or deflation in the first month of 2024. Food inflation continued to moderate (1.0% yoy vs 2.3% in Dec), driven by deflation in fresh vegetables (-13.9%) and pork (-5.4%) prices. Utility inflation contracted to -7.6% yoy after -4.8% in Dec, driven by deflation in electricity prices (-10.7%). Transport inflation contracted by 1.1% yoy, while inflation in clothing & footwear moderated to 3.5% yoy. Inflation in miscellaneous goods & services also ticked down to 1.8% and 2.2% respectively.

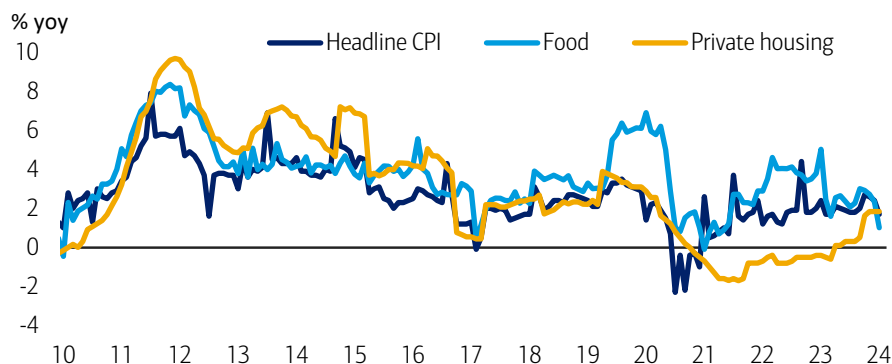
Housing inflation was an exception, as it accelerated by 0.1pp to 3.0%, although inflation in private housing rent remained unchanged (1.8%). Inflation in alcoholic drinks & tobacco also edged up to 19.5% from 19.2%.

## Weak growth &amp; tight financial conditions keep CPI muted

The weaker CPI inflation in Jan was largely due to the earlier Chinese New Year in 2023, which resulted in higher base for comparison especially food prices, in our view. A combination of Jan and Feb data should better reflect the inflation momentum in HK. Going forward, we expect only modest momentum amid tight financial conditions, lukewarm tourism recovery and price competition from mainland China. Therefore, headline inflation and service inflation should remain in check.

## Exhibit 1: Hong Kong inflation trend

Headline CPI inflation further edged down in Jan



Source: Haver, BofA Global Research

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