Hong Kong SAR Government

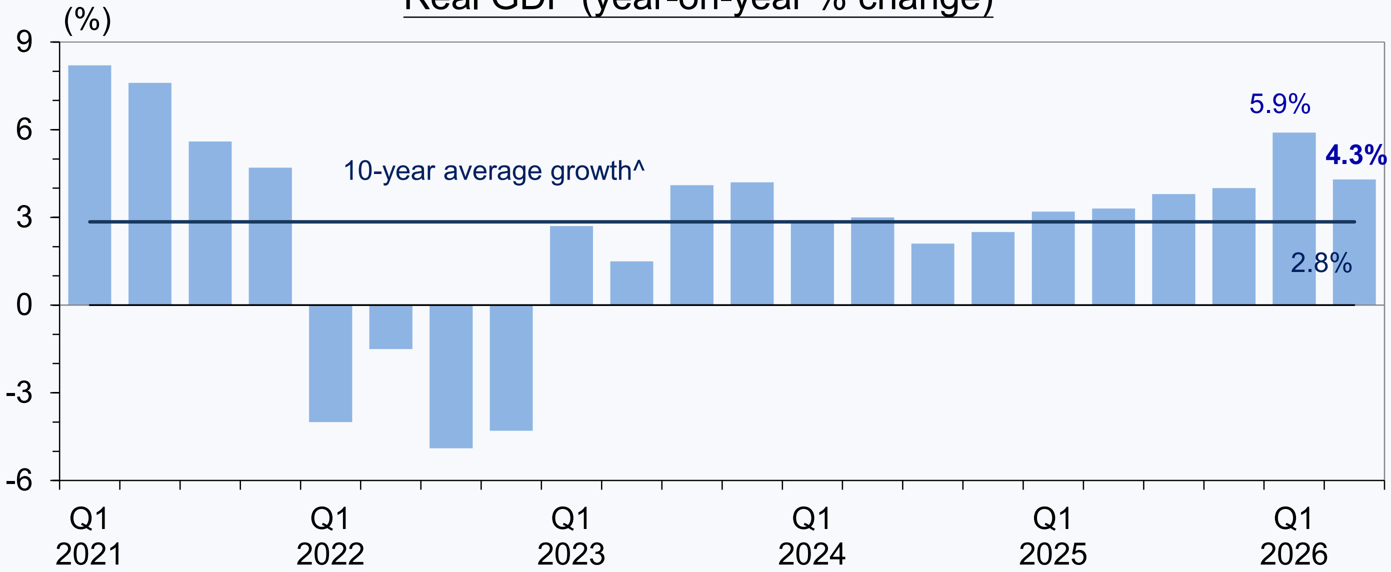
Economic Performance in the Second Quarter of 2026
&
Latest Economic Forecasts for 2026

14 August 2026

Sustained momentum: above-average growth for six consecutive quarters

- The Hong Kong economy grew by 4.3% y-o-y in Q2 2026, above the pre-COVID 10-year average of 2.8%
- For the first half of 2026, the economy grew by 5.1%, marking the strongest half-yearly performance in nearly five years

Real GDP (year-on-year % change)



Note: (^) 10-year average growth rate refers to the period of 2010-2019.

Growth remained broad-based, though the duration and pace varied across segments

- Goods exports accelerated, recording robust double-digit growth for five consecutive quarters
- Private investment registered strong double-digit growth for three consecutive quarters
- Private consumption maintained moderate growth for five consecutive quarters

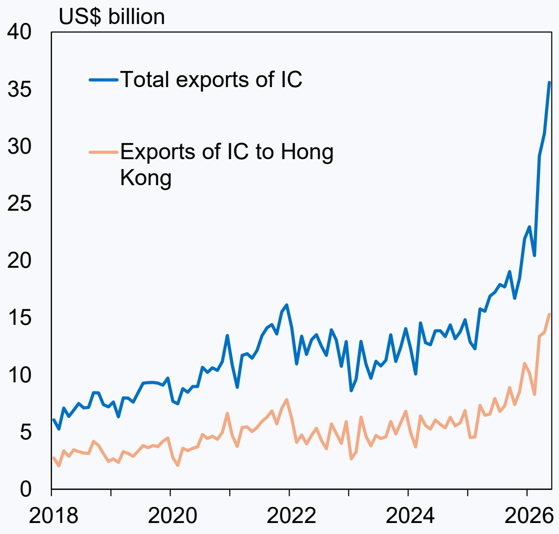
Year-on-year rate of change in real terms (%)	2024				2025				2026	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
GDP	**2.9**	**3.0**	**2.1**	**2.5**	**3.2**	**3.3**	**3.8**	**4.0**	**5.9**	**4.3**
Exports of goods	7.3	8.0	4.6	1.9	8.7	11.4	12.0	15.4	23.8	28.9
Exports of services	9.3	0.2	1.6	5.2	6.0	8.0	6.4	4.7	3.3	3.4
Private sector investment	-2.7	-8.5	0.9	-1.0	-0.3	7.4	8.1	14.6	10.0	19.4
Private consumption	1.4	-1.5	-0.7	0.2	-0.7	2.4	2.4	2.5	4.9	2.8
Government consumption	-1.4	1.4	1.4	1.9	0.4	2.5	1.9	1.5	2.8	*
Public sector investment	2.2	26.7	19.1	-1.0	1.3	-7.0	-1.6	5.8	28.9	-22.9

Note: (*) Change within ± 0.05%.

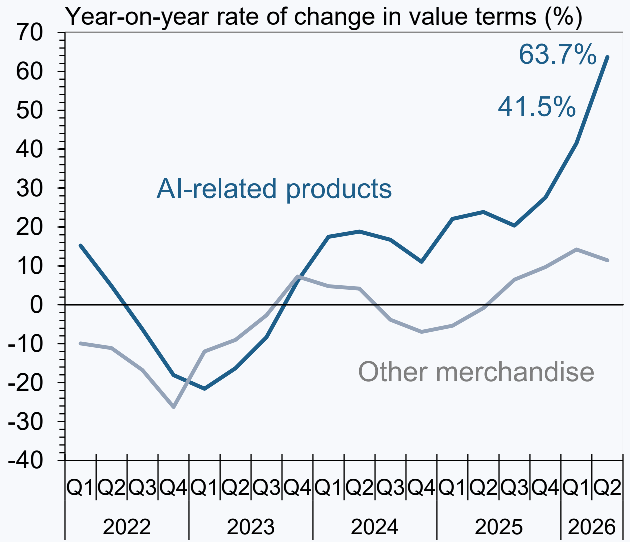
Hong Kong, a key trading hub for tech-related products, has benefitted from the global artificial intelligence investment boom

- The World Trade Organization estimated that global trade in semiconductors, processors, and other AI-enabling products grew by 21.9% in 2025 – well above the 7% increase in overall global merchandise trade
- The Mainland, a key supplier and consumer of advanced electronics, routed around one-third of its integrated circuit exports through Hong Kong
- AI-related products now account for about 70% of Hong Kong's total merchandise exports. Their export value rose by 63.7% in Q2, following 41.5% growth in Q1

(a) Mainland's exports of IC products



(b) Hong Kong's merchandise exports



Source: Census and Statistics Department (C&SD); General Administration of Customs

Hong Kong is also a major platform that finances the AI investment boom

- The local stock market was volatile, but trading activity remained vibrant
- In the first seven months of 2026, funds raised through IPO in Hong Kong reached HK$328.2 billion, surging 154% year-on-year. Many of the newly listed companies were part of the AI value chain
- As pointed out by the Hong Kong Stock Exchange, from December 2025 to May 2026, total IPO proceeds raised by companies across the AI value chain have reached HK$97.9 billion, approximately 55% of total IPO fundraising in the whole market in the same period
- As of end-July, 485 companies had applications for listing in Hong Kong under processing

Period	IPO fund raised		Number of newly listed companies	
	HK$ billion	Year-on-year % change	Number	Year-on-year % change
2025	286.9	226	119	67.6
2026 Jan-Jul	328.2	154	104	96.2

The AI theme has driven a significant increase in investment

- The OECD estimated that capital expenditures by AI companies rose by over 30% from less than US$600 billion in 2024 to around US$800 billion in 2025, and are projected to grow to over US$1.2 trillion by 2027
- In Hong Kong, private sector investment on acquisitions of machinery, equipment and intellectual property products recorded strong growth of 34.6% in 2025 and accelerated further to 38.4% in the first half of 2026, partly driven by the surge in enterprise and consumer adoption of AI-empowered products and services

	Share^ (%)	Year-on-year rate of change in real terms (%)					
	2025	2025				2026	
		Q1	Q2	Q3	Q4	Q1	Q2
Gross domestic fixed capital formation	**100.0**	**0.2**	**1.8**	**5.1**	**11.7**	**18.3**	**4.4**
Public sector	***35.2***	***1.3***	***-7.0***	***-1.6***	***5.8***	***28.9***	***-22.9***
Building and construction	*25.1*	*-1.6*	*-8.7*	*-3.6*	*7.4*	*39.3*	*-33.5*
Machinery, equipment and intellectual property products	*10.1*	*7.4*	*0.2*	*3.2*	*1.6*	*7.3*	*10.5*
Private sector	***64.8***	***-0.3***	***7.4***	***8.1***	***14.6***	***10.0***	***19.4***
Building and construction	*26.8*	*-9.1*	*-14.8*	*-15.9*	*-23.6*	*-24.2*	*4.8*
Machinery, equipment and intellectual property products	*33.1*	*16.6*	*61.7*	*20.6*	*43.1*	*58.2*	*27.5*
Costs of ownership transfer	*4.9*	*40.6*	*-8.3*	*76.7*	*65.8*	*71.6*	*57.2*

Note: (^) Percentage share of individual components to the overall GDFCF in nominal terms. Individual figures may not add up exactly to the total due to rounding.

Private consumption expenditure remained resilient, with sustained demand for consumer durables

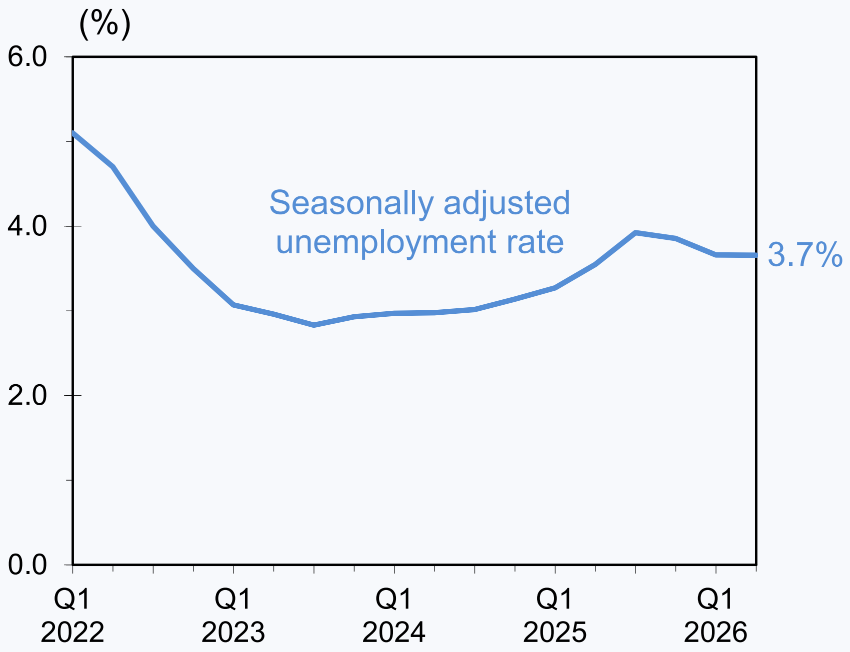
- Private consumption maintained moderate growth for five quarters, indicating continued resilience in domestic demand
- The strong, double-digit expansion in consumer durables over four consecutive quarters, suggesting that households remained willing to make larger discretionary purchases
- Spending abroad declined, suggesting a partial reallocation of consumption towards the domestic economy

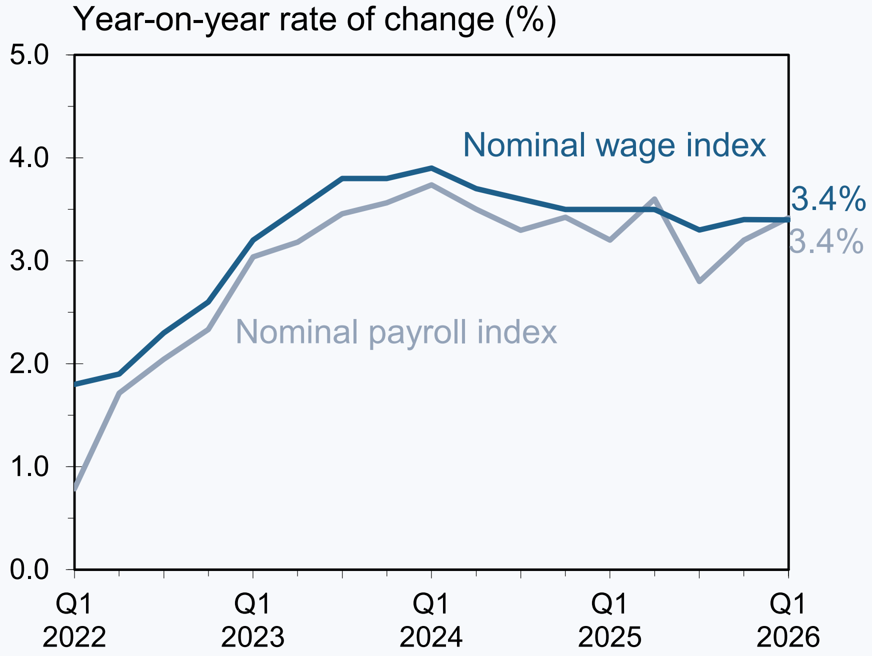
	Share^ (%)	Year-on-year rate of change in real terms (%)					
	2025	2025				2026	
		Q1	Q2	Q3	Q4	Q1	Q2
Private consumption expenditure	**100.0**	**-0.7**	**2.4**	**2.4**	**2.5**	**4.9**	**2.8**
Consumption expenditure in the domestic market							
Food	*10.2*	*-0.3*	*0.6*	*-1.1*	*0.5*	*2.8*	*2.2*
Consumer goods	*22.6*	*-10.6*	*0.8*	*5.5*	*7.4*	*14.0*	*6.1*
Consumer durables	*6.6*	*-16.6*	*-6.2*	*10.7*	*23.4*	*32.6*	*13.4*
Consumer non-durables	*16.0*	*-8.1*	*3.1*	*3.4*	*0.1*	*7.0*	*3.9*
Services	*67.4*	*3.5*	*4.1*	*2.9*	*2.2*	*3.0*	*2.5*
Expenditure of residents abroad	***8.8***	***1.9***	***6.2***	***-0.1***	***4.5***	***3.6***	***-0.4***
Less: Expenditure of non-residents in the domestic market	***9.0***	***5.1***	***14.4***	***8.3***	***12.9***	***9.2***	***4.8***

Note: (^) Percentage share of individual components to private consumption expenditure in nominal terms. Individual figures may not add up exactly to the total due to rounding.

A stable labour market, with rising employment earnings supporting consumer sentiment

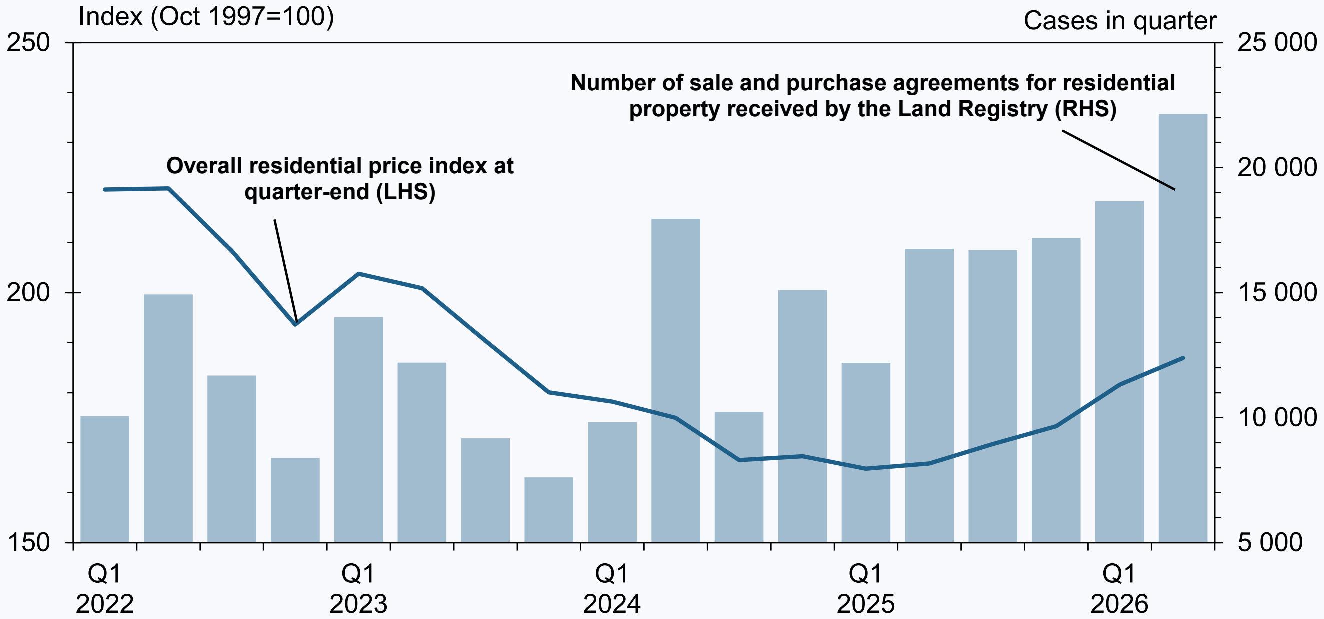
- The seasonally adjusted unemployment rate stayed at 3.7% in the second quarter, same as that in the preceding quarter
- Nominal wages growth remained steady at 3.4% year-on-year in March 2026, while labour earnings rose by 3.4% year-on-year in the first quarter, slightly faster than the 3.2% recorded in the preceding quarter





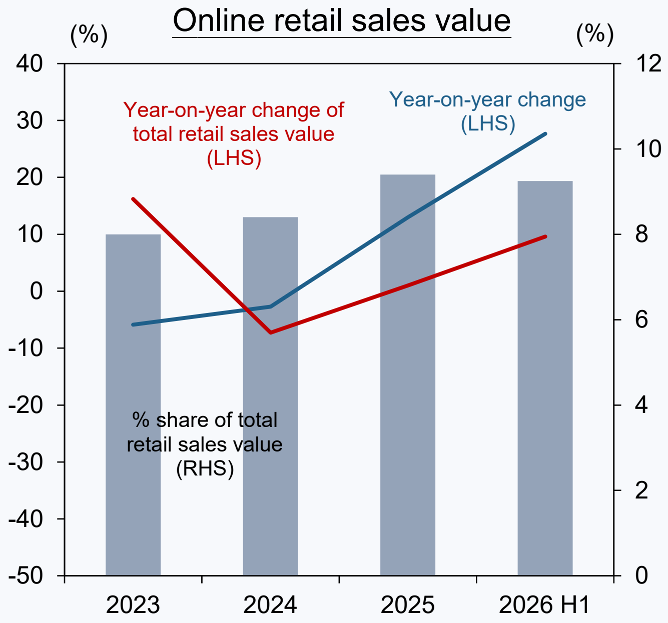
Asset market conditions are also broadly supportive of consumption

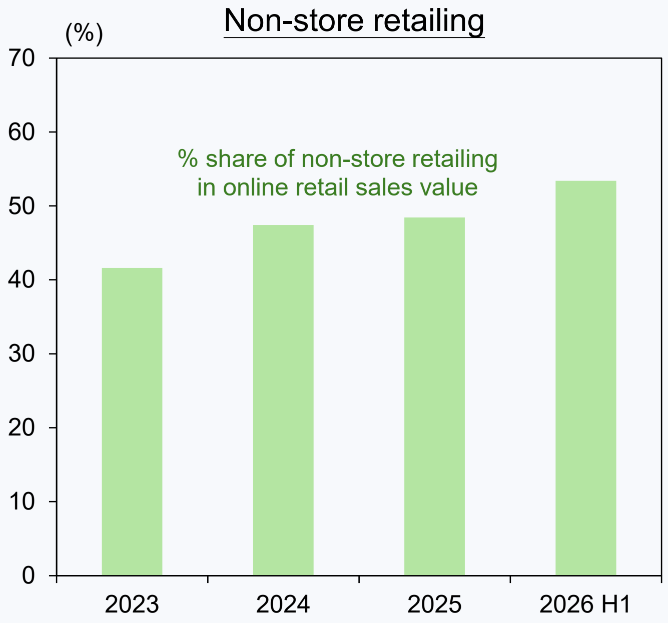
- The property market sustained its positive momentum in Q2, supported by buoyant trading activity and continued growth in overall flat prices
- Residential property transactions reached a 14-year high of 22 156 in Q2, up 32% year-on-year, bringing total transactions in the first half of the year to 40 810 – a 41% increase over a year earlier
- Overall flat prices rose further by 3% in Q2, widening the year-to-date gain to 8%



Online retail continued to gain traction, driven by consumers' growing preference for non-store retailers

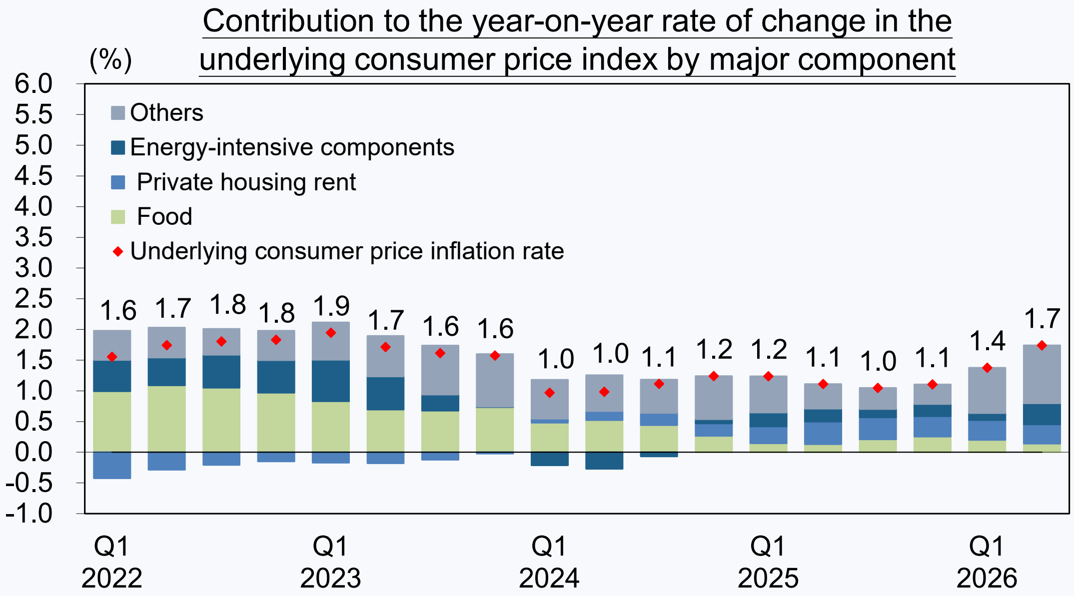
- Online retail sales growth substantially outpaced that of overall retail sales over the past few years. In H1 2026, online and overall retail sales value grew by 28% and 10% respectively, signalling a shift in consumer purchasing behaviour
- Online retail's share of total retail sales rose steadily from 8.0% in 2023 to 9.2% in H1 2026. Non-store retailers gained further ground, with their share of online retail sales increasing from 42% in 2023 to 53% in H1 2026, underscoring the growing importance of engaging consumers through virtual channels





Consumer price inflation rose slightly in Q2, but remained at a moderate level

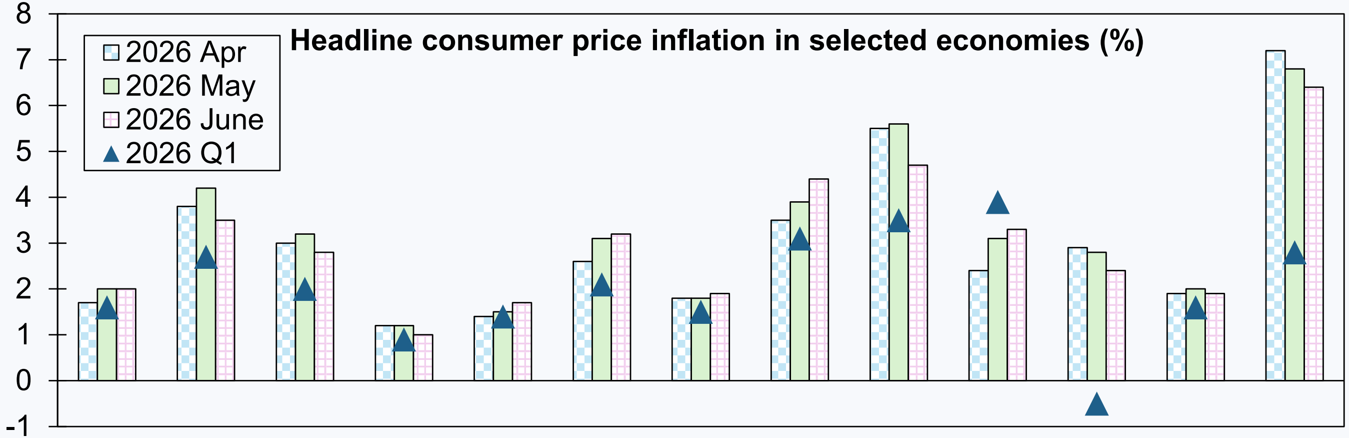
- Consumer price inflation rose slightly in Q2, driven mainly by a sequential increase in fuel-related components following elevated international oil prices since late-February. Price pressures in other components remained largely subdued, keeping overall inflation at a moderate level
- The year-on-year increase in the underlying Composite CPI, which nets out the effects of the Government's one-off relief measures, accelerated from 1.4% in Q1 to 1.7% in Q2



Note: Energy-intensive components include electricity, Towngas, liquefied petroleum gas and other fuel, fuels for personal transport equipment, public transport fares, inbound and outbound transport fares, and other local transport fees.

Inflation firmed across economies on elevated oil prices in Q2, while Hong Kong's increases remained relatively modest

- In Q2 2026, inflation reached multi-year highs in the Philippines (6.8%) and Vietnam (5.3%). In the US, CPI inflation rose to 3.9%, while PCE inflation rose to 3.8%, both well above the Fed's 2% target. Thailand also returned to mild inflation after 12 consecutive months of deflation
- Inflation in the Mainland and Japan rose moderately and remained contained, reflecting the impact of mitigating policy measures such as energy subsidies and price controls



	Hong Kong	United States	Euro area	The Mainland	Japan	Korea	Singapore	India	Vietnam	Indonesia	Thailand	Malaysia	Philippines
Contribution of energy and transport components (% pt.)^	0.2	1.1	1.0	0.8	0.3	0.9	0.5	0.2	0.8	-1.3	3.1	0.5	2.0

Note: (^) Figures refer to the contribution of energy and transport components to the change in headline CPI inflation in the second quarter over the first quarter of 2026. For the Mainland and Vietnam, as the weightings for energy-related items are not available, the figures refer to transport-related items only.

Sources: C&SD and CEIC.

Highlights

Current

- The Hong Kong economy sustained its momentum, expanding at an above-average pace for six consecutive quarters. Growth was 4.3% y-o-y in Q2, bringing first-half growth to 5.1%, the strongest in nearly 5 years
- Growth remained broad-based in Q2, though its duration and pace varied across segments. Strong external trade was the key driver, while domestic demand was resilient
- Consumer price inflation increased slightly and remained moderate in Q2 and H1

Outlook

- The economy is expected to see solid growth in the second half of 2026, given vibrant AI-related demand and resilient domestic demand
- CPI inflation will likely rise in the coming months due to elevated international oil prices, but price pressures in other areas remain contained
- Major risks include geopolitical tensions in the Middle East and their potential spillovers into energy markets and global inflation; the policy paths of major central banks; trade protectionism among advanced economies; and risks stemming from the rapid expansion of global investment in AI

Latest economic forecasts for 2026 as a whole

- Real GDP growth forecast for 2026 as a whole is revised up to 3.5% – 4.5%, while underlying inflation forecast is maintained at 2.5%

	Forecasts as released on 15 May	Latest forecasts
Real GDP growth	**2.5%-3.5%**	**3.5%-4.5%**
Underlying inflation	**2.5%**	**2.5%**

Thank you!