Third Quarter Economic Report 2026

Government of the Hong Kong Special Administrative Region

THIRD QUARTER ECONOMIC REPORT 2026

OFFICE OF THE GOVERNMENT ECONOMIST
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CONTENTS

Paragraphs

CHAPTER 1 : OVERVIEW OF ECONOMIC PERFORMANCE

Overall situation	1.1 - 1.2
The external sector	1.3 - 1.4
The domestic sector	1.5 - 1.9
Performance of selected major economic sectors	1.10 - 1.11
The labour sector	1.12
The asset markets	1.13 - 1.16
Inflation	1.17 - 1.19
Other economic developments	1.20 - 1.26

CHAPTER 2 : THE EXTERNAL SECTOR

Merchandise trade	
External environment	2.1 - 2.6
Merchandise exports	2.7 - 2.9
Merchandise imports	2.10 - 2.11
Services trade and selected key sectors	
Exports of services	2.12 - 2.15
Transport and logistics sector	2.16 - 2.19
Tourism sector	2.20 - 2.23
Imports of services	2.24 - 2.26
Goods and services balance	2.27
Highlights of policy and market developments	2.28 - 2.30
Box 2.1 Elevated long-term sovereign bond yields: A significant downside risk to the global outlook	

CHAPTER 3 : ASSET MARKETS

The equity markets	3.1 - 3.4
The residential property market	3.5 - 3.8
Outlook	3.9 - 3.11

CHAPTER 4 : FINANCIAL SERVICES

Overview	4.1 - 4.3
Equity market	4.4 - 4.5
Mutual market access	4.6 - 4.8
Asset and wealth management	4.9 - 4.10
Banking sector	4.11 - 4.14
Offshore RMB business	4.15 - 4.16
Debt market	4.17 - 4.19
Insurance sector	4.20 - 4.21
Commodity trading	4.22
Financial technology (fintech)	4.23
Green finance	4.24

CHAPTER 5 : THE LABOUR SECTOR

Overall labour market situation	5.1
Labour force and total employment	5.2 - 5.3
Unemployment situation	5.4 - 5.7
Underemployment situation	5.8
Vacancies	5.9 - 5.11
Wages and earnings	5.12 - 5.14
Highlights of related measures and policy developments	5.15 - 5.18

CHAPTER 6 : PRICES

Consumer prices	6.1 - 6.3
Costs of factor inputs and import prices	6.4 - 6.5
Output prices	6.6
GDP deflator	6.7

CHAPTER 1 : OVERVIEW OF ECONOMIC PERFORMANCE

Summary

- *The Hong Kong economy expanded strongly in the third quarter of 2026. Real Gross Domestic Product (GDP)[(1)] growth accelerated to 5.2% year-on-year in the third quarter, up from the revised 4.2% growth in the preceding quarter, underpinned by a further pick-up in already buoyant external trade growth and solid domestic demand. On a seasonally adjusted quarter-to-quarter comparison[(2)], real GDP increased by 1.9% in the third quarter. For the first three quarters of 2026 combined, real GDP grew by 5.1% over a year earlier, the fastest pace in five years for the corresponding period.*
- *Growth in total exports of goods quickened to 30.3% year-on-year in real terms in the third quarter, reflecting robust trade flows amid strong global demand for artificial intelligence (AI)-related electronic products. Exports of services expanded by 4.3% year-on-year, with all major service groups continuing to grow.*
- *Domestic demand showed sturdy growth in the third quarter. Private consumption expenditure recorded the sixth consecutive quarter of expansion. Overall investment expenditure picked up, with private sector investment spending posting its fourth consecutive quarter of double-digit growth, while public sector investment spending declined slightly.*
- *Available indicators pointed to continued positive developments in key economic sectors in the third quarter. The financial services sector continued to excel. The inbound tourism industry continued to post a robust increase in visitor arrivals. The transport and logistics sector also sustained growth in general.*
- *The labour market stayed broadly stable in the third quarter. Both labour force and total employment increased over the preceding quarter amid the seasonal entry of graduates and school leavers. With the labour force growing faster than total employment, the seasonally adjusted unemployment rate edged up to 3.9% in the third quarter. Separately, employment earnings continued to grow solidly in the third quarter over a year earlier. The employment outlook should remain broadly stable, as the Quarterly Business Tendency Survey for the fourth quarter of 2026 showed some improvement in hiring sentiment among large enterprises.*
- *Asset market conditions were broadly stable in the third quarter, with the residential property prices holding steady and the local stock market closing higher over the previous quarter amid fluctuations. The Hang Seng Index (HSI) closed the third quarter 7.6% above its end-June level, outperforming several major indices elsewhere. In the residential property market, overall*

flat prices were largely stable during the quarter, while transactions remained relatively solid and broadly on par with the five-year average.

- *Entering the fourth quarter, incoming data pointed to sustained growth momentum. The Hong Kong economy is poised for a strong full-year performance, supported by robust global AI investment and related trade. Exports of services are expected to benefit from continued growth in visitor arrivals and steady demand for cross-boundary financial and business services. Domestic demand is expected to remain resilient, supported by rising labour earnings, solid consumer sentiment and continued private-sector investment.*

- *Nonetheless, uncertainties in the external environment persist, and risks to the growth outlook remain tilted to the downside. Although the United States (US) midterm election results have raised hopes of de-escalation, prolonged geopolitical tensions in the Middle East could intensify global inflationary pressures and affect major central banks' monetary policy paths. A potential resurgence of trade tensions, rising sovereign bond yields amid high public debt, and a possible market correction if expectations for AI prove too optimistic also warrant close monitoring. Upside risks include a more persistent-than-expected AI-driven technology cycle, and tangible progress in international trade arrangements and negotiations that could support sustainable trading relationships.*

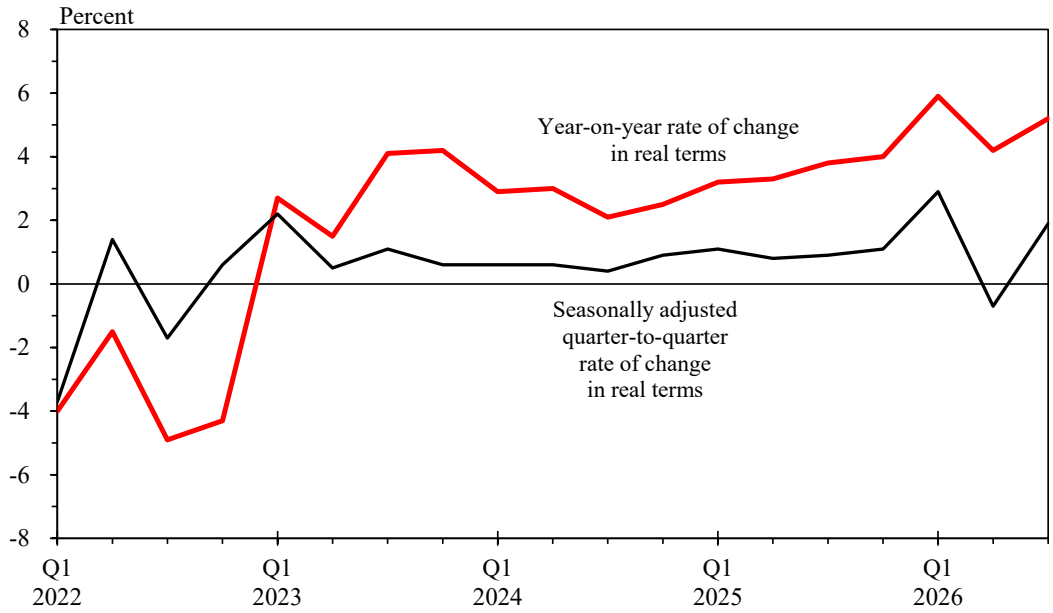
- *The underlying consumer price inflation edged up further in the third quarter, mainly driven by a pick-up in fuel-related components as international oil prices stayed high. However, overall inflation remained moderate, as price pressures on other components were generally modest. Consumer price inflation has so far been lower than expected, reflecting the slower-than-anticipated pass-through of higher international oil prices to fuel-related components, in which the alleviation effect from the Government's relevant measures including the fuel subsidies earlier also played a part. Although oil prices eased after the US midterm elections, the geopolitical situation remains uncertain, and the pass-through of elevated oil prices earlier is likely to continue into 2027. Nevertheless, as price pressures on other fronts are expected to remain largely contained, overall inflation should stay moderate.*

- *Hong Kong's continued strong performance in global rankings underscored broad international recognition of its core strengths. In 2026, the Fraser Institute again ranked Hong Kong as the world's freest economy, affirming its strengths as a free-market economy and its open, efficient and fair business environment. Hong Kong also remained third globally and first in Asia Pacific in the latest Global Financial Centres Index, and rose one place to 14th globally in the Global Innovation Index 2026.*

Overall situation

1.1 The Hong Kong economy expanded strongly in the third quarter of 2026. Real GDP growth accelerated to 5.2% year-on-year in the third quarter (same as the advance estimate), up from the revised 4.2% growth in the preceding quarter, underpinned by a further pick-up in already buoyant external trade growth and solid domestic demand. On a seasonally adjusted quarter-to-quarter comparison, real GDP increased by 1.9% in the third quarter (same as the advance estimate), compared with a decline of 0.7% in the preceding quarter. In the first three quarters of 2026 combined, real GDP grew by 5.1% over a year earlier, the fastest pace in five years for the corresponding period.

Diagram 1.1 : The Hong Kong economy expanded strongly in the third quarter of 2026



1.2 Entering the fourth quarter, incoming data pointed to sustained growth momentum. The Hong Kong economy is poised for a strong full-year performance, supported by robust global AI investment and related trade. Exports of services are expected to benefit from continued growth in visitor arrivals and steady demand for cross-boundary financial and business services. Domestic demand is expected to remain resilient, supported by rising labour earnings, solid consumer sentiment and continued private-sector investment.

The external sector

1.3 *Total exports of goods* based on the GDP compilation framework recorded another quarter of strong growth of 30.3% year-on-year in real terms in the third quarter of 2026, up from 28.9% in the preceding quarter. Strong global demand for AI-related electronic products amid the ongoing global AI investment boom supported robust trade flows through Hong Kong.

1.4 *Exports of services* expanded further by 4.3% in real terms in the third quarter over a year earlier, after rising by 3.2% in the preceding quarter. Exports of all major service groups continued to increase (See ***Chapter 2*** on external trade and performance of relevant sectors, such as transport and logistics and tourism).

Table 1.1 : Gross Domestic Product, its main expenditure components and the main price indicators

	2025#	2025				2026		
		Q1#	Q2#	Q3#	Q4#	Q1#	Q2#	Q3#
		year-on-year rate of change (%)						
Change in real terms of GDP and its main expenditure components (%)								
Private consumption expenditure	1.7	-0.7 (-0.5)	2.4 (2.7)	2.4 (0.1)	2.5 (0.4)	4.9 (1.7)	2.9 (0.7)	2.9 (*)
Government consumption expenditure	1.5	0.4 (-0.3)	2.5 (1.1)	1.9 (0.2)	1.5 (0.3)	2.8 (1.3)	* (-2.0)	1.7 (2.1)
Gross domestic fixed capital formation	4.8	0.2	1.8	5.1	11.7	18.3	3.7	7.5
Building and construction	-9.6	-5.7	-12.0	-10.7	-10.1	5.5	-14.7	-1.1
Costs of ownership transfer	37.8	40.6	-8.3	76.7	65.8	71.6	57.9	0.7
Machinery, equipment and intellectual property products	25.6	10.9	41.8	17.4	33.7	35.7	23.8	16.6
Total exports of goods&	12.0	8.7 (8.5)	11.4 (2.7)	12.0 (0.2)	15.4 (3.7)	23.8 (15.9)	28.9 (7.1)	30.3 (1.5)
Imports of goods&	12.6	7.2 (6.1)	12.6 (4.5)	11.7 (1.2)	18.2 (5.5)	29.9 (16.4)	29.3 (3.9)	29.9 (1.8)
Exports of services&	6.2	6.0 (0.5)	8.0 (0.9)	6.4 (1.1)	4.7 (1.8)	3.3 (-0.6)	3.2 (1.0)	4.3 (2.2)
Imports of services&	4.3	5.2 (1.1)	6.4 (1.8)	2.0 (-1.9)	3.7 (2.8)	3.8 (0.9)	3.1 (1.3)	5.8 (0.9)
Gross Domestic Product	**3.6**	**3.2** **(1.1)**	**3.3** **(0.8)**	**3.8** **(0.9)**	**4.0** **(1.1)**	**5.9** **(2.9)**	**4.2** **(-0.7)**	**5.2** **(1.9)**
Change in the main price indicators (%)								
GDP deflator	**0.9**	**1.0** **(-0.4)**	**0.5** **(0.5)**	**0.5** **(0.6)**	**1.4** **(0.6)**	**-0.2** **(-1.8)**	**2.6** **(3.2)**	**3.8** **(1.8)**
Composite CPI								
Headline	**1.4**	**1.6** **(0.3)**	**1.8** **(-0.2)**	**1.1** **(0.7)**	**1.3** **(0.4)**	**1.6** **(0.6)**	**1.9** **(0.2)**	**1.7** **(0.5)**
Underlying^	**1.1**	**1.2** **(0.1)**	**1.1** **(0.2)**	**1.0** **(0.3)**	**1.1** **(0.4)**	**1.4** **(0.4)**	**1.7** **(0.6)**	**2.0** **(0.5)**
Change in **nominal GDP** *(%)*	**4.5**	**4.3**	**3.8**	**4.3**	**5.4**	**5.6**	**6.9**	**9.2**
		$ Billion						
Nominal GDP	3,329.8	801.4	788.3	855.6	884.5	846.5	842.5	934.3

Notes : Figures are subject to revision later on as more data become available. The seasonally adjusted quarter-to-quarter rate of change is not applicable to gross domestic fixed capital formation, as no clear seasonal pattern is found for this category due to the presence of considerable short-term fluctuations.

(&) Figures are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

(#) Revised figures.

( ) Seasonally adjusted quarter-to-quarter rate of change[(2)].

(^) After netting out the effects of the Government's one-off relief measures.

(*) Change within ± 0.05%.

The domestic sector

1.5 Domestic demand showed sturdy growth in the third quarter of 2026, supported by solid increases in both consumption and investment. *Private consumption expenditure* expanded by 2.9% in real terms in the third quarter over a year earlier, after an increase of the same extent in the preceding quarter, marking its sixth consecutive quarter of expansion. All major categories of consumption expenditure in the domestic market increased over a year earlier (See ***Table 1.2*** for details). On a seasonally adjusted quarter-to-quarter basis, private consumption expenditure was broadly unchanged in real terms.

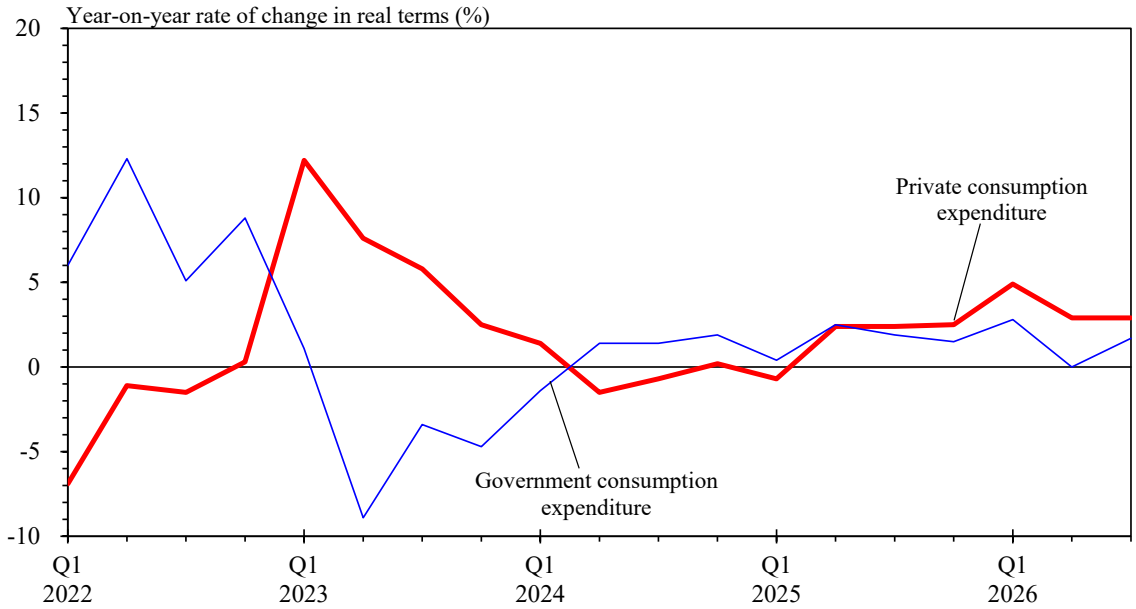
Table 1.2 : Major components of private consumption expenditure

	Share^ (%)	Year-on-year rate of change in real terms (%)					
	2025#	2025			2026		
		Q2#	Q3#	Q4#	Q1#	Q2#	Q3#
Private consumption expenditure	--	2.4	2.4	2.5	4.9	2.9	2.9
Of which: Consumption expenditure in the domestic market on							
Food	*10.2*	*0.6*	*-1.1*	*0.5*	*2.8*	*2.2*	*3.4*
Consumer goods	*22.6*	*0.8*	*5.5*	*7.4*	*14.0*	*6.1*	*3.3*
Consumer durables	*6.6*	*-6.2*	*10.7*	*23.4*	*32.6*	*13.4*	*5.7*
Consumer non-durables	*16.0*	*3.1*	*3.4*	*0.1*	*7.0*	*3.9*	*2.3*
*Services**	*67.3*	*4.1*	*2.9*	*2.2*	*3.0*	*2.5*	*2.9*

Notes : Figures are subject to revision later on as more data become available.
(^) Percentage share of individual components to the total consumption expenditure in the domestic market in nominal terms. Individual figures may not add up exactly to the total due to rounding.
(#) Revised figures.
(*) Services include housing, transportation, education, medical and health care, recreation, entertainment etc.

1.6 Meanwhile, *government consumption expenditure* increased by 1.7% in real terms in the third quarter over a year earlier, after staying virtually unchanged in the preceding quarter. On a seasonally adjusted quarter-to-quarter basis, government consumption expenditure increased by 2.1% in real terms.

Diagram 1.2 : Private consumption expenditure recorded the sixth consecutive quarter of expansion in the third quarter of 2026



1.7 Overall investment expenditure in terms of *gross domestic fixed capital formation* (GDFCF) rose by 7.5% year-on-year in real terms in the third quarter, up from 3.7% growth in the preceding quarter, driven mainly by strong private sector investment spending. Private sector investment expenditure rose by 11.6% year-on-year in real terms, marking its fourth consecutive quarter of double-digit growth. This increase reflected a 19.8% rise in expenditure on acquisitions of machinery, equipment and intellectual property products, a 1.2% rise in that on building and construction, and a slight increase of 0.7% in costs of ownership transfer.

1.8 Meanwhile, the latest business sentiment as measured by the Quarterly Business Tendency Survey conducted by the Census and Statistics Department strengthened, with a largely positive business outlook. The S&P Global Purchasing Managers' Index of Hong Kong also went up in October and returned to the expansionary zone.

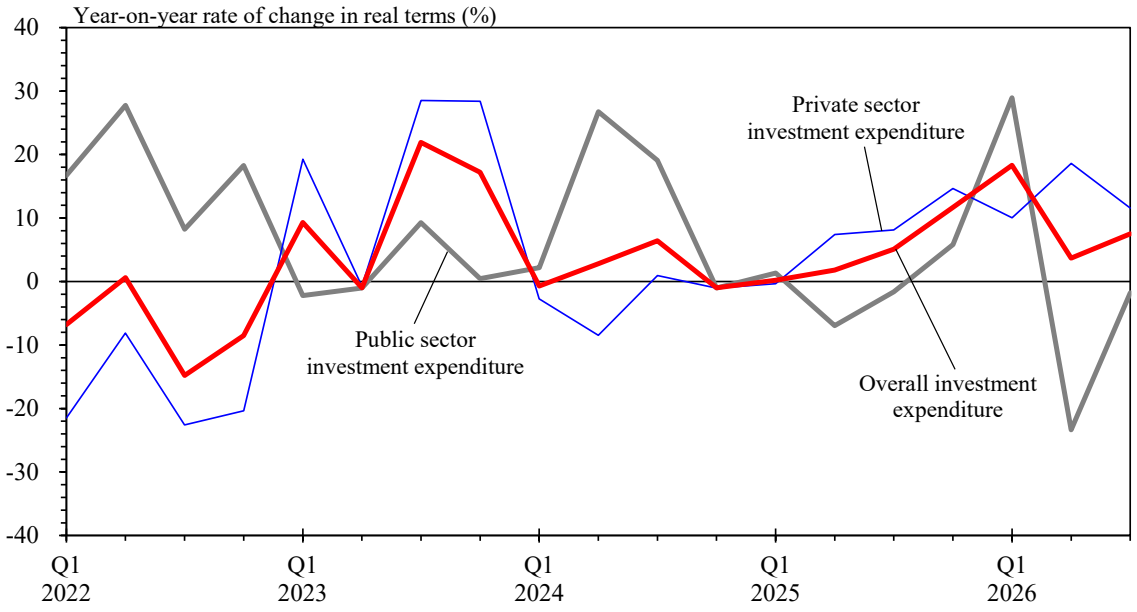
1.9 Public sector investment expenditure declined slightly by 1.8% in real terms in the third quarter over a year earlier, with the rate of decline narrowing markedly from the preceding quarter, reflecting a smaller decline in expenditure on building and construction and continued growth in expenditure on acquisitions of machinery, equipment and intellectual property products (See ***Table 1.3*** for details).

Table 1.3 : Major components of gross domestic fixed capital formation

	Share^ (%)	Year-on-year rate of change in real terms (%)					
	2025#	2025			2026		
		Q2#	Q3#	Q4#	Q1#	Q2#	Q3#
Gross domestic fixed capital formation	**100.0**	**1.8**	**5.1**	**11.7**	**18.3**	**3.7**	**7.5**
Public sector	***35.2***	***-7.0***	***-1.6***	***5.8***	***28.9***	***-23.4***	***-1.8***
Building and construction	*25.1*	*-8.7*	*-3.6*	*7.4*	*39.3*	*-34.2*	*-3.7*
Machinery, equipment and intellectual property products	*10.1*	*0.2*	*3.2*	*1.6*	*7.3*	*10.9*	*2.8*
Private sector	***64.8***	***7.4***	***8.1***	***14.6***	***10.0***	***18.6***	***11.6***
Building and construction	*26.8*	*-14.8*	*-15.9*	*-23.6*	*-24.2*	*3.0*	*1.2*
Machinery, equipment and intellectual property products	*33.1*	*61.7*	*20.6*	*43.1*	*58.2*	*27.5*	*19.8*
Costs of ownership transfer	*4.9*	*-8.3*	*76.7*	*65.8*	*71.6*	*57.9*	*0.7*

Notes : Figures are subject to revision later on as more data become available.
(^) 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.
(#) Revised figures.

Diagram 1.3 : Overall investment expenditure rose further in the third quarter of 2026



Performance of selected major economic sectors

1.10 The statistics for the net outputs of major economic sectors are only up to the second quarter of 2026 (See ***Table 1.4*** for details). The net output of the services sector increased by 5.0% year-on-year in real terms in the second quarter, following 6.0% growth in the preceding quarter. Most major services sectors continued to record year-on-year growth in net outputs in the second quarter, including notable growth in import and export trade, and financing and insurance. As for the secondary sector, the net output of the manufacturing sector grew moderately, yet that of the construction sector declined visibly, largely reflecting the decline in expenditures on public sector projects in the quarter.

1.11 The financial services sector continued to excel in the third quarter, with its major subsectors generally performing well (See ***Chapter 4*** on financial services). On inbound tourism, visitor arrivals continued to post a robust increase in the third quarter. The transport and logistics sector also sustained growth in general (See ***Chapter 2*** for details).

Table 1.4 : Net output of major economic sectors

	$Billion[#]	Share[#] (%)	Year-on-year rate of change in real terms (%)					
	2025		2025	2025			2026	
				Q2	Q3	Q4	Q1	Q2
Manufacturing	32.6	1.0	3.2	0.9	5.3	5.8	3.1	2.3
Construction	124.9	3.9	-7.9	-10.8	-8.5	-7.3	8.4	-17.9
Services	3,040.5	94.0	3.3	3.7	3.1	3.9	6.0	5.0
Import/export, wholesale and retail trades	579.5	17.9	6.1	6.3	5.3	8.0	14.5	12.7
Import and export trade	N.A.	N.A.	6.9	7.2	5.3	8.5	14.6	13.4
Wholesale and retail trades	N.A.	N.A.	1.1	0.4	5.2	5.2	13.7	7.6
Accommodation and food services	63.0	1.9	-0.7	-0.3	-1.4	1.4	0.5	-0.1
Transportation, storage, postal and courier services	178.7	5.5	3.6	5.0	2.5	4.8	4.1	0.9
Transportation and storage	N.A.	N.A.	3.7	5.1	2.6	5.1	4.1	1.1
Postal and courier services	N.A.	N.A.	0.8	2.2	-1.2	-0.1	2.8	-2.9
Information and communications	104.5	3.2	1.3	1.0	1.0	2.1	3.6	2.6
Financing and insurance	872.2	27.0	5.0	5.3	5.5	5.2	7.8	7.4
Real estate, professional and business services	253.3	7.8	-0.1	-0.7	0.2	0.7	2.7	2.3
Real estate	N.A.	N.A.	-2.8	-3.9	-0.2	-2.5	3.3	4.3
Professional and business services	N.A.	N.A.	1.6	1.2	0.4	2.7	2.4	1.3
Public administration, social and personal services	661.0	20.4	2.1	2.7	2.1	1.8	2.0	0.9

Notes : Figures are subject to revision later on as more data become available.
Individual figures may not add up exactly to the total due to rounding.
(#) Nominal GDP at basic prices and the respective percentage share of each economic sector. Latest statistics are only up to 2025.
(N.A.) Not yet available.

The labour sector

1.12 The labour market stayed broadly stable in the third quarter of 2026, with both labour force and total employment growing. As the labour force rose faster than total employment amid the entry of graduates and school leavers, the seasonally adjusted *unemployment rate* edged up by 0.2 percentage point over the preceding quarter to 3.9% in the third quarter. Meanwhile, employment earnings continued to grow at a solid pace, with the General Household Survey data showing year-on-year growth of 3.1% in nominal median monthly employment earnings of employed persons (excluding foreign domestic helpers) in the third quarter. The employment outlook should remain broadly stable, as the Quarterly Business Tendency Survey for the fourth quarter of 2026 showed some improvement in hiring sentiment among large enterprises (See ***Chapter 5*** on the labour sector).

The asset markets

1.13 Global and local equity markets fluctuated in the third quarter of 2026. For the *local stock market*, the HSI closed the quarter at 24 613, up 7.6% or 1 732 points over end-June, outperforming several major indices elsewhere. Entering the fourth quarter, the HSI closed at 24 482 on 6 November.

1.14 Average daily turnover eased to $254.2 billion in the third quarter, down 12.2% from the preceding quarter but still 1.7% above last year's annual average. Southbound Stock Connect trading accounted for 21.1% of the local stock market's average daily turnover in the third quarter. For the first nine months of 2026, average daily turnover stood at $272.9 billion, up 6.4% over the same period last year.

1.15 Fund-raising remained robust in the third quarter, with total equity funds raised surging by 118.0% over a year earlier to $366.1 billion. In the first nine months of the year, total equity funds raised reached $715.3 billion, including $388.4 billion from 116 initial public offerings (IPOs), underscoring Hong Kong's position as the world's second-largest IPO venue during the period. The outlook remains positive, supported by a pipeline of 611 active IPO applications as of 30 October.

1.16 In the *residential property market*, prices held steady amid relatively active trading in the third quarter. Overall flat prices were largely stable during the quarter, with the year-to-date gain holding at 7%. The total number of transactions, as measured by the number of sale and purchase agreements for residential property received by the Land Registry, was 13 242 in the third quarter, broadly on par with the five-year average, though below the buoyant level in the first half of the year. In the first nine months of the year, total transactions reached 54 052, registering an increase of 18% year-on-year (See ***Chapter 3*** on asset markets).

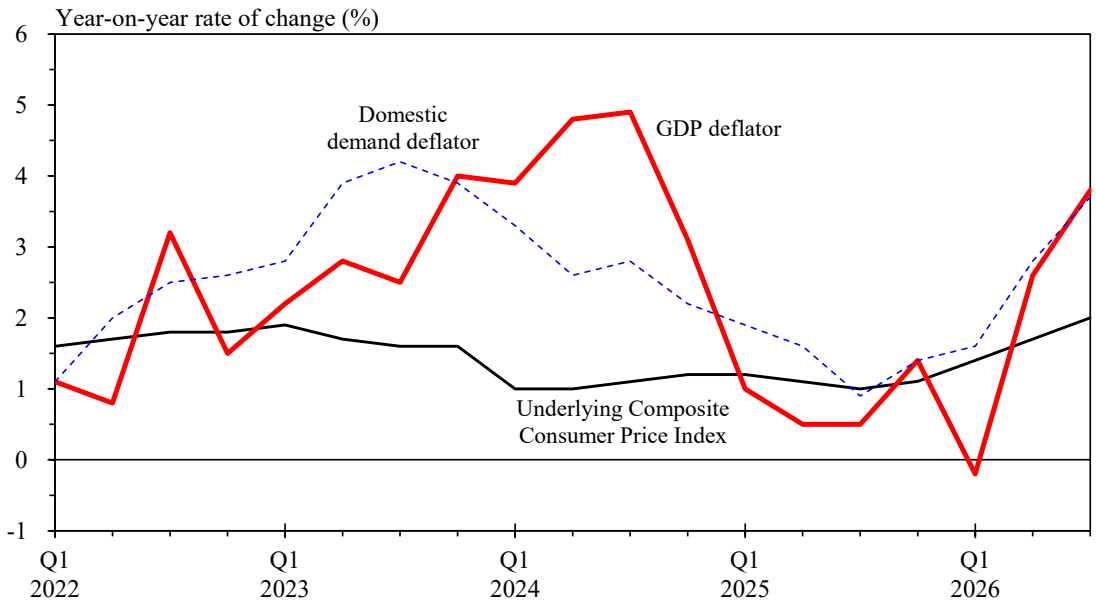
Inflation

1.17 The underlying consumer price inflation edged up further in the third quarter of 2026, mainly driven by a pick-up in fuel-related components as international oil prices stayed high. Nevertheless, overall inflation remained moderate, as price pressures on other components were generally modest. Measured by the year-on-year increase of the *underlying Composite Consumer Price Index (Composite CPI),* the underlying consumer price inflation edged up from 1.7% in the preceding quarter to 2.0% in the third quarter (See ***Chapter 6*** on prices).

1.18 Consumer price inflation has so far been lower than expected, reflecting the slower-than-anticipated pass-through of higher international oil prices to fuel-related components, in which the alleviation effect from the Government's relevant measures including the fuel subsidies earlier also played a part. Although the US midterm election results have raised hopes of a de-escalation in Middle East geopolitical tensions and an easing in oil prices, the situation remains uncertain, and the pass-through of elevated oil prices earlier is likely to continue into 2027. Nevertheless, as price pressures on other fronts are expected to remain largely contained, overall inflation should stay moderate.

1.19 As a broad measure of the overall change in prices in the economy, the *GDP deflator* rose by 3.8% year-on-year in the third quarter, after increasing by 2.6% in the preceding quarter. The *terms of trade* turned to a slight decrease of 0.3%, while the domestic demand deflator continued to increase by 3.7%.

Diagram 1.4 : Underlying consumer price inflation edged up further but remained moderate in overall terms in the third quarter of 2026



Other economic developments

1.20 The Government announced the First Five-Year Plan for Economic and Social Development of the Hong Kong Special Administrative Region (2026-2030) (Hong Kong's First Five-Year Plan) in September 2026. Setting out the direction, objectives, indicators and timelines, Hong Kong's First Five-Year Plan provides a blueprint for Hong Kong's development over the next five years and a strategic framework for Hong Kong to proactively align with national development strategies, so as to better integrate into and serve the national development.

1.21 Under Hong Kong's First Five-Year Plan, Hong Kong will continue to consolidate and enhance its status as an international financial, maritime, and trade centre, and an international aviation hub, while expediting its development into an international innovation and technology centre, and building an international hub for high-calibre talent. Hong Kong will also consolidate and enhance its competitive edge as an international city; expedite the development of the Northern Metropolis to spearhead spatial layout optimisation; deepen the development of the Guangdong-Hong Kong-Macao Greater Bay Area; and create an international collaboration network etc.

1.22 The Government also delivered the 2026 Policy Address in September 2026. Taking Hong Kong's First Five-Year Plan as its blueprint, the Policy Address set out a series of measures to create development opportunities and enhance people's well-being. To advance high-quality development, it outlined key measures across five areas of opportunity: talent development, industry development, business investment, institutional safeguards and international co-operation. To enhance people's well-being, it introduced measures across 25 areas, including youth employment, education, fertility promotion, housing, support for small and medium-sized enterprises, and labour protection.

1.23 Hong Kong's continued strong performance in global rankings underscored wide recognition by the international community of its core strengths and the Government's drive for high-quality economic development.

1.24 In the Fraser Institute's *Economic Freedom of the World 2026 Annual Report*, Hong Kong remained the world's freest economy among 165 economies. Among the five areas of assessment, it again ranked first in "Freedom to trade internationally" and held firm at second globally in "Regulation".

1.25 In the *Global Financial Centres Index 40 Report* published by Z/Yen from the United Kingdom and the China Development Institute from Shenzhen, Hong Kong remained third globally and first in Asia Pacific. Among the Index's five areas of competitiveness, Hong Kong rose to first globally in "financial sector development" and second in "business environment" and "infrastructure", while remaining second in the area of "human capital".

1.26 In the *Global Innovation Index (GII) 2026* published by the World Intellectual Property Organization, the Shenzhen-Hong Kong-Guangzhou cluster again ranked first globally among the top 100 innovation clusters. Hong Kong also rose one place to 14th among 139 economies, remaining fifth in Asia.

Notes :

(1) The Gross Domestic Product (GDP) is an overall measure of net output produced within an economy in a specified period, such as a calendar year or a quarter, before deducting the consumption of fixed capital. In accordance with the expenditure approach to its estimation, GDP is compiled as total final expenditures on goods and services (including private consumption expenditure, government consumption expenditure, gross domestic fixed capital formation, changes in inventories, and exports of goods and services), less imports of goods and services.

(2) The seasonally adjusted quarter-to-quarter GDP series, by removing the variations that occur at about the same time and in about the same magnitude each year, provides another perspective for discerning the trend, particularly in regard to turning points. A detailed examination reveals the presence of seasonality in the overall GDP and in some of its main components, including private consumption expenditure, government consumption expenditure, exports of goods, imports of goods, exports of services, and imports of services. However, due to the presence of considerable short-term fluctuations, no clear seasonal pattern is found in gross domestic fixed capital formation. Therefore, the seasonally adjusted series of GDP is compiled separately at the overall level, rather than summing up from its main components.

CHAPTER 2 : THE EXTERNAL SECTOR

Summary

- *The global economy held up well in the third quarter of 2026, despite persistent political tensions and trade uncertainty, with the International Monetary Fund (IMF) raising its 2026 global growth forecast by 0.1 percentage point to 3.1% in its October World Economic Outlook. Vibrant artificial intelligence (AI)-related investment and trade supported economic activities across the Asia-Pacific region.*
- *The Mainland economy grew solidly by 4.5% year-on-year in the third quarter, underpinned by strong merchandise exports performance and robust growth in high-tech industries. The US economy expanded moderately further, while the euro area economy continued to grow modestly. For other key Asian economies, economic growth momentum generally remained solid.*
- *Meanwhile, elevated energy prices amid ongoing tensions in the Middle East intensified inflationary pressures, prompting renewed pressure for monetary tightening. In September, the US Federal Reserve (Fed) raised interest rates for the first time since July 2023. Other central banks, including the European Central Bank (ECB) and those of Australia, Korea, India and the Philippines, also tightened monetary policy. Market generally expects further interest rate hikes by the Fed and several other major central banks by the end of this year.*
- *Against this global backdrop, Hong Kong's merchandise exports growth accelerated to 32.2% year-on-year in real terms[(1)] in the third quarter of 2026, within which AI-related products accounted for 75% share of total merchandise exports value. For the first three quarters as a whole, merchandise exports grew by 29.9% in real terms, with exports to most major markets continuing to record notable increases.*
- *Exports of services expanded solidly by 4.3% year-on-year in real terms in the third quarter of 2026 and by 3.6% in the first three quarters. Exports across all major service groups expanded further, driven by robust cross-boundary traffic, resilient growth in inbound tourism, and solid financial services and business activities.*

- *The robust merchandise trade performance has underpinned growth in the logistics sector. Air and land transport, which together accounted for 92% of total trade value in the first three quarters, saw their cargo throughput increasing by 1.0% and 10.5% year-on-year respectively in the third quarter. Total container throughput also rose by 13.8%, with ad-hoc shipments diverted to Hong Kong due to temporary disruptions and congestions in some other ports in the region, while new shipping services routing through Hong Kong also provided support.*
- *On inbound tourism, growth momentum in visitor arrivals sustained in the third quarter, with the number of arrivals increasing by 9.0% over a year earlier to 14.0 million, following growth of 8.7% in the preceding quarter. This resulted in growth of 11.6% in the first three quarters of the year.*
- *Looking ahead, the global economy is expected to remain resilient. The IMF projected global growth to strengthen to 3.4% in 2027. Strong global demand for AI-related electronic products should continue to support Hong Kong's merchandise exports. Exports of services are also expected to benefit from solid demand for air freight, cargo and other transport services, solid growth in visitor arrivals, and vibrant fund-raising activity as well as cross-boundary financial and corporate activities.*
- *External uncertainties nevertheless persist. Although the US midterm election results have raised hopes of de-escalation, prolonged geopolitical tensions in the Middle East could intensify global inflationary pressures and affect major central banks' monetary policy paths. Spillovers from rising long-term government bond yields of major advanced economies to global financial conditions, trade protectionist measures, and risks associated with the rapidly expanding global AI investment also warrant close monitoring. Potential drivers of stronger-than-expected growth include a more persistent-than-expected AI-driven technology cycle, and tangible progress in international trade arrangements and negotiations that could support sustainable trading relationships.*

Merchandise trade

External environment

2.1 The global economy held up well in the third quarter of 2026, despite persistent political tensions and trade uncertainty, with the IMF raising its 2026 global growth forecast by 0.1 percentage point to 3.1% in its October World Economic Outlook. Vibrant AI-related investment and trade supported economic activities across the Asia-Pacific region.

2.2 The Mainland economy grew solidly by 4.5% year-on-year in the third quarter, up from 4.3% in the preceding quarter, underpinned by strong merchandise exports performance and robust growth in high-tech industries. For the first three quarters, the Mainland economy grew by 4.6% over a year ago. On policy, the Mainland authorities accelerated the issuance and use of various types of government bonds and introduced further measures to support growth[(2)]. Trade relations also saw positive developments, with China reaching deliverables and understandings with the US and EU separately[(3)]. Looking ahead, continued exports strength and policy support should help the Mainland economy achieve its official annual growth target of 4.5% – 5.0%.

2.3 In advanced economies, the US economy expanded moderately further by 2.1% year-on-year in the third quarter. Production and consumption activities continued to expand. Job growth was subdued in September following a pickup in August, while unemployment rate remained broadly stable. Consumer price inflation remained elevated, partly reflecting higher energy prices. With inflation persistently above its 2% target, the Fed raised the federal funds rate target range by 25 basis points to 3.75% – 4.00% at its September meeting, marking its first increase since July 2023. As of late October, market generally expects a further 25-basis-point hike in December. Meanwhile, 10-year US Treasury yield rose to a multi-year high of 5.31% in early October, before falling to around 4.90% following the US midterm election results, partly reflecting market expectations of easing oil-driven inflationary pressures.

2.4 In the euro area, the economy continued to grow modestly in the third quarter, by 1.3% over a year earlier. Amid ongoing inflationary pressures, the ECB raised its key policy rates by 25 basis points in September, marking its second rate increase of the year. Market generally expects another 25-basis-point hike by year-end. Separately, 10-year government bond yields of France, Germany and the UK rose to multi-year highs during late September to early October amid fiscal concerns and rising political uncertainty.

2.5 Other Asian economies generally maintained solid growth momentum, supported largely by strong merchandise exports amid robust global demand for electronics and AI-related products. Domestic demand expanded to varying degrees across these economies. Nonetheless, inflationary pressures remained elevated amid higher fuel costs, prompting further monetary tightening by several central banks in the region[4].

2.6 Looking ahead, the global economy is expected to remain resilient. In October, the IMF projected global growth at 3.1% in 2026 and strengthening to 3.4% in 2027, largely unchanged from its forecast three months earlier[5]. These projections assumed that the situation in the Middle East would de-escalate in early 2027 and the Strait of Hormuz would re-open. The IMF forecast global headline inflation to rise to 4.7% in 2026, reflecting higher commodity prices, before easing slightly to 4.1% in 2027, with limited pass-through to core inflation. Risks to growth outlook remain tilted to the downside, including a prolonged stalemate or further escalation of geopolitical conflicts, a reassessment of expected AI profitability and productivity gains, fiscal vulnerabilities in some economies and renewed trade tensions[6]. Potential drivers of stronger-than-expected growth include a more persistent-than-expected AI-driven technology cycle, and tangible progress in international trade arrangements and negotiations that could support sustainable trading relationships.

Merchandise exports

2.7 Against this global backdrop, Hong Kong's *merchandise exports* growth accelerated to 32.2% year-on-year in real terms in the third quarter of 2026, from 30.7% in the preceding quarter, reflecting strong global demand for AI-related electronic products and buoyant regional trade. For the first three quarters as a whole, merchandise exports grew by 29.9%. Growth in value terms was particularly robust, reaching 56.4% in the third quarter and 45.2% in the first three quarters, reflecting sustained strong demand and substantial price increases.

Diagram 2.1 : Merchandise exports accelerated in the third quarter

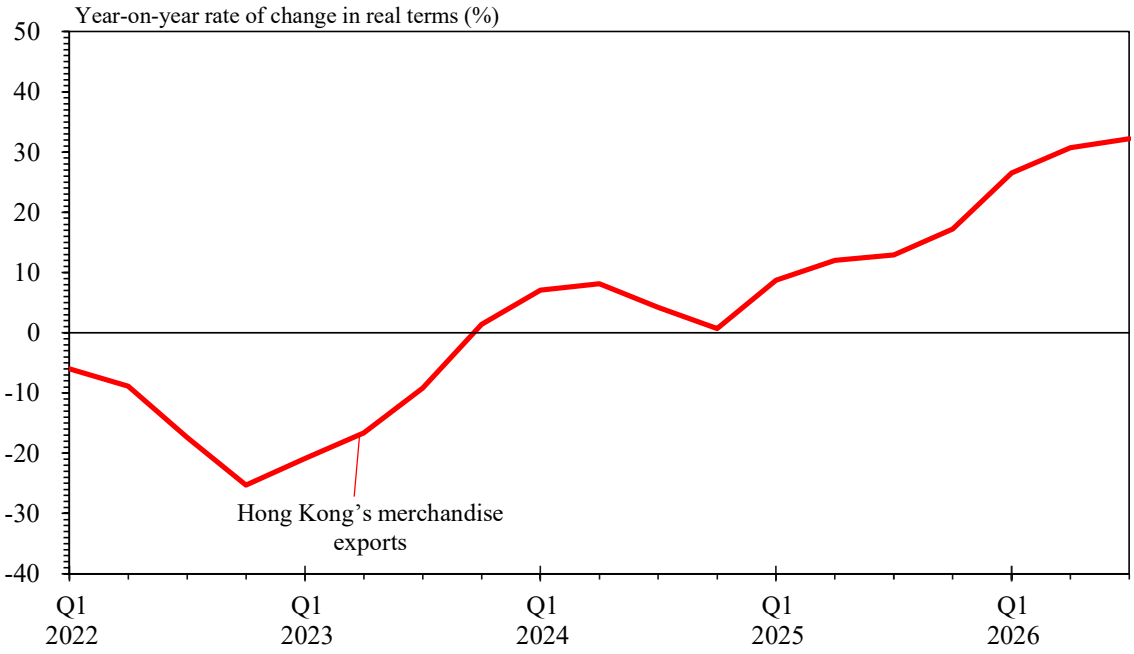


Table 2.1 : Merchandise exports

		In value terms	In real terms[(a)]		Change in prices
		($Bn)	(year-on-year rate of change (%))		
2025	Annual	5,240	15.4	12.8	2.3
	H1	2,456	12.5	10.4	1.9
	H2	2,784	18.0	15.1	2.6
	Q1	1,171	10.9	8.7 (7.5)	1.9
	Q2	1,285	14.0	12.0 (3.1)	1.9
	Q3	1,343	15.1	12.9 (0.7)	2.0
	Q4	1,441	20.9	17.2 (4.9)	3.1
2026	H1	3,416	39.1	28.7	7.9
	Q1	1,546	32.0	26.5 (16.0)	4.3
	Q2	1,870	45.5	30.7 (6.6)	11.1
	Q3	2,100	56.4	32.2 (1.8)	17.6

Notes : ( ) Seasonally adjusted quarter-to-quarter rate of change.

(a) The growth rates here are not strictly comparable with those in the GDP accounts in Table 1.1. Figures in Table 1.1 are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

2.8 By major market, exports in real terms to the Mainland (33.6%), ASEAN markets (47.4%) and the US (63.8%) continued to grow markedly, while those to the EU (1.8%) grew further in the third quarter.

2.9 By major product, exports growth for AI-related products (which accounted for 75% of merchandise exports) accelerated further to 81.4% in value terms in the third quarter over a year earlier, while exports of other products also grew solidly by 9.8%.

Table 2.2 : Merchandise exports by major market (year-on-year rate of change in real terms (%))

	2025			2026		
	Annual	*share*	H1	Q1	Q2	Q3
The Mainland	14.3	*(60%)*	30.7	28.8	32.5	33.6
US	8.9	*(6%)*	44.9	41.0	48.6	63.8
EU	-3.8	*(5%)*	6.9	10.8	3.0	1.8
ASEAN	28.6	*(10%)*	38.9	34.0	43.4	47.4
Vietnam	46.9	*(4%)*	36.1	23.8	48.2	49.5
Singapore	3.6	*(1%)*	79.6	63.6	94.7	56.8
India	3.9	*(3%)*	-6.9	-3.7	-10.0	-4.1
Japan	11.1	*(2%)*	-10.0	5.2	-21.5	-0.1
Taiwan	36.1	*(4%)*	56.0	47.9	64.4	79.5
Korea	-10.0	*(1%)*	15.3	3.5	28.9	1.1
Overall[#]	**12.8**	***(100%)***	**28.7**	**26.5**	**30.7**	**32.2**

Notes : (#) The growth rates here are not strictly comparable with those in the GDP accounts in Table 1.1. Figures in Table 1.1 are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

( ) Share to total merchandise exports value.

Table 2.3 : Merchandise exports of AI-related products[(7)] (year-on-year rate of change in value terms (%))

		2025				2026		
	Annual	Q1	Q2	Q3	Q4	Q1	Q2	Q3
AI-related products	**23.5 (3,426)**	**22.1 (763)**	**23.8 (839)**	**20.4 (874)**	**27.6 (950)**	**41.5 (1,080)**	**63.7 (1,373)**	**81.4 (1,586)**
Electronics	23.3 (3,325)	22.0 (739)	24.1 (815)	19.4 (846)	27.4 (925)	43.5 (1,061)	65.5 (1,348)	84.1 (1,558)
Others	32.6 (101)	24.4 (24)	15.8 (24)	59.9 (28)	34.4 (25)	-19.2 (20)	2.8 (25)	-1.7 (27)
Other products	**2.5 (1,814)**	**-5.4 (408)**	**-0.8 (446)**	**6.5 (469)**	**9.7 (492)**	**14.2 (466)**	**11.4 (497)**	**9.8 (515)**
Total	**15.4 (5,240)**	**10.9 (1,171)**	**14.0 (1,285)**	**15.1 (1,343)**	**20.9 (1,441)**	**32.0 (1,546)**	**45.5 (1,870)**	**56.4 (2,100)**

Note : ( ) Trade value in HK$ billion.

Merchandise imports

2.10 *Merchandise imports* increased by 29.6% year-on-year in real terms in the third quarter of 2026, the same as in the preceding quarter. For the first three quarters combined, merchandise imports grew by 30.1% over a year earlier in real terms. *Retained imports*, which refer to imports for domestic use and accounted for around one-fifth of merchandise imports, grew by 17.8% in real terms in the third quarter, following growth of 23.9% in the previous quarter. For the first three quarters, retained imports grew by 30.1% over a year earlier in real terms.

Table 2.4 : Merchandise imports and retained imports

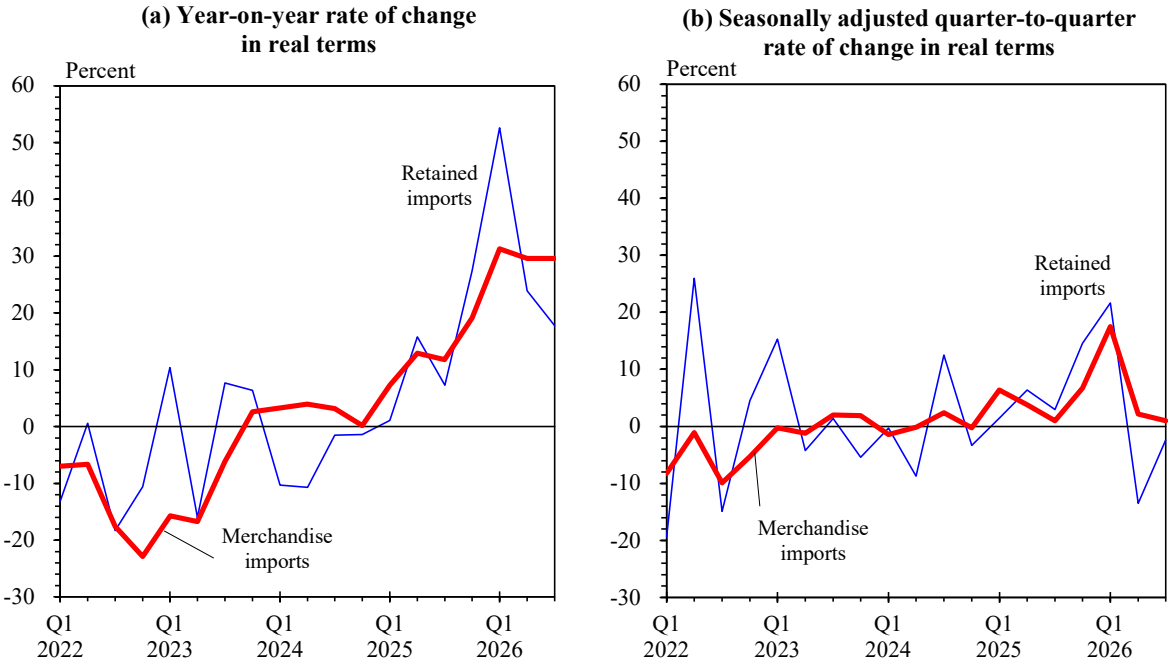
		Merchandise imports					Retained imports[(a)]				
		In value terms		In real terms[(+)]		Change in prices	In value terms		In real terms		Change in prices
		($Bn)	(year-on-year rate of change (%))				($Bn)	(year-on-year rate of change (%))			
2025	Annual	5,687	15.5	12.9		2.2	1,130	11.9	13.2		-1.5
	H1	2,639	12.6	10.2		1.9	501	7.9	8.6		-1.6
	H2	3,047	18.2	15.5		2.5	630	15.4	17.2		-1.5
	Q1	1,252	9.8	7.3	(6.4)	2.0	232	0.7	1.1	(1.5)	-1.7
	Q2	1,388	15.2	12.9	(3.8)	1.9	268	15.0	15.8	(6.4)	-1.4
	Q3	1,453	13.9	11.8	(1.0)	1.9	285	5.3	7.3	(3.0)	-2.4
	Q4	1,594	22.4	19.1	(6.7)	2.9	344	25.3	27.4	(14.6)	-1.1
2026	H1	3,711	40.6	30.4		7.6	735	46.9	37.1		6.5
	Q1	1,715	37.0	31.3	(17.5)	4.3	371	59.6	52.6	(21.7)	4.7
	Q2	1,996	43.8	29.6	(2.2)	10.6	365	35.9	23.9	(-13.5)	8.3
	Q3	2,223	53.0	29.6	(1.0)	17.2	391	37.1	17.8	(-2.4)	14.8

Notes : (a) Based on the results of the Annual Survey of Re-export Trade conducted by the Census and Statistics Department, re-export margins by individual end-use category are estimated and adopted for deriving the value of imports retained for use in Hong Kong.

(+) The growth rates here are not strictly comparable with those in the GDP accounts in Table 1.1. Figures in Table 1.1 are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008.*

( ) Seasonally adjusted quarter-to-quarter rate of change.

Diagram 2.2 : Merchandise imports increased



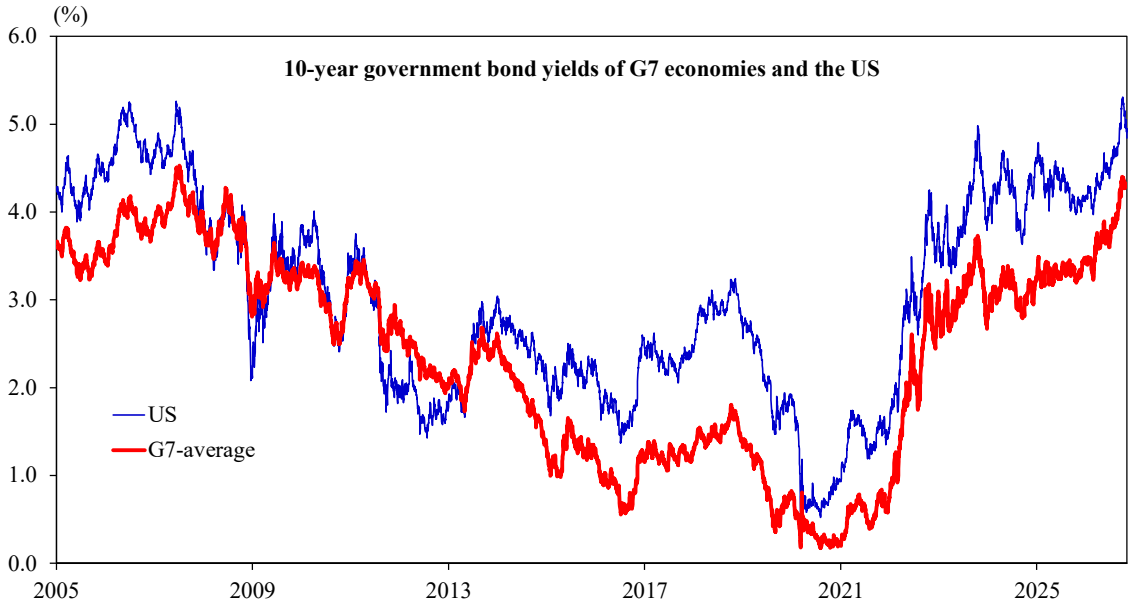
2.11 The trade outlook remains positive, supported by robust global demand for AI-related electronic products. Nonetheless, external uncertainties persist. Although the US midterm election results have raised hopes of de-escalation, prolonged geopolitical tensions in the Middle East – with potential implications for supply chain disruptions, global inflation and major central banks' monetary policies – alongside spillovers from rising long-term government bond yields of major advanced economies to global financial conditions (See ***Box 2.1*** on elevated long-term sovereign bond yields: a significant downside risk to the global outlook), protectionist trade measures in major advanced economies, and risks associated with the rapidly expanding global AI investment warrant close attention. Potential policy shifts following the US midterm elections could add uncertainty to the outlook for US trade and fiscal policies.

Box 2.1

Elevated long-term sovereign bond yields: A significant downside risk to the global outlook

Higher long-term sovereign bond yields in major advanced economies pose a downside risk to the global economic outlook. Average Group of Seven (G7) long-term sovereign bond yields rose to a near-20-year high in October, reflecting inflation uncertainty, fiscal concerns and shifts in bond supply and demand (***Chart 1***). For example, the 10-year government bond yields of the United States (US), Japan and France once reached the 20-year highs of 5.31%, 3.11% and 5.08% respectively in October. In October 2026, the International Monetary Fund (IMF) highlighted the risk that persistent upward pressure on sovereign bond yields could tighten global financial conditions and weigh on global economic growth. Given the central role of US Treasury yields in global asset pricing, increases in their yields could generate particularly significant international spillovers. Although expectations of greater fiscal restraint following the US midterm elections may ease some upward pressure on US Treasury yields, elevated sovereign borrowing costs, substantial refinancing needs and the risk of renewed increases in "term premiums" continue to threaten global growth and financial stability.

Chart 1 : Average G7 long-term sovereign bond yields rose to a near-20-year high

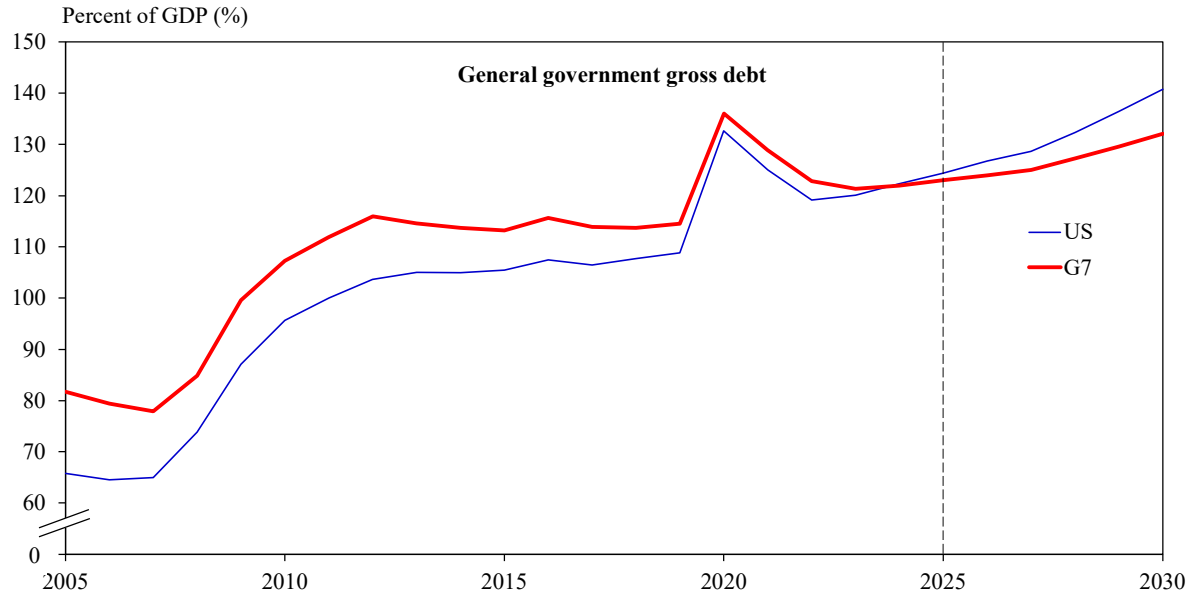


Sources: US Federal Reserve Board, Bloomberg data.
Note: G7 includes the US, Germany, Japan, the United Kingdom, France, Italy and Canada.

Renewed inflation pressures in these economies, partly driven by energy price shocks amid heightened geopolitical tensions since March 2026, have increased uncertainty over inflation and monetary policy. This has prompted investors to demand higher "term premiums" to compensate for the risks of holding long-term sovereign bonds. High government debt and limited progress on fiscal consolidation have compounded these pressures (***Chart 2***). According to the IMF's estimates, average G7 government debt-to-GDP ratio will rise from 107% in 2010 to 124% in 2026, while that in the US will rise from 96% to 127% over the same period.

Box 2.1 (Cont'd)

Chart 2 : Government debt in major advanced economies has risen to an elevated level and is projected to rise further



Source: IMF (data accessed via the IMF data portal in October 2026).
Note: G7 includes the US, Germany, Japan, the United Kingdom, France, Italy and Canada.

In the US, substantial corporate bond issuance by technology firms to finance large-scale artificial intelligence (AI) investment, alongside reduced demand from public-sector buyers, has added to upward pressure on US Treasury bond yields. In France, political divisions and hindered fiscal consolidation have heightened concerns over debt sustainability. To the extent that higher yields reflect greater uncertainty and risk premiums rather than stronger growth prospects, they could tighten financial conditions and weigh on economic activity.

Higher sovereign bond yields in major advanced economies transmit to the global economy through several channels. As key benchmarks for asset valuations and borrowing costs, they can depress equity prices, weaken household wealth and consumption, and raise corporate financing costs, restraining investment, including AI-related investment. These effects could intensify if yield increases extend to shorter maturities or coincide with wider credit spreads.

Falling government bond prices could also reduce collateral values, while weaker risk appetite could trigger capital outflows from vulnerable emerging markets. Higher public debt-servicing costs in major advanced economies could further constrain their public investment, social spending and governments' capacity to respond to downturns. So far, however, the impact on global growth has remained limited, with strong technology-related investment supporting activity. Meanwhile, long-term sovereign bond yields of the G7 economies have retreated somewhat in recent weeks, while still lingering around their highs.

Box 2.1 (Cont'd)

The Hong Kong economy could be affected through tighter global financial conditions and weaker external demand. Higher long-term US Treasury yields could raise local bond financing costs and weigh on asset valuations, but the recent easing in US Treasury yields has provided some relief. The transmission to bank lending rates is less direct. Under the Linked Exchange Rate System, Hong Kong dollar money market rates are influenced primarily by short-term US interest rates and local liquidity conditions. Higher long-term US yields therefore need not necessarily translate into higher local bank lending rates.

Ample banking liquidity should also provide some cushion. The Hong Kong dollar loan-to-deposit ratio stood at a near-record low of 70.3% as at end-September (well below its 10-year average of 82.7%), helping to contain local borrowing costs. Nevertheless, tighter global financial conditions and more volatile capital flows could dampen asset market sentiment, consumption and business investment. Slower global growth, particularly a loss of momentum in global AI-related investment, could also weaken merchandise exports and trade-related services.

Hong Kong's strong fundamentals and resilient financial system should provide buffers against the potential spillovers. Government debt remained low, at 12.3% of GDP in fiscal year 2025/26, while official foreign currency reserve assets amounted to US$433.0 billion at end-September. These buffers, together with banks' strong capital and liquidity position should support financial stability. The Government will closely monitor the developments.

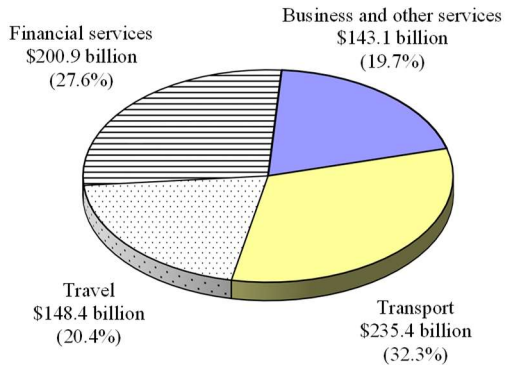
Services trade and selected key sectors

Exports of services

2.12 *Exports of services* expanded solidly by 4.3% year-on-year in real terms in the third quarter of 2026, following a 3.2% real increase in the preceding quarter. For the first three quarters as a whole, exports of services rose by 3.6% year-on-year in real terms.

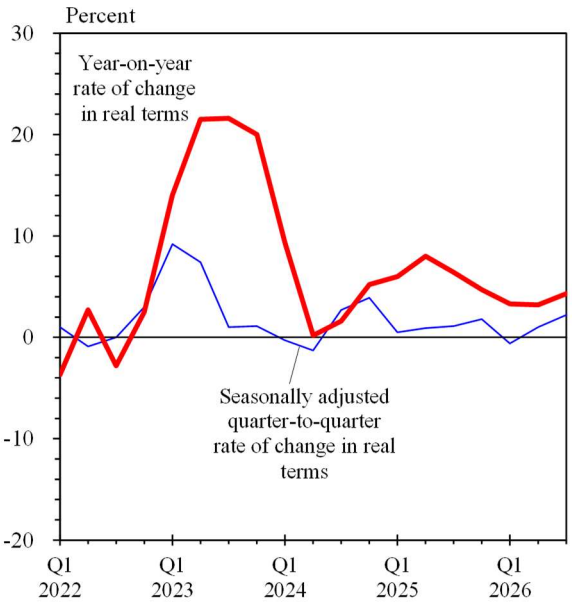
2.13 In nominal terms, exports of services reached $250 billion in the third quarter, bringing the total for the first three quarters of 2026 to $728 billion. Major service groups comprised transport (32.3% share in the first three quarters of 2026), financial services (27.6%), travel (20.4%), and business and other services (19.7%).

Diagram 2.3 : Transport and financial services together constituted over half of exports of services



Exports of services in the first three quarters of 2026: $727.8 billion (in nominal terms)

Diagram 2.4 : Exports of services expanded solidly



2.14 Exports across all major service groups expanded further in the third quarter, reflecting broad-based growth across all segments. Specifically, exports of transport services recorded accelerated growth of 8.7%, supported by robust cross-boundary traffic. Exports of travel services continued to expand by 4.5%, driven by resilient growth in inbound tourism. Exports of financial services activities (See ***Chapter 4*** for details) and business and other services also grew mildly on the back of solid financial services and business activities.

2.15 Looking ahead, exports of services are expected to benefit from solid demand for air freight, cargo and other transport services. Visitor arrivals should grow solidly and bolster travel services. Meanwhile, vibrant fund-raising activity as well as cross-boundary financial (See ***Chapter 4*** for details) and corporate activities will provide continued support to exports of financial and business services.

Table 2.5 : Exports of services by major service group (year-on-year rate of change in real terms (%))

				Of which :			
		Exports of services		Transport	Travel[(a)]	Financial services	Business and other services
2025	Annual	6.2		5.3	10.0	7.6	2.2
	H1	6.9		5.7	9.1	9.4	3.5
	H2	5.6		4.9	10.8	5.9	1.1
	Q1	6.0	(0.5)	5.5	4.9	9.5	3.5
	Q2	8.0	(0.9)	5.9	14.4	9.3	3.4
	Q3	6.4	(1.1)	4.4	8.2	11.2	1.1
	Q4	4.7	(1.8)	5.5	13.0	0.4	1.1
2026	H1	3.2		3.4	6.1	1.2	2.7
	Q1	3.3	(-0.6)	2.5	9.1	0.5	2.4
	Q2	3.2	(1.0)	4.3	2.7	2.1	3.1
	Q3	4.3	(2.2)	8.7	4.5	0.1	2.5

Notes : Figures are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008.*

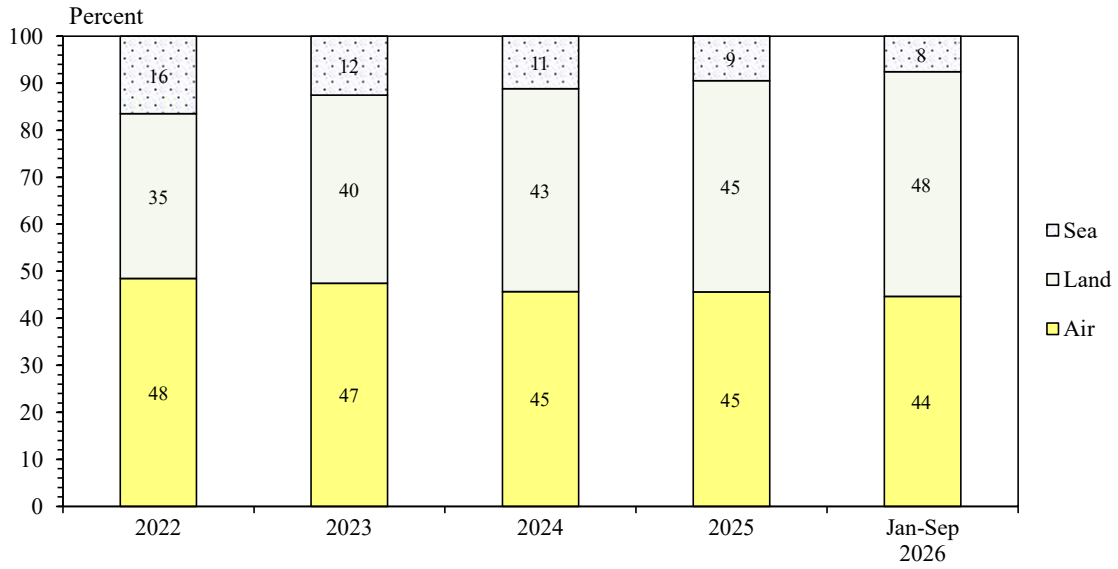
(a) Comprising mainly inbound tourism receipts.

( ) Seasonally adjusted quarter-to-quarter rate of change.

Transport and logistics sector

2.16 The robust merchandise trade performance has provided a further boost to growth in the logistics sector. Given the substantial share of AI-related electronic products and the Mainland as a significant source of products, air and land transport remained the dominant modes by value. Their combined share to Hong Kong's total external merchandise trade value rose from 83% in 2022 to 90% in 2025, and then further to 92% in the first three quarters of 2026. This dominance reinforces Hong Kong's position as the world's busiest air cargo hub in 2025, topping the global ranking for the 15th time since 2010.

Diagram 2.5 : Air and land have been the dominant modes of trade by value in recent years

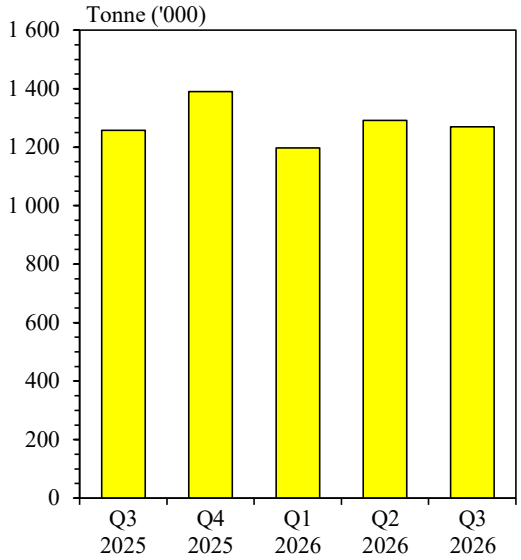


Note : Some other modes of transport, such as trade by hand carried and parcel post, do not belong to any of the three major categories and are excluded from the chart. These accounted for around 0.3% of total merchandise trade in the first nine months of 2026.

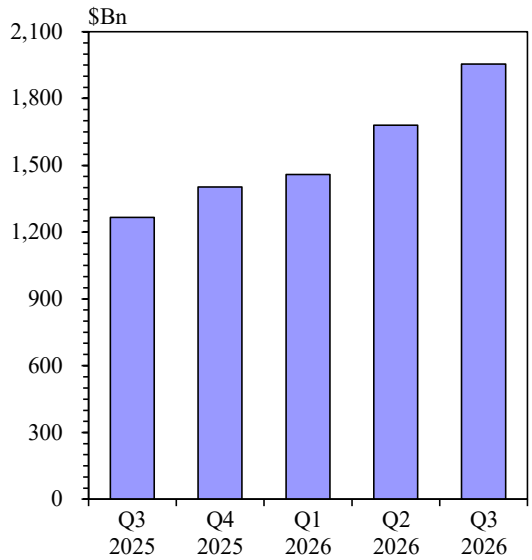
2.17 *Air freight throughput* rose modestly by 1.0% year-on-year to 1.3 million tonnes in the third quarter, bringing the total for the first three quarters to 3.8 million tonnes (up 3.2% year-on-year). By contrast, the value of trade by air surged by 54.4% and by 43.0% over the respective periods. This divergence may reflect the higher value-to-weight ratio of AI-related electronics cargo.

Diagram 2.6 : Air freight throughput rose modestly year-on-year and the value of trade by air surged in the third quarter

(a) Air freight throughput



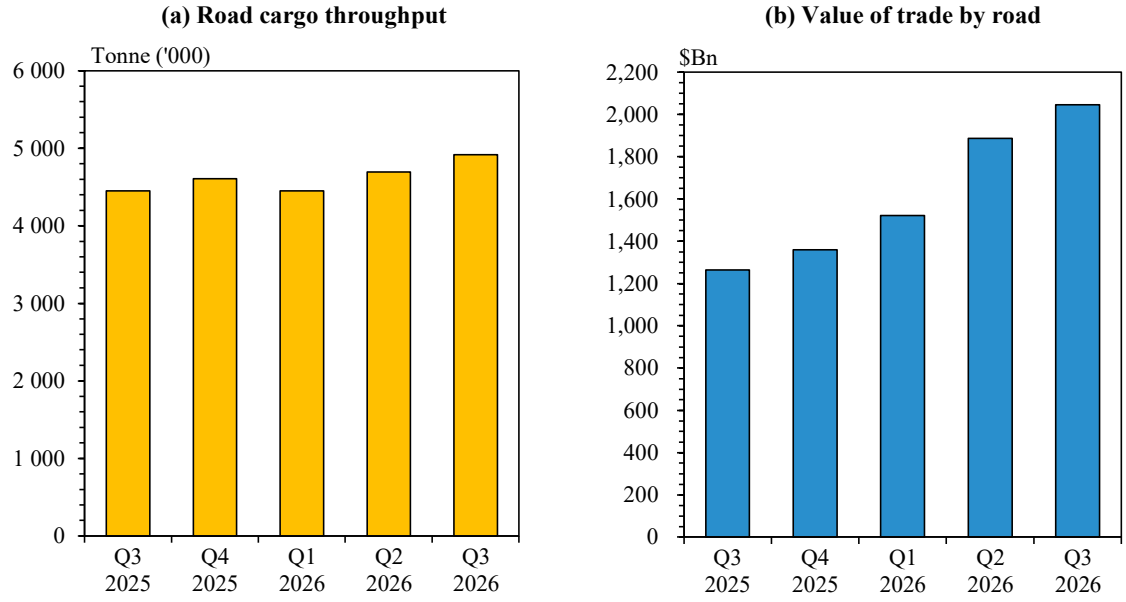
(b) Value of trade by air*



Note : (*) Not including transhipment.

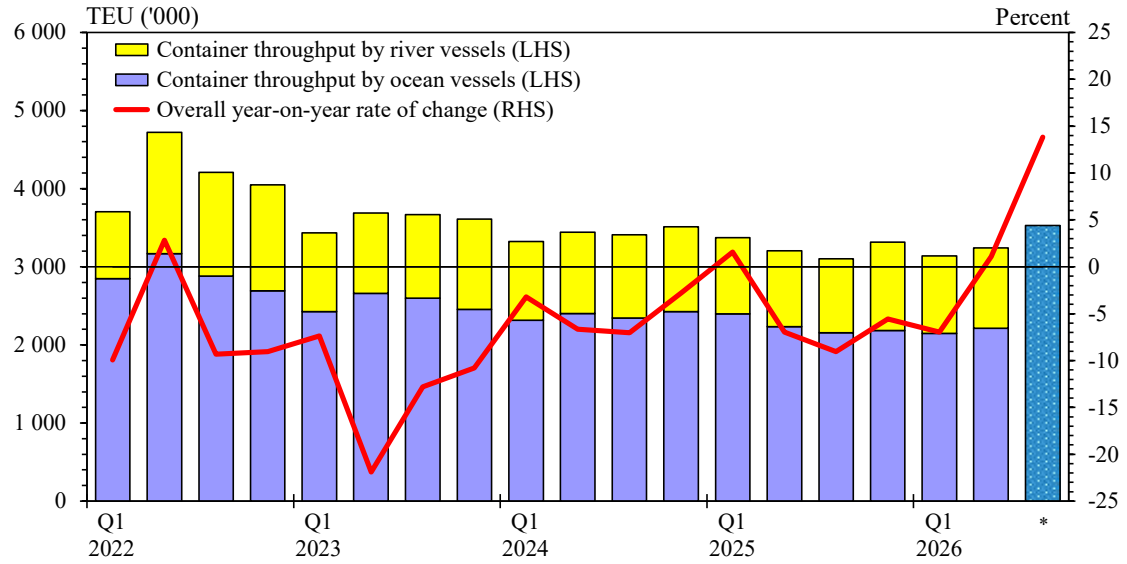
2.18 *Road cargo throughput* rose robustly by 10.5% over a year earlier to 4.9 million tonnes in the third quarter, bringing the total to 14.1 million tonnes in the first three quarters of the year (12.2% year-on-year growth). The value of trade by road jumped by 61.9% year-on-year in the third quarter and by 54.2% in the first three quarters of the year.

Diagram 2.7 : Road cargo throughput rose robustly and the value of trade by road jumped in the third quarter



2.19 Meanwhile, *total container throughput* rose by 13.8% year-on-year to about 3.5 million twenty-foot equivalent units (TEUs) in the third quarter, bringing the total to 9.9 million TEUs in the first three quarters (up 2.4% year-on-year). The third quarter surge partly reflected ad-hoc cargo diversion shipments amid temporary disruptions and congestions in some other ports in the region, underscoring our port's efficiency as a "catch-up port" that helps vessels recover time lost elsewhere. New shipping services routing through Hong Kong also provided support. The value of trade handled at the Hong Kong port increased by 18.7% year-on-year in the third quarter and by 12.7% in the first three quarters.

Diagram 2.8 : Container throughput rose in the third quarter



Note : (*) The container throughput figure for the latest quarter is the preliminary estimate by the Hong Kong Maritime and Port Development Board, for which a breakdown by ocean and river vessels is not yet available.

Tourism sector

2.20 Inbound visitor arrivals sustained solid growth momentum in the third quarter, rising by 9.0% over a year earlier to 14.0 million, following growth of 8.7% in the preceding quarter. This brought about a total of 40.7 million visitor arrivals in the first three quarters combined, representing a growth of 11.6% over a year ago. Provisional figures indicated that visitor arrivals sustained double-digit growth at the start of the fourth quarter, increasing by 11.8% year-on-year to 5.1 million in October, buoyed by vibrant Halloween celebrations and other major events across the city.

2.21 Mainland visitor arrivals, which accounted for 81.1% of the total in the third quarter, increased by 11.3% year-on-year to 11.3 million, marking the highest post-pandemic quarterly figure. As for visitors from other places, arrivals from short-haul markets (excluding the Mainland) fell by 8.9% year-on-year to 1.7 million in the third quarter, partly reflecting the impact of rising fuel costs, while visitor arrivals from long-haul markets continued to grow strongly by 20.4% to 1.0 million.

Table 2.6 : Number of visitor arrivals ('000)

		Overall	By source*			By length of stay	
			The Mainland	Other short-haul markets	Long-haul markets	Overnight visitors	Same-day visitors
2025	Annual	49 894.8	37 833.8	8 235.5	3 825.6	23 190.1	26 704.7
		(12.1)	(11.1)	(13.1)	(20.3)	(5.7)	(18.4)
	H1	23 636.1	17 793.8	4 052.7	1 789.6	11 284.3	12 351.8
		(11.7)	(10.2)	(16.3)	(17.9)	(7.0)	(16.4)
	H2	26 258.7	20 040.0	4 182.8	2 035.9	11 905.8	14 352.9
		(12.4)	(12.0)	(10.2)	(22.5)	(4.4)	(20.1)
	Q1	12 228.2	9 245.4	2 084.3	898.6	5 888.4	6 339.8
		(8.9)	(6.3)	(17.7)	(18.2)	(4.9)	(12.9)
	Q2	11 407.9	8 548.4	1 968.4	891.1	5 395.9	6 012.0
		(15.0)	(14.7)	(14.9)	(17.7)	(9.5)	(20.4)
	Q3	12 835.5	10 192.1	1 836.4	807.0	5 836.4	6 999.2
		(12.2)	(12.1)	(10.4)	(18.9)	(3.2)	(21.1)
	Q4	13 423.2	9 847.9	2 346.4	1 228.9	6 069.4	7 353.8
		(12.7)	(11.9)	(10.0)	(25.0)	(5.6)	(19.2)
2026	H1	26 712.5	20 555.1	3 993.3	2 164.1	11 513.6	15 198.8
		(13.0)	(15.5)	(-1.5)	(20.9)	(2.0)	(23.0)
	Q1	14 307.6	11 080.5	2 141.0	1 086.2	6 202.2	8 105.4
		(17.0)	(19.8)	(2.7)	(20.9)	(5.3)	(27.8)
	Q2	12 404.8	9 474.6	1 852.3	1 077.9	5 311.4	7 093.4
		(8.7)	(10.8)	(-5.9)	(21.0)	(-1.6)	(18.0)
	Q3	13 991.3	11 346.6	1 673.4	971.3	5 831.4	8 159.8
		(9.0)	(11.3)	(-8.9)	(20.4)	(-0.1)	(16.6)

Notes : (*) Other short-haul markets refer to North Asia, South and Southeast Asia, Taiwan and Macao, but excluding the Mainland, while long-haul markets refer to the Americas, Europe, Africa, the Middle East, Australia, New Zealand and South Pacific. Visitors are classified by nationality/region.

( ) % change over a year earlier.

Figures may not add up to the corresponding totals due to rounding.

2.22 Analysed by length of stay, overnight visitor arrivals fell marginally by 0.1% over a year earlier to 5.8 million, while same-day visitor arrivals continued to grow markedly by 16.6% to 8.2 million.

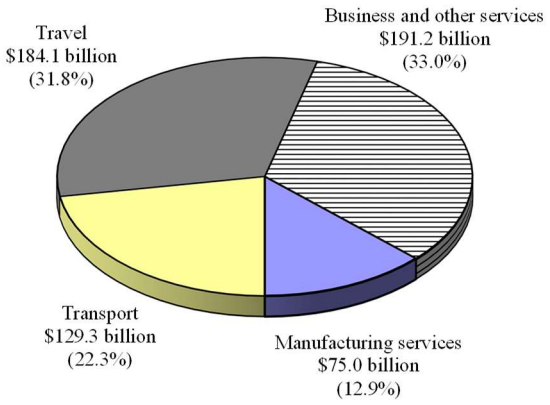
2.23 The average hotel room occupancy rate was 89% in the third quarter, higher than the 87% recorded a year earlier. Meanwhile, the average achieved hotel room rate increased by 4.7% from a year earlier to $1,223[(8)].

Imports of services

2.24 *Imports of services* rose by 5.8% year-on-year in real terms in the third quarter of 2026, after growing by 3.1% in the previous quarter. For the first three quarters as a whole, imports of services rose by 4.2% year-on-year in real terms.

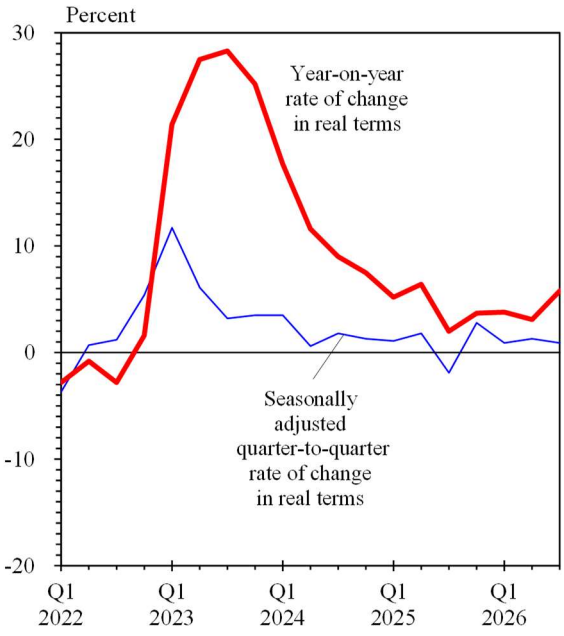
2.25 In nominal terms, imports of services reached $196 billion in the third quarter, bringing the total for the first three quarters of 2026 to $580 billion. Major service groups comprised business and other services (33.0% share in the first three quarters of 2026), travel (31.8%), transport (22.3%), and manufacturing services (12.9%).

Diagram 2.9 : Business and other services and travel together constituted over 60% of imports of services



Imports of services in the first three quarters of 2026: $579.7 billion (in nominal terms)

Diagram 2.10 : Imports of services rose



2.26 Imports of transport, business and other services, manufacturing services and travel services rose by varying degrees in real terms.

Table 2.7 : Imports of services by major service group (year-on-year rate of change in real terms (%))

				Of which :			
		Imports of services		Travel(+)	Transport	Manufacturing services(^)	Business and other services
2025	Annual	4.3		4.4	1.8	5.1	5.5
	H1	5.7		5.1	3.3	4.9	8.0
	H2	2.8		3.7	0.3	5.2	3.0
	Q1	5.2	(1.1)	3.0	1.6	2.6	9.5
	Q2	6.4	(1.8)	7.2	5.2	7.0	6.3
	Q3	2.0	(-1.9)	0.9	-1.2	4.0	4.6
	Q4	3.7	(2.8)	6.2	1.7	6.6	1.6
2026	H1	3.4		1.8	7.7	3.8	2.1
	Q1	3.8	(0.9)	3.6	7.3	6.1	1.1
	Q2	3.1	(1.3)	*	8.1	1.8	3.4
	Q3	5.8	(0.9)	3.5	12.2	3.4	4.9

Notes : Figures are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008.*

(+) Comprising mainly outbound travel spending.

(^) This includes the value of processing fees paid by Hong Kong to the processing units outside Hong Kong and raw materials / semi-manufactures directly procured by these processing units.

( ) Seasonally adjusted quarter-to-quarter rate of change.

(*) Change of less than ±0.05%.

Goods and services balance

2.27 Based on the GDP compilation framework and compared to a year earlier, the goods balance turned to a slight deficit of $2 billion in the third quarter of 2026. Meanwhile, the services surplus widened to $54 billion. The combined goods and services account registered a surplus of $52 billion in the third quarter of 2026, equivalent to 2.1% of total import value, compared to a surplus of $46 billion or 2.8% in the third quarter of 2025.

Table 2.8 : Goods and services balance
($ billion at current market prices)

		Total exports		Imports		Trade balance			
		Goods	Services	Goods	Services	Goods	Services	Combined	As % of imports
2025	Annual	5,759	898	5,832	728	-73	170	97	1.5
	H1	2,683	440	2,725	354	-42	86	44	1.4
	H2	3,075	459	3,107	374	-31	84	53	1.5
	Q1	1,294	234	1,298	179	-3	55	51	3.5
	Q2	1,389	206	1,427	175	-38	31	-7	-0.5
	Q3	1,473	224	1,472	178	1	46	46	2.8
	Q4	1,603	235	1,635	196	-32	39	7	0.4
2026	H1	3,735	478	3,888	384	-153	94	-59	-1.4
	Q1	1,721	251	1,814	195	-94	56	-37	-1.9
	Q2	2,014	227	2,073	189	-59	38	-21	-0.9
	Q3	2,274	250	2,275	196	-2	54	52	2.1

Notes : Figures are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

Figures may not add up exactly to the total due to rounding.

Highlights of policy and market developments

2.28 In the First Five-Year Plan for Economic and Social Development of the Hong Kong Special Administrative Region (2026-2030) and the 2026 Policy Address, the Chief Executive announced an array of measures to consolidate and enhance Hong Kong's status as an international trade centre. These include, among others: (a) continuing to expand international economic and trade network, through consolidating our ties with the European and American markets, further cultivating the ASEAN and Middle East markets, while exploring emerging markets such as Central Asia and Africa; (b) enhancing Hong Kong's function as a platform for going global to help the Mainland expand their businesses overseas via Hong Kong; (c) actively driving the continuous expansion of liberalisation measures under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) and deepening co-operation with the Mainland service sectors; and (d) developing digital trade actively, through progressively rolling out Phase 3 services of the Trade Single Window and promoting connectivity with the single windows of the Mainland and other economies to strengthen regional co-operation in digital trade, etc.

2.29 Hong Kong's economic links with the Mainland and overseas economies have been further strengthened through duty visits by senior officials. The Financial Secretary (FS) visited Beijing in late September and met with Central Government officials, financial regulatory authorities and enterprises to exchange views on economic and financial developments and maintain close collaboration. Towards the end of the month, FS visited Doha to meet with representatives of the Asian Infrastructure Investment Bank and leaders in various fields. They exchanged views on deepening co-operation, promoting regional infrastructure development and sustainable development, and better leveraging Hong Kong's strengths in financial markets, professional services and talent. The Secretary for Financial Services and the Treasury visited leading gold refineries in Switzerland to encourage high-end precious metals businesses and high-standard gold refining facilities to establish a presence and expand their operations in Hong Kong. In October, FS led a delegation of about 30 members to Nanjing, and exchanged views encouraging the deepening of co-operation in economic affairs and trade, finance, and innovation and technology. Later in the same month, FS visited Thailand to attend the Annual Meetings of the IMF and the World Bank Group and related events as a member of the Chinese delegation.

2.30 In late October, Hong Kong hosted the Asia-Pacific Economic Cooperation (APEC) Finance Ministers' Meeting 2026 for the first time. The meeting provided a high-level international platform for Hong Kong to showcase its development in the economy, finance and society, as well as its role as a Greater Bay Area hub connecting national and international opportunities, to finance officials and representatives from the 21 APEC member economies and international organisations. Earlier in September, the Regional Comprehensive Economic Partnership (RCEP) approved the establishment of an Accession Working Group (AWG) to commence the accession process for applicant economies including Hong Kong. Hong Kong's accession to RCEP will help consolidate and enhance its status as an international trade centre, generating synergies and creating a win-win outcome. Moreover, an Investment Promotion and Protection Agreement was signed with Bangladesh on the margins of the Belt and Road Summit in September to strengthen mutual investment protection, with a view to enhancing the confidence of investors, expanding investment flows and further strengthening the economic and trade ties between the two places.

Notes :

(1) Total merchandise exports comprise domestic exports and re-exports. Changes in merchandise exports and imports in real terms are derived by discounting the effect of price changes from changes in the value of the trade aggregates. Estimates of price changes for the trade aggregates are based on changes in unit values, which do not take into account changes in the composition or quality of the goods traded, except for some selected commodities for which specific price indices are available. The real growth figures reported here are based on the external trade quantum index series compiled using the chain linking approach, which were first released in March 2015 to replace the previous trade index numbers compiled using the Laspeyres method with a fixed base year. The series are not comparable with the real trade aggregates under GDP (reported in Chapter 1) which are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*. Apart from this, non-monetary gold is recorded as a separate item in the statistics of merchandise trade and not included in the trade aggregates reported in Chapter 2, but is included in the trade aggregates under GDP in accordance with the international compilation standard.

(2) In September, the People's Bank of China lowered the 1-year Pledged Supplementary Lending (PSL) rate by 25 basis points to 1.50% and raised the re-lending quotas for the innovation and technological sector as well as small businesses, aiming to better meet the financing needs of the real economy. Separately, the authorities announced interest subsidies for eligible first-time homebuyer mortgages to help further stabilise the property market.

(3) President Xi paid a state visit to the US in September, and discussions with US President Trump yielded eight key deliverables and understandings. These included, among others, a "30-for-30" framework for tariff reductions in a reciprocal manner covering approximately US$30 billion worth of goods imports on each side, the launch of the China-US AI Dialogue, and a two-month extension of the trade truce until 10 January 2027. Separately, China and the EU reached a 16-point trade understanding in early October, under which a quota was set for Chinese exports of hybrid and plug-in hybrid vehicles to the EU. The two sides also established an understanding to negotiate on rare earths supply and export control, among other issues.

(4) The Monetary Authority of Singapore tightened monetary policy for the second consecutive meeting by increasing the rate of appreciation of its nominal effective exchange rate policy band very slightly in July. Following a 25-basis-point rate hike in July, the Bank of Korea raised its policy rate by another 25 basis points in August. The central bank of the Philippines also hiked its policy rate for a third straight meeting by 25 basis points in August. The central bank of Australia further raised its policy rate by 25 basis point in September, having hiked a total of 75 basis points in the first half of 2026. Meanwhile, the Bank of Japan raised policy rate by 25 basis points in September. The Reserve Bank of India also joined the monetary tightening cycle in the region by raising its policy rate by 25 basis points in October, marking its first rate hike since February 2023.

(5) The table below presents a more detailed comparison between the baseline growth forecasts made by the IMF in October 2026 and those made three months ago.

		2026		2027	
	2025 (%)	July round (%)	October round (%)	July round (%)	October round (%)
Economic growth					
World (PPP[##] weighted)	3.5	3.0	3.1	3.4	3.4
Advanced economies	2.0	1.7	2.1	1.8	1.8
US	2.3[#]	2.3	2.3	2.2	2.3
Euro area	1.2[#]	0.9	1.1	1.2	1.2
UK	1.2[#]	1.0	1.3	1.3	1.2
Japan	1.2[#]	0.6	0.7	0.7	0.7
Emerging market and developing economies	4.5	3.8	3.7	4.5	4.4
Emerging and developing Asia	5.6	5.0	5.1	4.8	4.9
The Mainland	5.0[#]	4.6	4.5	4.1	4.0
India[^]	7.8	6.4	7.0	6.7	7.0
ASEAN-5[§]	4.5	4.1	4.4	4.3	4.3
Middle East and Central Asia	3.7	0.7	-0.3	6.5	6.3
Inflation					
World	4.1	4.7	4.7	3.9	4.1

Notes : (#) Actual figures.
(##) PPP refers to purchasing power parity.
(^) Fiscal year.
(§) Includes Indonesia, Malaysia, the Philippines, Singapore and Thailand.

(6) The IMF constructed a downside scenario analysis covering more prominent commodity and bond-market risks. Assuming there is a more prolonged Middle East conflict, higher energy prices and a rise in sovereign bond term premiums, global growth would be lower than the baseline by 0.2 percentage point in 2026 and 0.5 percentage point in 2027, while global headline inflation would be higher by 0.4 percentage point and 1.1 percentage points respectively. This would imply global growth of 2.9% in both years, and global inflation at 5.1% in 2026 and 5.2% in 2027.

(7) Figures are compiled in accordance with the classifications set out in the World Trade Organization's *World Trade Report 2025* (September 2025) and the Hong Kong Trade Development Council's *Hong Kong 2026 Export Outlook* (December 2025).

(8) The figures on hotel room occupancy and achieved room rate do not include guesthouses. The figures are subject to revision later as more data become available.

CHAPTER 3 : ASSET MARKETS

Summary

- *Global and local equity markets fluctuated in the third quarter of 2026. Locally, the Hang Seng Index (HSI) closed the quarter at 24 613, up 7.6% or 1 732 points from end-June, outperforming several major indices. Entering the fourth quarter, the HSI remained volatile and closed at 24 482 on 6 November.*

- *Trading remained relatively active, supported in part by Southbound Stock Connect activity. Average daily turnover eased to $254.2 billion in the third quarter, but remained above last year's annual average. Southbound Stock Connect trading accounted for 21.1% of the local stock market's average daily turnover in the third quarter. For the first nine months of the year, average daily turnover was $272.9 billion, up 6.4% from a year ago.*

- *Fundraising remained robust in the third quarter, with total equity funds raised surging by 118.0% year-on-year to $366.1 billion, reflecting positive investment sentiment. In the first nine months, total equity funds raised reached $715.3 billion, including $388.4 billion from IPOs, underscoring Hong Kong's position as the world's second-largest IPO venue during the period. The outlook remains positive, supported by a pipeline of 611 IPO active applications as of 30 October.*

- *In the residential property market, overall flat prices were largely stable during the quarter, with the year-to-date increase holding at 7%. Transactions remained relatively solid, broadly on par with the five-year average, though below the buoyant levels recorded in the first half. Entering the fourth quarter, transactions edged up in October over the monthly average in the third quarter, but stayed broadly on par with the five-year average. Meanwhile, several competitively priced new launches in the primary market saw strong buying interest, suggesting solid demand at these price levels.*

- *Asset markets were broadly stable in the third quarter, underpinned by steady domestic financial conditions, though both will remain sensitive to interest rate developments and shifts in global investor sentiment. In addition, the lingering Middle East conflict and a reassessment of expected AI profitability in global financial markets could add to volatility.*

The equity markets

3.1 Global and local equity markets fluctuated in the third quarter. Globally, while major benchmark indices recorded modest gains, semiconductor stocks underwent sharp corrections. A global bond sell-off also pushed the 10-year US Treasury yield above 5%, its highest level in over two decades.

3.2 Locally, the HSI surged by 13.1% in July, before easing by 1.2% in August and 3.7% in September. For the quarter as a whole, the HSI rose by 7.6% to close at 24 613, outperforming several major indices such as S&P 500 (+2.0%), FTSE 100 (+1.0%), Topix (+2.9%), etc. Market capitalisation stood at $45.5 trillion at end-September. Going into the fourth quarter, the HSI remained volatile and closed at 24 482 on 6 November.

3.3 Average daily turnover in the overall securities market eased to $254.2 billion in the third quarter, 12.2% lower than the preceding quarter but still 1.7% higher than last year's annual average. Southbound Stock Connect trading accounted for 21.1% of the local stock market's average daily turnover in the third quarter. For the first nine months of the year, average daily turnover stood at $272.9 billion, up 6.4% from a year ago.

Diagram 3.1 : The HSI rose by 7.6% during the third quarter, faring better than some other major indices

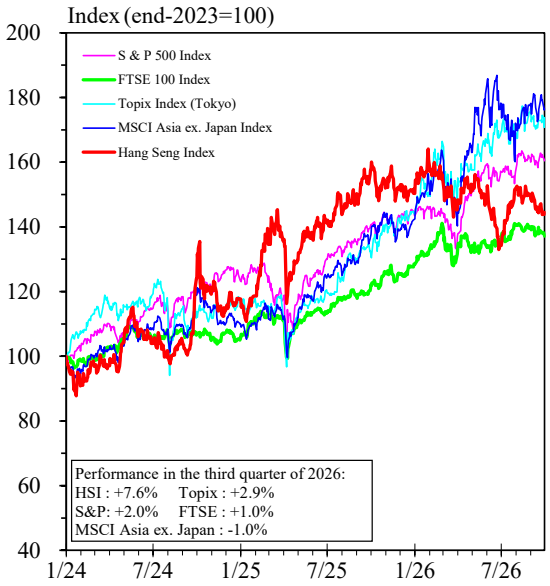
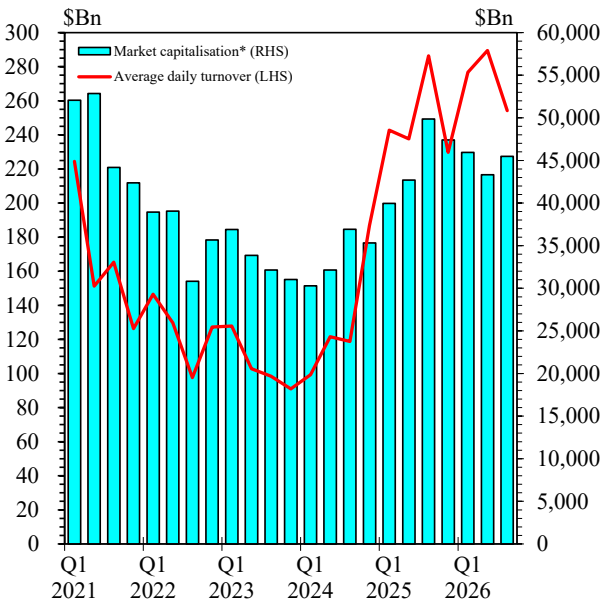


Diagram 3.2 : Market capitalisation stood at $45.5 trillion; trading activities retreated somewhat but remained active



Note : (*) Position at end of quarter.

Source: Datastream.

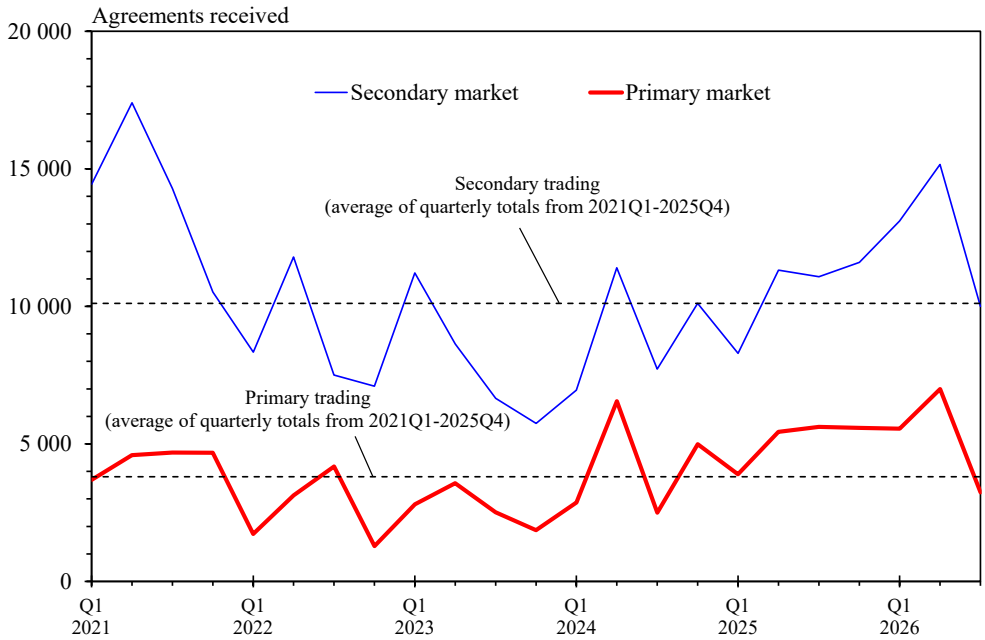
3.4 Fundraising remained robust in the third quarter, with total equity funds raised (comprising new share floatation and post-listing arrangements) surging by 118.0% year-on-year and 84.9% over the preceding quarter to $366.1 billion. In the first nine months, total equity funds raised reached $715.3 billion, including $388.4 billion from 116 IPOs (excluding 2 listed companies transferred from GEM to Main Board), underscoring Hong Kong's position as the world's second-largest IPO venue during the period. About 70% of the IPO funds raised during that period came from companies in the AI value chain. The outlook remains positive, supported by a pipeline of 611 active applications as of 30 October.

The residential property market

3.5 In the residential property market, flat prices were largely stable in the third quarter, with the year-to-date increase holding at 7%. Analysed by size, prices of small/medium sized flats decreased by 1% during the quarter, while those for large flats rose by 1%.

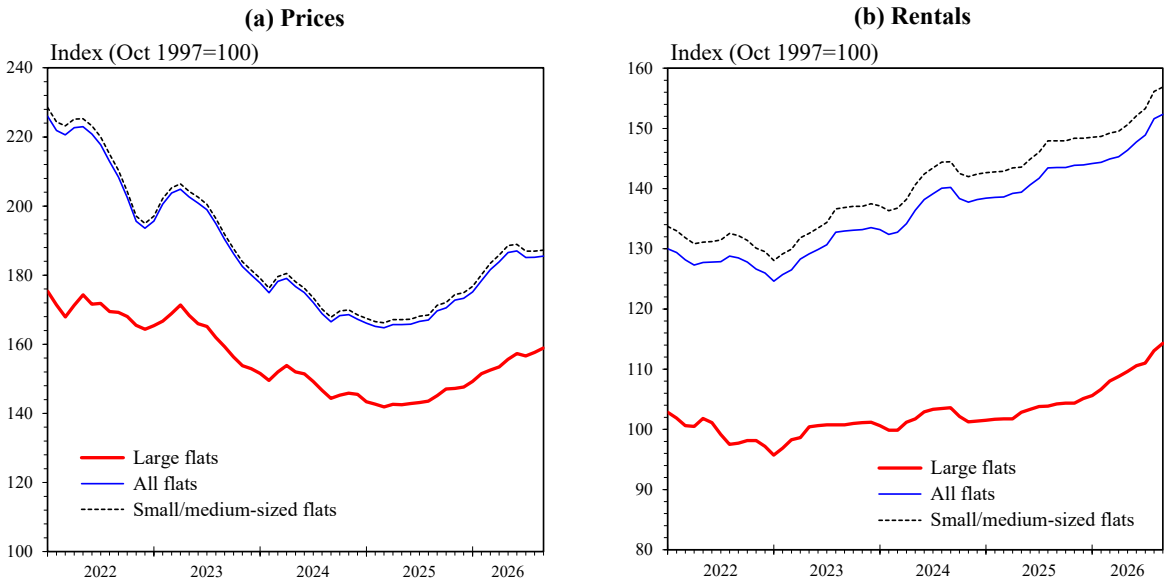
3.6 Transactions remained relatively solid, with 13 242 sale and purchase agreements for residential property received by the Land Registry during the quarter, close to the five-year average, though below the buoyant levels seen in the first half. In the first nine months, the total number of transactions reached 54 052, up 18% year-on-year, while total consideration rose by 34% to $491.8 billion. By segment, primary and secondary market transactions increased by 6% and 25% respectively in the first nine months.

Diagram 3.3 : Transactions remained relatively solid in the third quarter



3.7 Meanwhile, overall flat rentals continued to rise, up by 3% in the third quarter amid the traditional peak season. This brought the year-to-date increase to 6%. Analysed by size, rentals of small/medium-sized flats and large flats both rose by 3% within the quarter. The rental yield for residential property edged up to 3.1% in September from 3.0% in June.

Diagram 3.4 : Flat prices were largely stable in the third quarter, while flat rentals continued to rise



Note : Residential property price index pertains to secondary market transactions only. Large flats refer to those with a saleable area of at least 100 m^2, and small/medium-sized flats with a saleable area of less than 100 m^2.

3.8 As estimated at end-September, the *total supply of first-hand flats in the private sector* in the coming three to four years (comprising unsold flats of completed projects, flats under construction but not yet sold and flats on disposed sites where construction can start any time) rose by around 4 000 units from the end-June level to 100 000 units, remaining at a relatively high level. The increase partly reflected the sale of major development sites, including a railway development site and the Hung Shui Kiu pilot area under large-scale land disposal during the quarter.

Outlook

3.9 Developers stepped up new launches towards the end of the third quarter. In early fourth-quarter, several competitively priced new projects saw strong buying interest, suggesting solid demand at those price levels. Meanwhile, secondary market activity moderated. The number of transactions in the residential property market was at 4 512 in October, edging up from the monthly average of 4 414 in the third quarter but stayed broadly on par with the five-year monthly average of 4 638.

3.10 Asset markets were broadly stable in the third quarter, underpinned by steady domestic financial conditions. Both, however, will remain sensitive to interest rate development and shifts in global investor sentiment. Amid higher inflation, some major central banks raised their policy rates. In September, the US FOMC raised the target range for the federal funds rate by 25 basis points to 3.75% - 4.00%, and the Base Rate under the HKMA's Discount Window was adjusted upward accordingly to 4.25%. Local banks kept their Best Lending Rates unchanged at 5.0% - 5.5%, but Hong Kong dollar interbank interest rates (HIBORs) edged up during the quarter. The 1-month and 3-month HIBORs rose from 2.94% and 2.97% at end-June to 3.01% and 3.24% at end-September respectively.

3.11 The market generally expects a further 25-basis point US rate hike by year-end. With long-term government bond yields in the US and other major advanced economies remaining elevated, global financial conditions may tighten further, with implications for local liquidity conditions and asset markets. Meanwhile, the lingering Middle East conflict and a re-assessment of expected AI profitability in the global financial markets could also bring volatility to the asset markets.

CHAPTER 4 : FINANCIAL SERVICES

Summary

- *Hong Kong's financial services sector continues to excel, with its competitiveness and strengths widely recognised by the international community. In the latest Global Financial Centres Index, Hong Kong ranked third globally and first in the Asia-Pacific region again.*

- *Major subsectors generally performed well in the third quarter. In the first three quarters of 2026, Hong Kong ranked second among stock exchange markets globally in terms of the amount of funds raised through IPOs. As of end-September, 2 772 companies were listed in Hong Kong with a total market capitalisation of $45.5 trillion, ranking seventh globally and fourth in Asia.*

- *The offshore renminbi (RMB) market stayed active. As the largest global offshore RMB business hub, the city processed around 75% of all offshore RMB transactions in the first nine months of 2026. At end-September, total RMB deposits (including customer deposits and certificates of deposit) increased by 6.6% over end-June to RMB1,364.0 billion, while outstanding RMB bank loans rose by 6.0% to RMB1,127.2 billion.*

- *In the Hong Kong dollar debt market, total gross issuance of Hong Kong dollar debt securities expanded by 3.5% over the preceding quarter to $1,686.3 billion in the third quarter, while the total outstanding amount of Hong Kong dollar debt securities rose by 2.3% over end-June to $3,781.1 billion at end-September.*

- *Hong Kong continues to stand as one of the world's most open insurance centres with high insurance densities. In the second quarter of 2026, the insurance sector sustained strong growth momentum, with new office premiums of long-term business surging further by 66.9% over a year earlier.*

- *Hong Kong's financial services sector is expected to sustain its positive momentum, supported by robust institutional fundamentals, strong backing from our country, and proactive policy initiatives as announced in the Hong Kong's First Five-Year Plan and 2026 Policy Address.*

Overview

4.1 Being one of the most important economic pillars of the city, the financial services sector contributed $872.2 billion in value added and provided 271 900 jobs in 2025, up 6.9% and 2.6% respectively from 2024. The sector alone accounted for 27.0% of GDP and 7.4% of total employment in 2025.

4.2 Hong Kong's First Five-Year Plan and 2026 Policy Address clearly set out the core directions for the future development of the city's financial sector. The Government will deepen the development of Hong Kong's global offshore RMB business and capital market, develop an international asset and wealth management centre and international risk management centre, enhance the securities market and expand fixed income and commodity trading. Through upgrading the real economy with the introduction of green elements, digitalisation and innovation, and reinforcing connection with the Mainland and the world, the Government will cement Hong Kong's status as a global capital financing hub.

4.3 Hong Kong's strengths as a leading international financial centre continue to gain widespread recognition. Hong Kong continued to rank third globally and first in Asia Pacific in the latest Global Financial Centres Index published by Z/Yen from the United Kingdom and the China Development Institute from Shenzhen in September 2026. Different facets of Hong Kong's financial business generally performed well. The financial services sector is expected to sustain its positive momentum, supported by robust institutional fundamentals, strong backing from our country as well as the Government's proactive policy initiatives.

Equity market

4.4 Hong Kong's stock market is deep and liquid, with wide participation by international investors and seamless access to both global and Mainland capital. As of end-September, 2 772 companies were listed in Hong Kong. Market capitalisation rose by 5.0% to $45.5 trillion during the quarter, ranking seventh globally and fourth in Asia[(1)] at end-September. Fund raising activities stayed robust in the third quarter, with the amount of funds raised through IPOs surging by 72.5% over the preceding quarter or by 123.1% over a year ago to $176.0 billion. In the first nine months of 2026, Hong Kong ranked second among stock exchange markets globally in terms of the amount of funds raised through IPOs[(2)].

4.5 The Government, in cooperation with the financial regulators, will further enhance the competitiveness of Hong Kong's listing regime and operating efficiency of the securities market infrastructure. On listing of enterprises, the Hong Kong Exchanges and Clearing Limited (HKEX) is conducting the consultation on phase two of the listing framework competitiveness review to increase the flexibility of listed companies in corporate mergers and acquisitions, re-structuring and spin-offs, and will begin consultation on enhancing the specialist technology listing regime in the first half of 2027. In addition, the Securities and Futures Commission (SFC) will commence a consultation on streamlining prospectus disclosure requirements to facilitate the listing of quality overseas enterprises in Hong Kong. On trading arrangements, the HKEX is targeting implementation of a "T+1" settlement cycle for the cash market in the second half of 2028; and is also collaborating with the Hong Kong Monetary Authority (HKMA) to introduce a wholesale central bank digital currency (i.e. an e-HKD payment solution) for after-hours trading of derivatives.

Mutual market access

4.6 Southbound trading of Stock Connect remained relatively active in the third quarter, though it moderated from earlier highs. Average daily turnover amounted to $107.3 billion, down 13.3% from the preceding quarter or 29.6% from the hectic level a year earlier. Southbound Stock Connect turnover continued to account for over one-fifth of total turnover in the Hong Kong stock market (21.1%). Meanwhile, average daily turnover under Northbound Stock Connect fell by 15.4% from the historical high in the second quarter to RMB309.7 billion, though it was still 15.3% higher than a year earlier. Northbound turnover accounted for 6.8% of total turnover in the Mainland stock markets.

4.7 Under Northbound Bond Connect, average daily turnover rose 6% year-on-year to RMB36.1 billion in the third quarter, and 4% to RMB43.5 billion in the first nine months of 2026. Average daily trading volume of Swap Connect in the first nine months of 2026 surged by 27% year-on-year to RMB27.6 billion. All these reflect our role as an efficient, investor-friendly RMB platform for global and Mainland investors.

4.8 With a view to broadening the mutual access mechanism, the SFC is preparing for the inclusion of RMB counters under Southbound trading of Stock Connect. The HKEX will also encourage listed companies to set up RMB counters.

Asset and wealth management

4.9 The fund management business improved in the third quarter of 2026. The aggregate net asset value of the approved constituent funds under the *Mandatory Provident Fund (MPF) schemes* [3] rose by 1.1% over end-June to $1,683.1 billion at end-September, while the monthly average gross retail sales of *mutual funds* increased by 0.6% over the preceding quarter to US$10.9 billion in July – August[4][5] and were 4.6% higher than the level a year earlier.

4.10 The Government will continue to develop a more attractive asset and wealth management ecosystem by introducing a bill this year to enable the privatisation or restructuring of real estate investment trusts (REITs) and another bill in the first half of 2027 to provide a stamp-duty waiver for the transfer of non-residential properties into REITs seeking to list.

Banking sector

4.11 Hong Kong remains the world's sixth and Asia's second largest banking sector in terms of external position as at end-March 2026, according to the Bank for International Settlements, and hosts one of the highest concentrations of banking institutions globally. As at end-September 2026, 71 of world's top 100 banks operates in Hong Kong.

4.12 Overall, the banking sector remained robust, underpinned by strong capitalisation. The total capital adequacy ratio of Hong Kong incorporated authorized institutions (AIs)[6] stayed at a high level of 24.2% at end-June, well above the international minimum requirement of 8%. Asset quality remained healthy: the ratio of classified loans to total loans for all AIs declined from 1.87% at end-March to 1.82% at end-June and the delinquency ratio for credit card lending edged down from 0.39% to 0.36% over the same period. Meanwhile, the delinquency ratio for residential mortgage loans stood at a low level of 0.11% at end-September, same as that at end-June.

Table 4.1 : Asset quality of all authorized institutions*^

(as % of total loans)

At end of period		Pass loans	Special mention loans	Classified loans (gross)
2025	Q1	95.77	2.25	1.98
	Q2	95.87	2.16	1.97
	Q3	95.85	2.17	1.98
	Q4	95.86	2.13	2.01
2026	Q1	95.93	2.20	1.87
	Q2	96.11	2.07	1.82

Notes : Due to rounding, figures may not add up to 100.

(*) Period-end figures relate to Hong Kong offices, branches and major subsidiaries outside Hong Kong. Loans and advances are classified into the following categories: Pass, Special Mention, Substandard, Doubtful and Loss. Loans in the substandard, doubtful and loss categories are collectively known as "classified loans".

(^) As a reference, for retail banks, the pass loans, special mention loans and classified loans (gross) as percentages of total loans were 96.05%, 1.99% and 1.96% respectively at end-June 2026.

4.13 Funding and credit conditions remained supportive of economic activities. *Total deposits* with AIs increased by 2.7% over end-June to $20,934.5 billion at end-September, with Hong Kong dollar deposits and foreign currency deposits increasing by 2.0% and 3.3% respectively. *Total loans and advances* rose by 1.2% to $10,915.3 billion over the same period, with Hong Kong dollar loans and foreign currency loans increasing by 0.3% and 2.3% respectively. Reflecting the relative movements in deposits and loans, the Hong Kong dollar loan-to-deposit ratio fell from 71.5% at end-June to 70.3% at end-September, so did the foreign currency loan-to-deposit ratio from 39.5% to 39.1%.

4.14 Loans for use in Hong Kong (including trade finance) and loans for use outside Hong Kong increased by 0.8% and 2.3% over end-June to $8,161.1 billion and $2,754.1 billion respectively at end-September. Within domestic lending, loans to trade finance increased by 7.7% amid the robust external trade, while loans to stockbrokers, manufacturing, wholesale and retail trade, and financial concerns decreased by 15.4%, 3.4%, 2.0%, and 1.0%, respectively. In property-related lending, loans for purchase of residential property increased by 1.5%, while loans to building, construction, property development and investment decreased by 1.8%.

Table 4.2 : Loans and advances

% change during the quarter		All loans and advances for use in Hong Kong									
		Loans to :									
		Trade finance	Manu-facturing	Whole-sale and retail trade	Building and construction, property development and investment	Purchase of residential property[(a)]	Financial concerns	Stock-brokers	Total[(b)]	All loans and advances for use outside Hong Kong[(c)]	Total loans and advances
2025	Q1	-4.7	5.1	-2.1	-2.7	0.6	4.4	10.6	0.5	1.1	0.6
	Q2	3.5	4.8	2.5	-0.2	0.6	3.8	16.3	1.6	2.6	1.9
	Q3	-0.7	-0.6	-3.8	-3.2	0.8	3.0	0.4	-0.4	-2.3	-0.9
	Q4	4.6	-5.0	-1.3	-1.5	1.3	0.2	-0.1	0.2	2.0	0.7
2026	Q1	7.9	7.0	2.0	-2.3	1.0	4.7	36.5	3.0	3.1	3.0
	Q2	3.5	10.8	9.7	-1.4	1.5	4.9	15.1	3.0	4.4	3.3
	Q3	7.7	-3.4	-2.0	-1.8	1.5	-1.0	-15.4	0.8	2.3	1.2
Total amount at end-September 2026 ($Bn)		470	351	306	1,361	2,159	1,022	84	8,161	2,754	10,915
% change over a year earlier		25.6	8.9	8.2	-6.7	5.5	9.0	32.8	7.1	12.4	8.4

Notes: (a) Figures also include loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme, in addition to those for the purchase of private residential flats.

(b) Loans to individual sectors may not add up to all loans and advances for use in Hong Kong, as some sectors are not included.

(c) Also include loans where the place of use is not known.

Offshore RMB business

4.15 As the largest global offshore RMB business hub, Hong Kong processed around 75% of all offshore RMB transactions in the first nine months of 2026. *Offshore RMB business* remained active in the third quarter: total RMB deposits (including customer deposits and certificates of deposit) increased by 6.6% over end-June to RMB1,364.0 billion at end-September, and outstanding RMB bank loans rose by 6.0% to RMB1,127.2 billion over the same period. RMB trade settlement transactions handled by banks in Hong Kong increased by 6.8% from a year earlier to RMB3,580.8 billion in the third quarter. RMB bond issuance (excluding certificates of deposit) reached RMB253.1 billion in the second quarter (of which RMB36.5 billion was issued by the Ministry of Finance, including RMB sovereign green bonds of RMB6.0 billion), compared with RMB128.0 billion in the same period of 2025[(7)].

Table 4.3 : Offshore RMB business in Hong Kong

At end of period		Demand and savings deposits (RMB Mn)	Time deposits (RMB Mn)	Total deposits (RMB Mn)	Outstanding RMB bank loans (RMB Mn)	RMB bond issuance[(a)] (RMB Mn)	Amount of cross-border RMB trade settlement[(a)] (RMB Mn)
2025	Q1	423,009	536,839	959,848	804,366	189,496	3,625,469
	Q2	395,342	486,720	882,061	836,084	128,030	3,709,233
	Q3	471,341	530,430	1,001,771	881,423	271,832	3,353,375
	Q4	443,097	516,956	960,053	934,972	199,546	3,217,085
2026	Q1	496,541	538,657	1,035,199	1,042,598	232,065	3,172,859
	Q2	505,830	587,692	1,093,523	1,063,207	253,083	3,603,026
	Q3	513,199	616,718	1,129,917	1,127,167	N.A.	3,580,755
% change in 2026 Q3 over 2025 Q3		8.9	16.3	12.8	27.9	N.A.	6.8
% change in 2026 Q3 over 2026 Q2		1.5	4.9	3.3	6.0	N.A.	-0.6

Notes : (a) Figures during the period.

N.A. Not available.

4.16 To strengthen Hong Kong's role as a global offshore RMB business hub, the Government will expand dim sum bond issuance with an enhanced tenor structure in due course, seeking support from the Ministry of Finance to increase the scale and frequency of bond issuance in Hong Kong. The HKEX will also launch the HKEX Offshore RMB Bond Index as a reference for market trends and an underlying index for exchange-traded funds. In terms of enhancing offshore RMB liquidity, the HKMA is exploring with the People's Bank of China enhancements to the Currency Swap Agreement. The HKMA will also introduce a tendering mechanism of seven-day offshore RMB liquidity to expand channels for banks to meet their short-term financing needs. It will also explore the issuance of offshore RMB short-term debt instruments to support the building of an offshore RMB yield curve.

Debt market

4.17 In the Hong Kong dollar *debt market*, total gross issuance of Hong Kong dollar debt securities expanded by 3.5% over the preceding quarter to $1,686.3 billion[(8)] in the third quarter. The total outstanding amount of Hong Kong dollar debt securities rose by 2.3% over end-June to $3,781.1 billion at end-September, equivalent to 39.8% of HK$M3 or 34.4% of Hong Kong dollar-denominated assets of the banking sector[(9)].

4.18 To consolidate Hong Kong's position as an international fixed income hub, the SFC will refine the regulatory framework for the fixed income market by formulating internationally aligned standards for issuance and trading practices. In addition, the Bond Connect Company Limited, a joint venture established by the China Foreign Exchange Trade System and the HKEX, will develop an electronic fixed income and currency trading platform in Hong Kong, initially supporting bond trading and gradually expanding to money market and foreign exchange trading in due course. The HKEX will also explore the introduction of a central clearing mechanism for bond repurchase to enhance market liquidity.

4.19 Between 2025 and the first half of 2026, digital bonds issued in Hong Kong captured nearly 50% of the global market, reflecting our leading position in the area. The Government will continue to broaden use cases and popularise digital bonds through a series of measures, including regularising the issuance of digital bonds, such as using digital currencies for settlement and exploring their full-cycle application for digital bonds (such as dividend payment and redemption). In addition, the HKMA will conduct tests on the operation of the tokenisation of Exchange Fund Bills by year's end, and explore innovative solutions and launch its second-phase legal review to facilitate the application of Distributed Ledger Technology in the capital market.

Table 4.4: New issuance and outstanding value of Hong Kong dollar debt securities ($Bn)

		Local Public Segment							
		Exchange Fund	The HKSAR Government	AIs[a]	Local corporations	MDBs[b]	Non-MDBs issuers outside Hong Kong[b]	Statutory bodies/government-owned corporations in Hong Kong	Total
New Issuance									
2025	Annual	4,351.3	93.0	426.7	58.3	64.8	910.5	75.9	5,980.5
	Q1	1,049.0	7.5	98.9	7.7	15.3	188.6	27.8	1,394.8
	Q2	1,060.2	13.5	85.5	23.9	15.2	221.8	13.7	1,433.9
	Q3	1,074.3	7.3	123.8	11.1	24.6	312.5	19.8	1,573.3
	Q4	1,167.7	64.8	118.5	15.7	9.8	187.6	14.6	1,578.6
2026	Q1	990.9	9.5	126.3	17.7	36.7	332.4	14.3	1,527.8
	Q2	1,091.4	10.5	147.7	17.5	29.3	279.8	52.8	1,629.1
	Q3	1,201.1	67.5	149.2	9.2	15.4	233.7	10.1	1,686.3
% change in 2026 Q3 over 2025 Q3		11.8	831.0	20.6	-16.7	-37.3	-25.2	-49.1	7.2
% change in 2026 Q3 over 2026 Q2		10.0	542.9	1.0	-47.4	-47.4	-16.5	-80.9	3.5
Outstanding (as at end of period)									
2025	Q1	1,318.1	308.9	293.2	119.9	80.4	635.1	176.8	2,932.4
	Q2	1,325.3	293.9	284.5	134.4	94.0	699.8	178.9	3,010.7
	Q3	1,331.4	257.3	313.1	138.3	114.1	870.1	179.3	3,203.6
	Q4	1,342.0	320.1	350.9	141.8	121.8	896.6	187.1	3,360.4
2026	Q1	1,348.8	302.2	361.7	139.8	147.3	987.9	179.1	3,466.8
	Q2	1,356.5	310.6	408.1	146.6	172.1	1,081.5	219.2	3,694.7
	Q3	1,366.8	322.9	439.3	145.9	183.3	1,118.1	204.9	3,781.1
% change in 2026 Q3 over 2025 Q3		2.7	25.5	40.3	5.5	60.6	28.5	14.3	18.0
% change in 2026 Q3 over 2026 Q2		0.8	3.9	7.6	-0.5	6.5	3.4	-6.6	2.3

Notes : Figures may not add up to the corresponding totals due to rounding. Figures are provisional and may be subject to revision.

(a) AIs : Authorized institutions.

(b) MDBs : Multilateral Development Banks.

Insurance sector

4.20 Hong Kong is also among the world's most open insurance centres and has one of the highest insurance densities globally. In the second quarter of 2026, the *insurance sector*[10] recorded solid growth: new office premiums of long-term business surged further by 66.9% over a year earlier, with non-investment linked individual business (accounting for 95% of total premium for this segment) rising by 66.7%, and investment-linked business increasing by 70.8%. In general business[11], gross premium amounted to $28.6 billion, up 5.1% over a year ago, while net premium amounted to $19.1 billion, 1.0% lower than a year earlier.

Table 4.5 : Insurance business in Hong Kong@ ($Mn)

		General business			New office premium of long-term business^				
		Gross premium	Net premium	Underwriting profit	Non-linked long-term individual business	Linked long-term individual business	Non-retirement scheme group business	All long-term business	Gross premium from long-term business and general business
2025	Annual	108,458	74,064	2,858	312,087	18,471	383	330,941	439,399
	Q1	31,245	20,588	882	90,087	3,227	99	93,413	124,658
	Q2	27,203	19,269	761	76,545	3,691	91	80,327	107,530
	Q3	24,464	16,151	1,870	84,872	5,738	102	90,712	115,176
	Q4	25,546	18,056	-655	60,583	5,815	91	66,489	92,035
2026	Q1	35,162	23,057	2,592	135,324	5,717	90	141,131	176,293
	Q2	28,583	19,085	3,210	127,605	6,303	118	134,026	162,609
% change in 2026 Q2 over 2025 Q2		5.1	-1.0	321.8	66.7	70.8	29.7	66.9	51.2

Notes : (@) Provisional statistics of the Hong Kong insurance industry.
(^) Retirement scheme business is excluded.

4.21 The Insurance Authority (IA) is actively developing reinsurance and captive insurance businesses to enhance synergy between the capital market and the insurance industry in building an international risk-transfer platform. As at September, the IA has authorised three captive insurers this year, bringing the total to nine. With a view to strengthening the competitive advantages as an international risk management centre, the IA will continue to promote insurance-linked securities (ILS), work to narrow the protection gap for catastrophe risk and review investor restrictions to invigorate the ILS fund trading market. Meanwhile, considering that the development of emerging industries will

generate increasing demand for new specialised insurance, the Government and the IA will suitably increase the insurance sector's underwriting appetite to cover such areas as gold storage, commodity trading and green-fuel bunkering.

Commodity trading

4.22 Hong Kong's First Five-Year Plan proposes developing a commodity trading ecosystem with gold as an entry point. To expedite the development of an international gold trading market, the Government will officially launch Hong Kong's central clearing and settlement system for gold in the first quarter of 2027. The HKEX will also announce the details pertaining to the brand new RMB-denominated and physically settled gold futures contracts within this year to provide robust, world-class risk-management tools. In addition, a dedicated Gold Hotline will be set up to provide one-stop support for Mainland and overseas gold traders to take part in Hong Kong's gold trading ecosystem. Furthermore, the HKMA is exploring the possibility of increasing the Exchange Fund's gold holdings and participating in Hong Kong's spot and futures markets and considering gradually transferring its physical gold holdings to designated vaults appointed by the Hong Kong Precious Metals Central Clearing Company Limited. Meanwhile, in collaboration with relevant financial regulators, the Government has established a Joint Working Group on Commodity Trading to holistically identify market opportunities and prospects for cross-exchange collaboration.

Financial technology (fintech)

4.23 On fintech, the Government and the SFC will enhance virtual-asset licensing regimes and formulate specific regulatory guidelines to map a clear compliance pathway for virtual-asset service providers. An amendment bill will be introduced within this year to establish licensing regimes for virtual asset dealing, custodian, advisory, and management services. Regarding the facilitation of real-world asset tokenisation, the SFC will improve the regulatory framework for tokenised investment products to facilitate the issuance and trading of tokenised products of gold and other suitable real-world assets on licensed platforms, as well as the launch of innovative products. Moreover, the HKMA's Project Ensemble has entered a new chapter to support the interbank settlement of tokenised deposit transactions in central bank digital currency on a 24/7 basis this year, and will continue to explore more use cases for tokenised deposits.

Green finance

4.24 On green and sustainable finance, the HKEX launched HKEX Green Equity designation programme in October 2026 to help investors more readily identify Hong Kong-listed companies with significant green business activities. Core Climate, the HKEX's international carbon marketplace, has completed cross-boundary pilots involving the purchase of Green Electricity Certificates and the settlement of Shenzhen Emission Allowance transactions. The HKEX will build on these initiatives to strengthen green market connectivity across the Guangdong-Hong Kong-Macao Greater Bay Area and support the country's exploration of cross-boundary carbon trading.

Notes :

(1) The ranking is based on the market capitalisation figures of global stock exchange markets compiled by the World Federation of Exchanges and the London Stock Exchange Group.

(2) The ranking is based on the amount of funds raised through IPOs (including fundraising of special purpose acquisition companies) compiled by Dealogic.

(3) At end-September 2026, there were 11 approved trustees. On MPF products, 21 master trust schemes, two industry schemes and one employer sponsored scheme, comprising altogether 382 constituent funds, were approved by the Mandatory Provident Fund Schemes Authority. A total of 360 000 employers, 2.65 million employees and 222 000 self-employed persons are estimated to have participated in MPF schemes.

(4) These figures are obtained from the Sales and Redemptions Survey conducted by the Hong Kong Investment Funds Association (HKIFA) on their members, and cover only the active authorised funds that have responded to the survey. As HKIFA has revised the coverage of its funds statistics since 2023, the figures in this report may not be comparable with those contained in previous issues of this report.

(5) At end-September 2026, there was one SFC-authorised retail hedge fund with net asset size of US$92 million. This amount of net assets under management increased by 2.2% from end-June, and represented a 10.8% increase over a year earlier and a 42.5% decrease from end-2002, the year when the hedge funds guidelines were first issued.

(6) AIs include licensed banks, restricted licence banks and deposit-taking companies. At end-September 2026, there were 147 licensed banks, 16 restricted licence banks and 11 deposit-taking companies in Hong Kong. Altogether, 174 AIs (excluding representative offices) from 32 economies (including Hong Kong) had a presence in Hong Kong.

(7) The HKMA discontinued the old RMB bond issuance data since June 2024 and adopted another data series. The new series has broader coverage sourced from various data sources including Bloomberg, the Central Moneymarkets Unit, Dealogic and Reuters but with longer time lag. Hence the latest data are up to the previous quarter only, and the new data are not directly comparable with those in previous issues of this report. Figures are subject to revisions.

(8) The figures may not represent a full coverage of all the Hong Kong dollar debt securities issued.

(9) Assets of the banking sector include notes and coins, amount due from AIs in Hong Kong as well as from banks abroad, loans and advances to customers, negotiable certificates of deposit (NCDs) held, negotiable debt instruments other than NCDs held, and other assets. Certificates of indebtedness issued by Exchange Fund and the counterpart bank notes issued are nevertheless excluded.

(10) At end-September 2026, there were 161 authorized insurers in Hong Kong. Within this total, 49 were engaged in long-term insurance business, 88 in general insurance business, 21 in composite insurance business, and three in special purpose business. These authorized insurers come from 22 countries and territories (including Hong Kong).

(11) Following the implementation of the Risk-based Capital regime on 1 July 2024, an element reflecting offshore business is now included in respect of general insurance, and the coverage, classifications and definitions for related statistics have been modified. It is therefore inappropriate to make a direct comparison between the latest figures with those published in previous years.

CHAPTER 5 : THE LABOUR SECTOR

Summary

- *The labour market stayed broadly stable in the third quarter of 2026. The labour force rose by 0.6% quarter-to-quarter to 3 810 000 amid seasonal entry of graduates and school leavers, while total employment grew by 0.2% to 3 655 000.*

- *With the labour force growing faster than total employment, the seasonally adjusted unemployment rate edged up to 3.9% from 3.7% in the preceding quarter.*

- *Employment growth was most visible in social work activities, real estate, import/export trade and wholesale, financing, as well as professional and business services (excluding cleaning and similar activities) sectors, partly offsetting by declines in accommodation services, insurance, retail and transportation sectors.*

- *Unemployment rates rose most notably in social work activities and insurance sectors. Rates also rose further in the consumption- and tourism-related sectors, with food and beverage service activities reaching 6.7% and retail 4.8%, and edged up in accommodation services. By contrast, the rates in construction and in professional and business services (excluding cleaning and similar activities) sectors declined.*

- *Employment earnings continued to grow at a solid pace, with the General Household Survey (GHS) data showing year-on-year growth of 3.1% in median nominal monthly employment earnings of employed persons (excluding foreign domestic helpers) in the third quarter, compared with 4.8% in the preceding quarter.*

- *The employment outlook should remain broadly stable, as the Q4 2026 Quarterly Business Tendency Survey (QBTS) showed some improvement in hiring sentiment among large enterprises.*

Overall labour market situation[1]

5.1 The labour market stayed broadly stable in the third quarter of 2026, with both *labour force*[2] and *total employment*[3] growing. As the labour force grew faster than total employment amid the entry of graduates and school leavers, the seasonally adjusted *unemployment rate*[4] edged up by 0.2 percentage point to 3.9%. Employment earnings continued to grow at a solid pace, with the median nominal monthly employment earnings of employed persons (excluding foreign domestic helpers) rising 3.1% year-on-year in the third quarter, compared with 4.8% in the preceding quarter. The employment outlook should remain broadly stable, as the Q4 2026 QBTS showed some improvement in hiring sentiment among large enterprises.

Labour force and total employment

5.2 In the third quarter, the labour force rose by 0.6% quarter-to-quarter to 3 810 000 amid the seasonal entry of graduates and school leavers, though it remained 0.3% lower than a year earlier. Analysed by contributory factor, the working-age population (i.e. land-based non-institutional population aged 15 and above) increased by 0.6% year-on-year to 6 728 000. Yet, the overall labour force participation rate declined by 0.5 percentage point year-on-year to 56.6%, reflecting the continued impact of population ageing. The share of those aged 65 and above within the working-age population increased by 0.4 percentage point year-on-year to 26.2%, while their labour force participation rate stayed low at 13.7%, 0.3 percentage point lower than a year ago.

5.3 Total employment grew by 0.2% quarter-to-quarter to 3 655 000 in the third quarter, but was down 0.3% year-on-year. Analysed by sector, employment growth from the preceding quarter was most visible in social work activities, real estate, import/export trade and wholesale, financing, as well as professional and business services (excluding cleaning and similar activities) sectors, partly offsetting by declines in accommodation services, insurance, retail and transportation sectors. Employment in food and beverage service activities and construction sectors remained largely unchanged.

Diagram 5.1 : Both the labour force and total employment increased in the third quarter of 2026

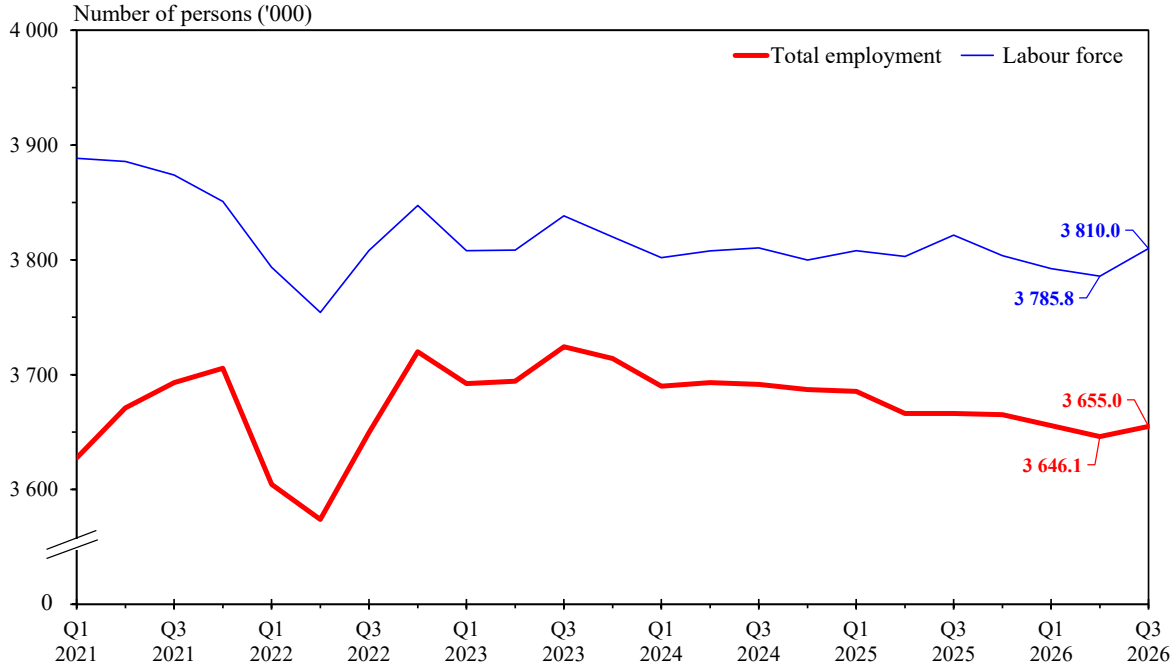


Table 5.1 : Working-age population, labour force, and labour force participation rates by gender and age group

	2025				2026		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Working-age population							
By gender							
Male	2 985 600	2 989 000	2 984 000	2 989 500	2 998 500	3 004 600	3 005 200
Female	3 701 200	3 707 200	3 704 800	3 711 200	3 724 800	3 732 500	3 722 800
By age group							
15-24	577 800	579 800	576 400	580 700	580 900	578 100	577 800
25-59	3 770 800	3 772 000	3 763 800	3 756 200	3 764 100	3 764 900	3 767 000
60-64	635 300	631 000	624 400	620 700	616 700	616 900	617 600
≥ 65	1 702 900	1 713 500	1 724 200	1 743 100	1 761 600	1 777 200	1 765 600
Overall	6 686 800	6 696 200	6 688 800	6 700 700	6 723 300	6 737 100	6 728 000
Share of working-age population (%)							
By gender							
Male	44.6	44.6	44.6	44.6	44.6	44.6	44.7
Female	55.4	55.4	55.4	55.4	55.4	55.4	55.3
By age group							
15-24	8.6	8.7	8.6	8.7	8.6	8.6	8.6
25-59	56.4	56.3	56.3	56.1	56.0	55.9	56.0
60-64	9.5	9.4	9.3	9.3	9.2	9.2	9.2
≥ 65	25.5	25.6	25.8	26.0	26.2	26.4	26.2
Labour force							
By gender							
Male	1 861 300	1 852 900	1 863 500	1 853 300	1 843 700	1 836 400	1 847 200
Female	1 946 700	1 950 100	1 958 000	1 950 400	1 948 700	1 949 300	1 962 800
By age group							
15-24	161 600	161 600	171 100	159 100	150 400	149 400	153 400
25-59	3 098 700	3 096 100	3 097 900	3 100 900	3 095 300	3 087 000	3 103 200
60-64	316 800	311 900	311 000	310 500	309 100	307 300	310 700
≥ 65	230 900	233 400	241 500	233 100	237 500	242 100	242 700
Overall	3 808 000	3 803 000	3 821 600	3 803 700	3 792 400	3 785 800	3 810 000
Labour force participation rates (%)							
By gender							
Male	62.3	62.0	62.5	62.0	61.5	61.1	61.5
Female	52.6	52.6	52.9	52.6	52.3	52.2	52.7
By age group							
15-24	28.0	27.9	29.7	27.4	25.9	25.8	26.6
25-59	82.2	82.1	82.3	82.6	82.2	82.0	82.4
60-64	49.9	49.4	49.8	50.0	50.1	49.8	50.3
≥ 65	13.6	13.6	14.0	13.4	13.5	13.6	13.7
Overall	56.9	56.8	57.1	56.8	56.4	56.2	56.6

Table 5.2 : Employment by major economic sector

	2025				2026		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Import/export trade and wholesale	289 300	282 000	282 000	284 400	279 300	282 200	286 400
	(-3.7)	(-5.5)	(-4.8)	(-2.6)	(-3.4)	(0.1)	(1.6)
	<-1.0>	<-2.5>	<§>	<0.9>	<-1.8>	<1.0>	<1.5>
Retail, accommodation and food services	497 200	492 000	489 000	490 000	489 300	490 200	484 200
	(-5.0)	(-4.2)	(-3.8)	(-3.0)	(-1.6)	(-0.4)	(-1.0)
	<-1.5>	<-1.1>	<-0.6>	<0.2>	<-0.1>	<0.2>	<-1.2>
of which:							
Retail	*238 200*	*235 300*	*235 000*	*233 800*	*231 200*	*226 700*	*224 100*
	(-7.2)	*(-6.5)*	*(-4.9)*	*(-4.3)*	*(-2.9)*	*(-3.7)*	*(-4.6)*
	<-2.5>	*<-1.2>*	*<-0.2>*	*<-0.5>*	*<-1.1>*	*<-1.9>*	*<-1.1>*
Accommodation services	*41 800*	*40 900*	*42 000*	*42 000*	*42 000*	*43 900*	*40 300*
	(4.3)	*(-0.4)*	*(-1.6)*	*(-0.6)*	*(0.6)*	*(7.2)*	*(-3.9)*
	<-1.1>	*<-1.9>*	*<2.5>*	*<§>*	*<0.2>*	*<4.4>*	*<-8.1>*
Food and beverage service activities	*217 300*	*215 700*	*212 100*	*214 200*	*216 100*	*219 600*	*219 700*
	(-4.1)	*(-2.2)*	*(-3.0)*	*(-2.0)*	*(-0.6)*	*(1.8)*	*(3.6)*
	<-0.6>	*<-0.7>*	*<-1.7>*	*<1.0>*	*<0.9>*	*<1.6>*	*<0.1>*
Transportation, storage, postal and courier services	288 000	289 000	285 000	281 200	280 900	280 500	281 000
	(1.7)	(0.3)	(-1.9)	(-1.4)	(-2.5)	(-2.9)	(-1.4)
	<1.0>	<0.3>	<-1.4>	<-1.3>	<-0.1>	<-0.1>	<0.2>
of which:							
Transportation	*188 900*	*187 500*	*185 600*	*186 300*	*187 300*	*188 700*	*185 800*
	(-0.6)	*(-2.9)*	*(-4.2)*	*(-0.6)*	*(-0.8)*	*(0.6)*	*(0.1)*
	<0.8>	*<-0.7>*	*<-1.0>*	*<0.4>*	*<0.5>*	*<0.7>*	*<-1.6>*
Information and communications	131 100	129 900	129 500	128 500	128 600	126 800	127 100
	(-4.2)	(-2.1)	(0.3)	(-2.5)	(-1.9)	(-2.4)	(-1.9)
	<-0.5>	<-1.0>	<-0.3>	<-0.8>	<0.1>	<-1.4>	<0.2>
Financing, insurance, real estate, professional and business services	858 300	860 200	866 800	864 400	861 800	863 900	880 100
	(1.8)	(1.8)	(1.5)	(0.7)	(0.4)	(0.4)	(1.5)
	<§>	<0.2>	<0.8>	<-0.3>	<-0.3>	<0.2>	<1.9>
of which:							
Financing	*200 500*	*202 000*	*203 700*	*202 400*	*200 400*	*200 900*	*205 700*
	(1.3)	*(4.4)*	*(2.3)*	*(1.8)*	*(-0.1)*	*(-0.6)*	*(1.0)*
	<0.9>	*<0.7>*	*<0.8>*	*<-0.7>*	*<-1.0>*	*<0.3>*	*<2.4>*
Insurance	*69 200*	*67 600*	*67 800*	*66 500*	*65 300*	*67 300*	*65 500*
	(11.1)	*(7.1)*	*(2.9)*	*(-1.8)*	*(-5.7)*	*(-0.3)*	*(-3.4)*
	<2.3>	*<-2.4>*	*<0.4>*	*<-2.0>*	*<-1.8>*	*<3.2>*	*<-2.7>*
Real estate	*169 000*	*169 100*	*172 800*	*173 400*	*173 400*	*173 400*	*178 100*
	(4.4)	*(2.0)*	*(0.6)*	*(0.7)*	*(2.6)*	*(2.5)*	*(3.1)*
	<-1.9>	*<0.1>*	*<2.2>*	*<0.4>*	*<§>*	*<§>*	*<2.7>*
Professional and business services (excluding cleaning and similar activities)	*350 300*	*354 000*	*354 200*	*354 700*	*353 200*	*353 700*	*358 700*
	(0.2)	*(0.9)*	*(2.3)*	*(1.8)*	*(0.8)*	*(-0.1)*	*(1.3)*
	<0.5>	*<1.0>*	*<0.1>*	*<0.2>*	<-0.4>	<0.2>	*<1.4>*
Public administration, social and personal services	1 160 700	1 162 200	1 169 400	1 173 600	1 176 900	1 169 100	1 162 200
	(1.9)	(0.9)	(1.4)	(1.8)	(1.4)	(0.6)	(-0.6)
	<0.7>	<0.1>	<0.6>	<0.4>	<0.3>	<-0.7>	<-0.6>
of which:							
Social work activities	*93 800*	*93 600*	*94 100*	*94 800*	*95 800*	*92 500*	*97 600*
	(1.7)	*(-2.5)*	*(1.9)*	*(3.0)*	*(2.1)*	*(-1.2)*	*(3.7)*
	<1.9>	*<-0.2>*	*<0.5>*	*<0.7>*	*<1.1>*	*<-3.4>*	*<5.5>*
Manufacturing	87 700	90 400	87 000	86 300	86 300	87 100	85 700
	(-1.3)	(2.4)	(4.1)	(0.3)	(-1.5)	(-3.6)	(-1.5)
	<1.9>	<3.0>	<-3.7>	<-0.8>	<§>	<0.9>	<-1.6>
Construction	344 800	336 500	332 300	332 400	328 300	324 600	324 700
	(-1.7)	(-4.1)	(-5.8)	(-5.3)	(-4.8)	(-3.5)	(-2.3)
	<-1.7>	<-2.4>	<-1.2>	<§>	<-1.2>	<-1.1>	<§>
Overall	3 685 400	3 666 200	3 666 200	3 665 200	3 655 700	3 646 100	3 655 000
	(-0.1)	(-0.7)	(-0.7)	(-0.6)	(-0.8)	(-0.5)	(-0.3)
	<§>	<-0.5>	<§>	<§>	<-0.3>	<-0.3>	<0.2>

Notes : ( ) % change over a year earlier.

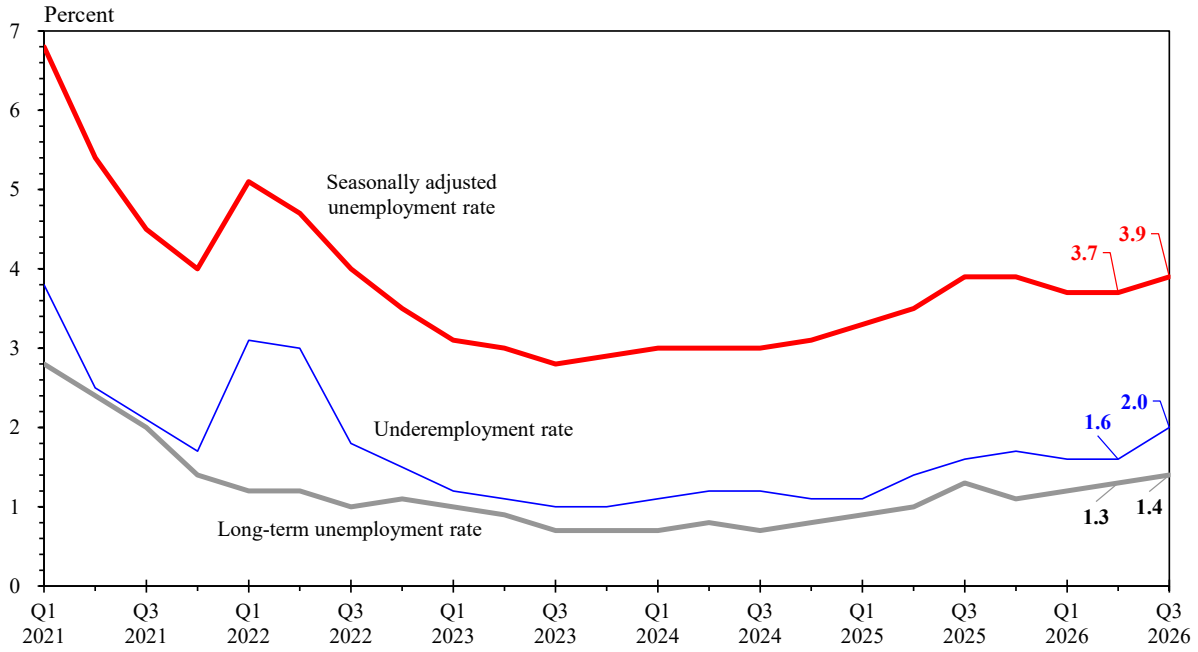
< > % change over a quarter earlier.

§ Change within ±0.05%.

Unemployment situation

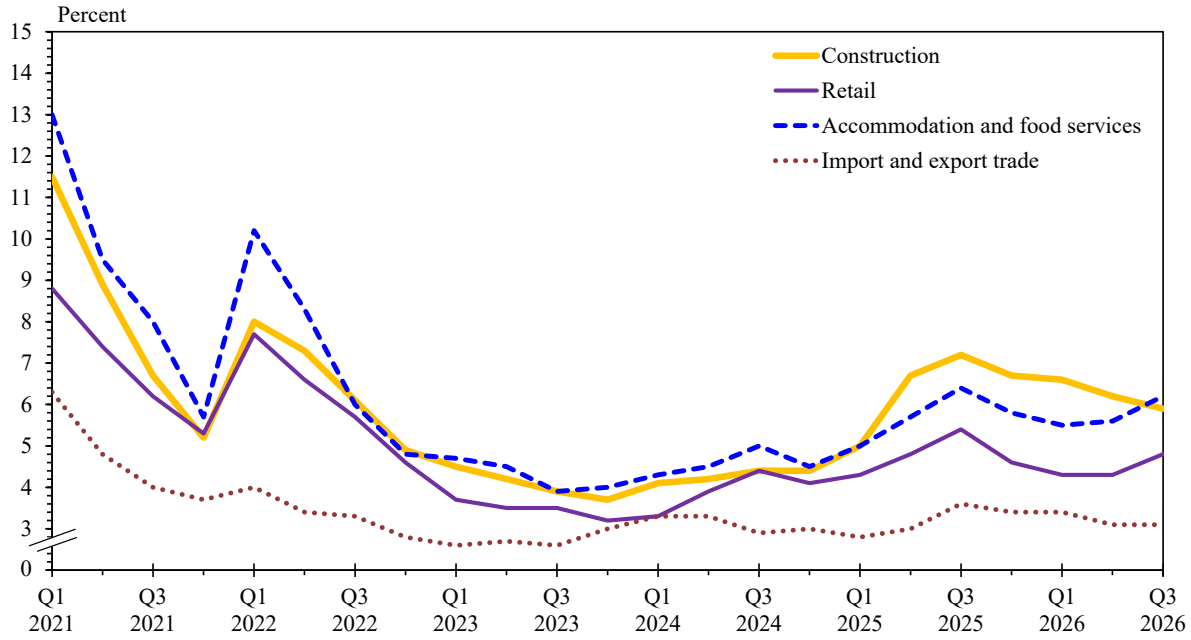
5.4 The seasonally adjusted unemployment rate edged up to 3.9% in the third quarter from 3.7% in the preceding quarter. Over the same period, the number of unemployed persons (not seasonally adjusted) increased by 11.0% or 15 300 to 155 000.

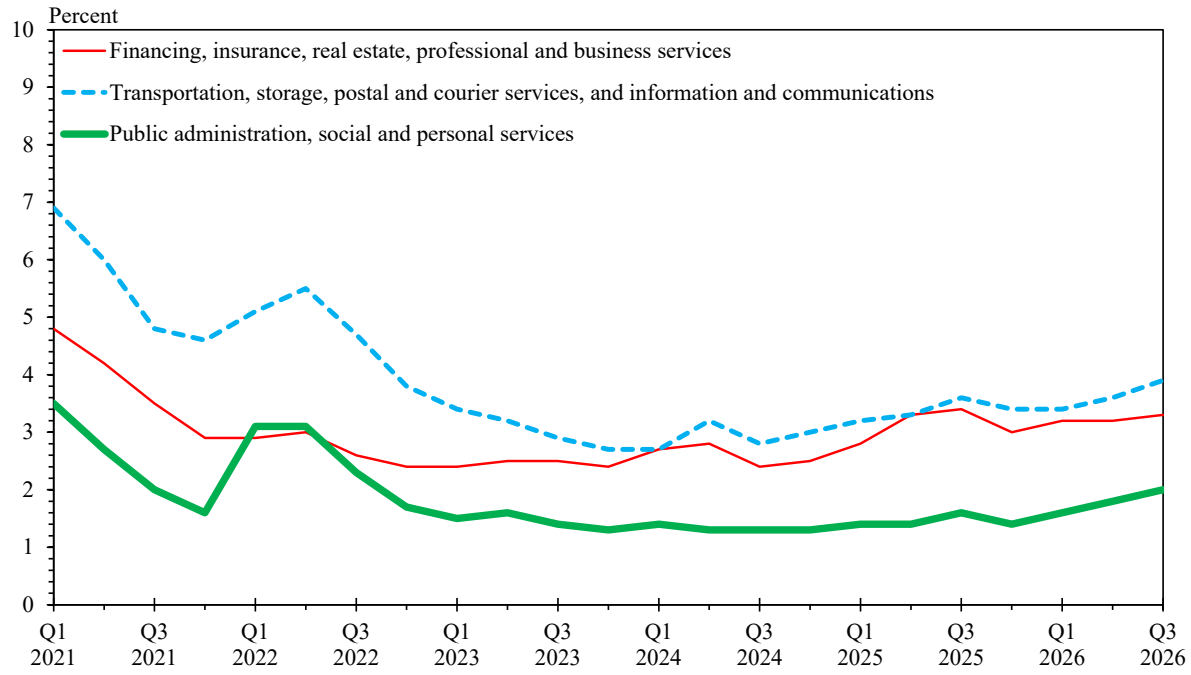
Diagram 5.2 : The seasonally adjusted unemployment rate edged up in the third quarter of 2026



5.5 Comparing with the preceding quarter, the unemployment rates of most major sectors (not seasonally adjusted) went up in the third quarter. Unemployment rates rose most notably in social work activities (up 0.8 percentage point to 4.5%) and insurance sectors (up 0.7 percentage point to 3.5%). Unemployment rates also rose further in the consumption- and tourism-related sectors, with food and beverage service activities reaching 6.7% and retail 4.8% and edged up in accommodation services. By contrast, the rates declined in construction (down 0.3 percentage point to 5.9%) and in professional and business services (excluding cleaning and similar activities) sectors (down 0.2 percentage point to 3.9%).

Diagram 5.3 : The unemployment rates of most major sectors went up in the third quarter from the preceding quarter





5.6 Analysed by other socio-economic attributes, the unemployment rates (not seasonally adjusted) rose across almost all age groups and level of educational attainment groups in the third quarter compared with the preceding quarter. The most notable increase was among those aged 15-24 (up 2.9 percentage points to 14.6%). This mainly reflects the seasonal entry of new graduates and school leavers into the labour force, though the slightly higher unemployment rate than a year ago may also point to growing youth employment challenges in many economies.

Table 5.3 : Unemployment rates* by socio-economic attributes

	2025				2026		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Age[@]							
15-24	9.1	9.9	14.4	12.1	11.2	11.7	14.6
25-59	3.0	3.4	3.6	3.3	3.3	3.5	3.7
60-64	2.8	3.3	4.1	3.7	3.6	3.6	4.0
≥ 65	2.4	2.5	2.6	2.1	2.1	1.9	2.3
Educational attainment[@]							
Lower secondary education and below	3.8	4.0	4.7	4.1	4.2	3.7	4.3
Upper secondary education[^]	2.9	3.5	3.7	3.4	3.5	3.7	3.7
Post-secondary education	3.3	3.5	4.1	3.7	3.4	3.7	4.2
Skill segment[+]							
Higher-skilled[#]	2.2	2.5	2.8	2.5	2.5	2.5	2.5
Lower-skilled[&]	3.3	3.8	4.1	3.8	3.8	3.9	4.1

Notes : * Not seasonally adjusted.

@ Including first-time job-seekers and re-entrants into the labour force.

^ Including craft courses.

+ Not including first-time job-seekers and re-entrants into the labour force.

Higher-skilled workers include managers, professionals and associate professionals.

& Lower-skilled workers include clerical support workers, services and sales workers, craft and related trades workers, plant and machine operators and assemblers, elementary occupations and other occupations.

5.7 The long-term unemployment situation remained largely stable in the third quarter. The long-term unemployment rate (i.e. the proportion of persons unemployed for six months or longer in the labour force) edged up by 0.1 percentage point over the preceding quarter to 1.4% in the third quarter. The number of long-term unemployed persons increased by 9.4% or 4 400 to 51 900. Over the same period, the median duration of unemployment shortened by around 8 days to 94 days.

Underemployment situation

5.8 The *underemployment rate*(5) rose by 0.4 percentage point over the preceding quarter to 2.0% in the third quarter. Over the same period, the number of underemployed persons increased by 20.3% or 12 700 to 75 000.

Vacancies

5.9 Private sector *vacancies*(6) were 45 380 in June 2026, a decrease of 4.6% from three months earlier on a seasonally adjusted basis. Almost all industries recorded fewer job openings. On a year-on-year basis, vacancies fell by 8.4% in June 2026, narrower than the 11.9% decline three months ago.

5.10 The overall manpower balance situation eased slightly in June 2026. The ratio of job vacancies per 100 unemployed persons decreased to 32 in June from 36 three months ago. Nevertheless, manpower shortage situation remained evident in the residential care and social work services sector, with the corresponding ratio staying well above 100.

5.11 The employment outlook should remain broadly stable, as the Q4 2026 QBTS showed some improvement in hiring sentiment among large enterprises. According to the latest QBTS, the net balance of expected changes in number of persons engaged edged up to +1 in the fourth quarter, up from the reading of 0 in the third quarter and -4 and -5 in the first two quarters of the year. A positive net balance means that there are more enterprises among those surveyed expecting an increase in the number of persons engaged in their organisations.

Table 5.4 : Vacancies by major economic sector

		2025				2026	
	Annual average	Mar	Jun	Sep	Dec	Mar	Jun
Import/export trade and wholesale	3 420 (-15.9)	3 990 (-1.1)	3 420 (-23.7)	3 410 (-21.2)	2 860 (-16.4)	3 770 (-5.4)	3 360 (-1.8)
Retail	3 450 (-18.4)	3 730 (-20.9)	3 500 (-11.2)	3 220 (-27.7)	3 360 (-11.7)	3 470 (-7.2)	3 420 (-2.2)
Accommodation services	890 (-39.5)	980 (-53.4)	970 (-38.2)	880 (-27.7)	730 (-26.8)	750 (-23.3)	790 (-19.2)
Food and beverage services	4 020 (-28.6)	4 860 (-18.0)	4 090 (-27.9)	3 620 (-33.4)	3 510 (-35.9)	3 630 (-25.4)	3 530 (-13.7)
Transportation, storage, postal and courier services	3 210 (-49.8)	3 740 (-57.6)	3 320 (-56.6)	2 780 (-44.9)	3 020 (-26.2)	3 470 (-7.0)	3 460 (4.4)
Information and communications	2 350 (-11.7)	2 430 (-21.5)	2 330 (-23.5)	2 610 (10.7)	2 020 (-5.5)	2 070 (-14.9)	1 800 (-22.6)
Financing, insurance, real estate, professional and business services	14 810 (-14.4)	14 990 (-14.7)	14 630 (-17.0)	15 800 (-9.9)	13 820 (-16.2)	14 130 (-5.7)	12 900 (-11.8)
of which:							
Financing and insurance	*5 350* *(9.6)*	*4 660* *(-3.7)*	*5 180* *(8.5)*	*5 860* *(17.1)*	*5 710* *(16.1)*	*4 900* *(5.2)*	*4 920* *(-5.2)*
Professional and business services (excluding cleaning and similar services)	*4 790* *(-25.5)*	*5 050* *(-24.9)*	*4 810* *(-32.4)*	*5 120* *(-17.6)*	*4 200* *(-26.0)*	*4 620* *(-8.4)*	*4 080* *(-15.3)*
Real estate	*3 430* *(-23.3)*	*3 950* *(-10.5)*	*3 510* *(-21.0)*	*3 530* *(-23.1)*	*2 730* *(-38.6)*	*3 340* *(-15.5)*	*2 700* *(-22.9)*
Social and personal services	16 200 (-24.4)	17 730 (-25.5)	15 220 (-27.3)	16 980 (-24.1)	14 870 (-20.0)	14 940 (-15.7)	14 230 (-6.5)
of which:							
Human health services	*3 670* *(-32.3)*	*3 620* *(-43.2)*	*3 350* *(-31.3)*	*4 830* *(-26.7)*	*2 890* *(-24.9)*	*2 830* *(-22.0)*	*2 730* *(-18.4)*
Education	*5 310* *(-20.9)*	*5 660* *(-22.7)*	*5 300* *(-23.0)*	*5 260* *(-21.4)*	*5 020* *(-15.6)*	*4 680* *(-17.3)*	*4 560* *(-13.9)*
Manufacturing	1 700 (-20.2)	1 800 (-34.5)	1 700 (-32.5)	1 750 (-2.9)	1 560 (6.1)	1 930 (7.0)	1 680 (-0.8)
Construction sites (covering manual workers only)	320 (-82.8)	730 (-64.9)	180 (-90.0)	240 (-86.3)	120 (-93.1)	260 (-64.5)	30 (-82.2)
All establishments surveyed in the private sector[(a)]	**50 540** **(-25.0)**	**55 170** **(-26.6)** **<-9.2>**	**49 530** **(-28.7)** **<-8.7>**	**51 450** **(-22.6)** **<-1.7>**	**46 000** **(-21.2)** **<-3.2>**	**48 610** **(-11.9)** **<1.1>**	**45 380** **(-8.4)** **<-4.6>**
Civil service[(b)]	*19 520* *(0.3)*	*18 940* *(-4.0)*	*19 290* *(-0.5)*	*19 590* *(1.5)*	*20 280* *(4.2)*	*19 290* *(1.8)*	*17 060* *(-11.5)*

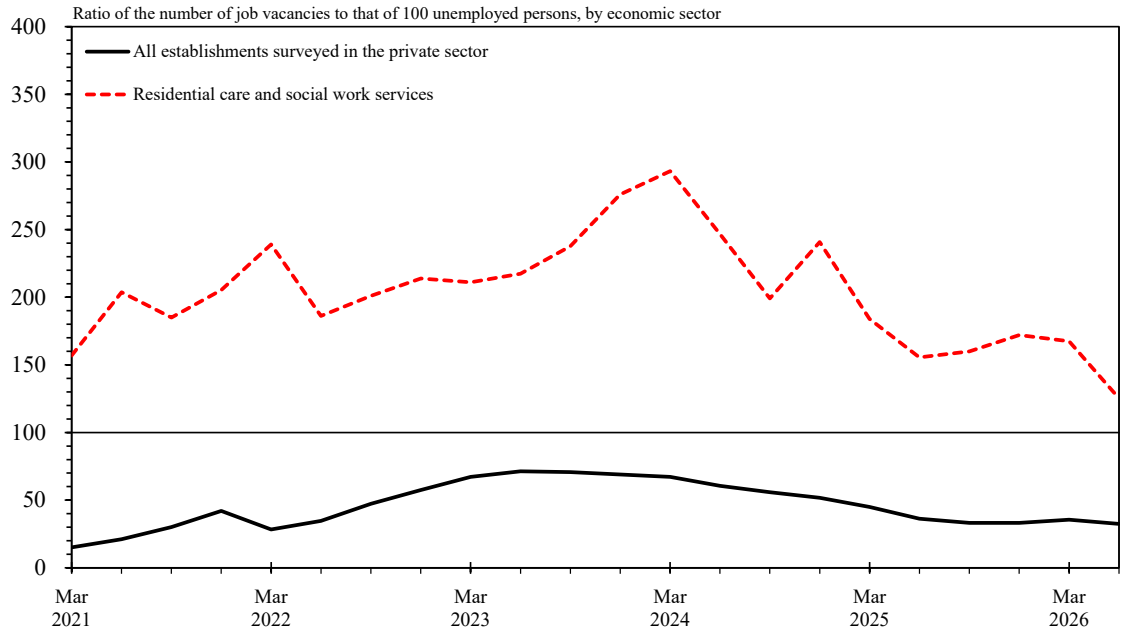
Notes : (a) The total figures on private sector vacancies cover also vacancies in mining and quarrying; and in electricity and gas supply, and waste management, besides vacancies in the major sectors indicated above.

(b) These figures cover only vacancies for those staff to be employed on civil service terms of appointment.

( ) % change over a year earlier.

< > Seasonally adjusted % change compared with the level three months ago.

Diagram 5.4 : Manpower balance situation eased slightly in June 2026

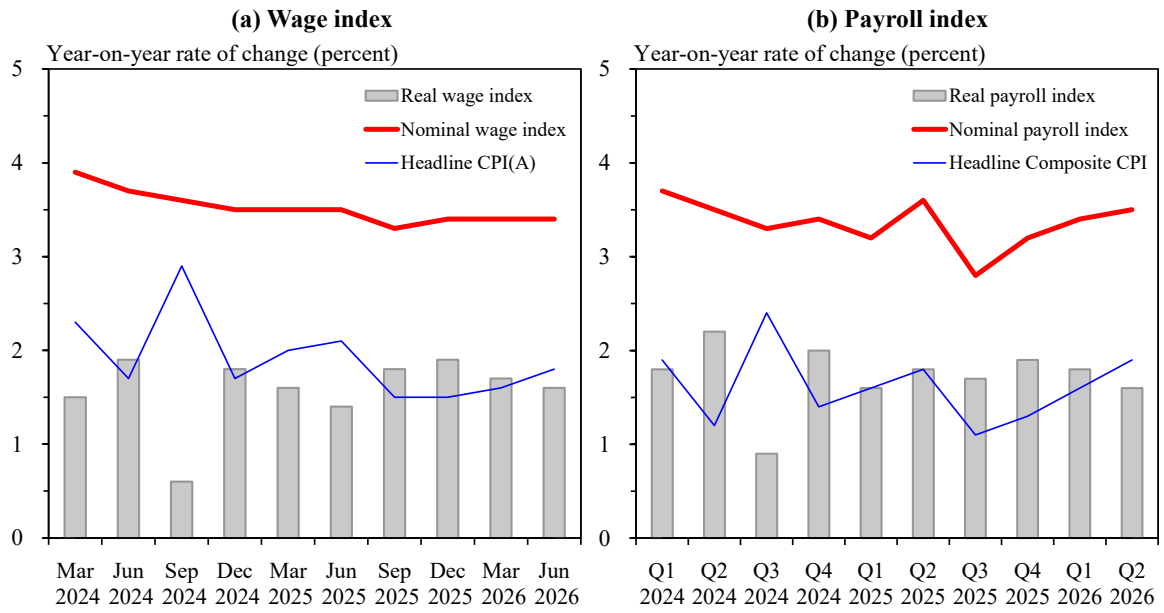


Wages and earnings

5.12 Labour income continued to rise at a solid pace. According to quarterly statistics collected from private sector establishments and available up to June 2026, the average nominal wage rate, as measured by the nominal wage index for all selected industry sections which covers regular payment to employees at the supervisory level or below, increased by 3.4% in June over a year earlier, at the same pace as three months ago. After discounting for *inflation*[(7)], the average wage rate rose by 1.6% in real terms.

5.13 Nominal *labour earnings*[(8)], as measured by the index of payroll per person engaged for all selected industry sections, which covers basic wage, overtime pay, discretionary bonuses and other irregular payments, increased by 3.5% in the second quarter of 2026 over a year earlier, slightly faster than the 3.4% recorded in the preceding quarter. After discounting for inflation, labour earnings rose by 1.6% in real terms.

Diagram 5.5 : Labour income continued to rise at a solid pace



5.14 Statistics compiled from the GHS, though not strictly comparable to those from the business establishment surveys, showed that the median monthly employment earnings of employed persons (excluding foreign domestic helpers) increased by 3.1% in nominal terms or 1.4% in *real terms*[9] in the third quarter over a year earlier, as compared with 4.8% and 2.9% in the preceding quarter.

Highlights of related measures and policy developments

5.15 The First Five-Year Plan for Economic and Social Development of the Hong Kong Special Administrative Region (2026-2030) sets out the objective of developing Hong Kong into an international hub for high-calibre talent and adopting a targeted approach to attract talent in view of the development needs of our country and Hong Kong. Taking this direction forward, the 2026 Policy Address announced that the Government will consider adding more talent categories relating to AI application to enrich the Talent List, relax the requirements on extension of stay under the Top Talent Pass Scheme for technology start-up talent, extend the coverage of the Immigration Facilitation Scheme for Invited Persons to countries and regions in Central Asia and the Middle East, and introduce a new visa category to allow non-locals to participate in short-term training programmes in Hong Kong that are recognised by bureaux and departments.

5.16 Meanwhile, the Government remains committed to safeguarding the employment priority for local workers. The Labour Department has, since June 2026, implemented a tiered vetting mechanism under the Enhanced Supplementary Labour Scheme (ESLS), and will include more industries and posts as necessary in the Tier 2 vetting mechanism under which applications are subject to more stringent manning ratio and local open recruitment requirements. The Labour Department also actively investigates and follows up on suspected violations of ESLS requirements, and imposes administrative sanctions on defiant employers. Besides, the Government will step up efforts to combat illegal employment on all fronts and reduce the economic incentives for potential non-refoulement claimants to come to Hong Kong.

5.17 The 2026 Policy Address also announced a series of measures to unleash the potential labour force and enhance local workers' employability and productivity. The Government will collaborate with the business sector to launch the two-year "30 000 Youth Employment and Internship Programme", providing about 30 000 full-time jobs, internship placements and subsidised on-the-job training opportunities for young people. On the employment of older and middle-aged persons, the Government will announce the results of the mid-term review of the Re-employment Allowance Pilot Scheme by the end of this year to facilitate the refinement of further measures to encourage re-employment. Meanwhile, to support working parents and facilitate their participation in the labour market, the Government will set up four new aided standalone child care centres by the end of 2027, strengthen professional support for the After School Care Programme for Pre-primary Children and provide

escort service, and regularise the School-based After School Care Service Scheme from the 2027/28 school year. On skills development, the Government and Upskill Hong Kong will roll out a range of training courses and activities to promote AI literacy and skills across the community.

5.18 Separately, the Labour and Welfare Bureau published the latest report on the Mid-term Update of Manpower Projection in September 2026. Looking to 2028, the overall manpower shortage in Hong Kong is projected to narrow from the previous projection of approximately 180 000 to some 130 000. Economic restructuring and AI adoption have moderated the growth in manpower demand, alongside the admission of talent and workers effectively supplementing part of the labour force. Nevertheless, the manpower situation across most key industries remains tight, particularly for innovation and technology, aviation, construction, city operation, and healthcare services. Regarding the impact of AI on the labour market, the report indicates that adoption of AI in applicable roles will boost individual productivity by 20% to 30%, though approximately 20% to 30% of positions, primarily clerical roles, will face restructuring. This wave of AI will primarily affect fresh graduates and middle-aged clerical support workers without post-secondary education. Meanwhile, the demand for emerging AI experts continues to grow, particularly for "composite talent" who possess both AI application skills and sector-specific knowledge. In response to these challenges, the Government will collaborate with all parties to formulate targeted measures, such as strengthening training, providing flexible skill-conversion programmes for elderly and middle-aged employees, enhancing employment support for young graduates, and exploring incentives for on-the-job retraining.

Notes :

(1) Labour force statistics enumerated from the General Household Survey are statistics which involve the use of the population figures in the compilation process. The statistics of the three-month periods from November 2024 – January 2025 to October – December 2025 have been revised to take into account the final end-2025 population estimates.

The classification of occupation adopted by the Census and Statistics Department follows the International Standard Classification of Occupations (ISCO), which is used to classify the occupation of an employed person or the previous occupation of an unemployed person.

(2) The labour force, or the economically active population, is defined to include all persons aged 15 or above who either were engaged in productive work during the reference period (i.e. seven days before enumeration) or would otherwise have been engaged in productive work but were unemployed.

(3) Figures enumerated from household data. The employed population is defined here to include those persons aged 15 or above who performed work for pay or profit or had a formal job attachment during the reference period (i.e. seven days before enumeration).

(4) For a person aged 15 or above to be classified as unemployed, he or she should: (a) not have a job and not be performing any work for pay or profit during the reference period (i.e. seven days before enumeration); (b) be available for work during the reference period; and (c) be seeking work during the 30 days before enumeration.

Notwithstanding the above, the following types of persons are also considered unemployed: (a) persons without a job, having sought work but not available for work because of temporary sickness; (b) persons without a job, available for work but not having sought work because they will take up new jobs or start business at a subsequent date, or expect to return to their original jobs; and (c) discouraged workers not having sought work because they believe work is not available to them.

Even at full employment, some frictional unemployment is bound to exist as workers move between jobs in order to obtain better terms of employment. The precise level of unemployment which can be described as purely frictional varies amongst economies, depending on the structure and characteristics of their labour markets.

The seasonally adjusted series is compiled using the X-12 ARIMA method, which is a standard method applied in compiling seasonally adjusted statistical data series.

(5) The main criteria for an employed person aged 15 or above to be classified as underemployed are: involuntarily working less than 35 hours during the reference period (i.e. seven days before enumeration), and either available for additional work during the reference period or seeking additional work during the 30 days before enumeration.

Following these criteria, employed persons taking no-pay leave due to slack work during the reference period are also classified as underemployed if they had worked less than 35 hours or were on leave for the entire reference period.

(6) Vacancies, which are enumerated from the Quarterly Survey of Employment and Vacancies and the Quarterly Employment Survey of Construction Sites, refer to unfilled job openings which are immediately available, and for which active recruitment steps are being taken by the respective establishments/construction sites on the survey reference

date. For construction sites, only those vacancies of manual workers are included.

(7) Different consumer price indices (CPIs) are used for compiling the real indices of labour earnings and wages, taking into account their relevance to the respective occupation coverage. Specifically, the headline Composite CPI, being an indicator of overall consumer prices, is taken as the price deflator for earnings received by employees at all levels of the occupational hierarchy. The headline CPI(A), being an indicator of consumer prices for the relatively low expenditure group, is taken as the price deflator for wages in respect of employees engaged in occupations up to the supervisory level.

(8) In addition to wages, which include all regular and guaranteed payments like basic pay and stipulated bonuses and allowances, earnings also cover overtime pay and other non-guaranteed or irregular bonuses and allowances, except severance pay and long service payment. Because of this difference, as well as the difference in sectoral and occupational coverage, the movements in average earnings, as measured by payroll per person engaged, do not necessarily match closely with those in wage rates.

(9) The headline Composite CPI, being an indicator of overall consumer prices, is taken as the price deflator for the median monthly employment earnings of employed persons (excluding foreign domestic helpers).

CHAPTER 6 : PRICES

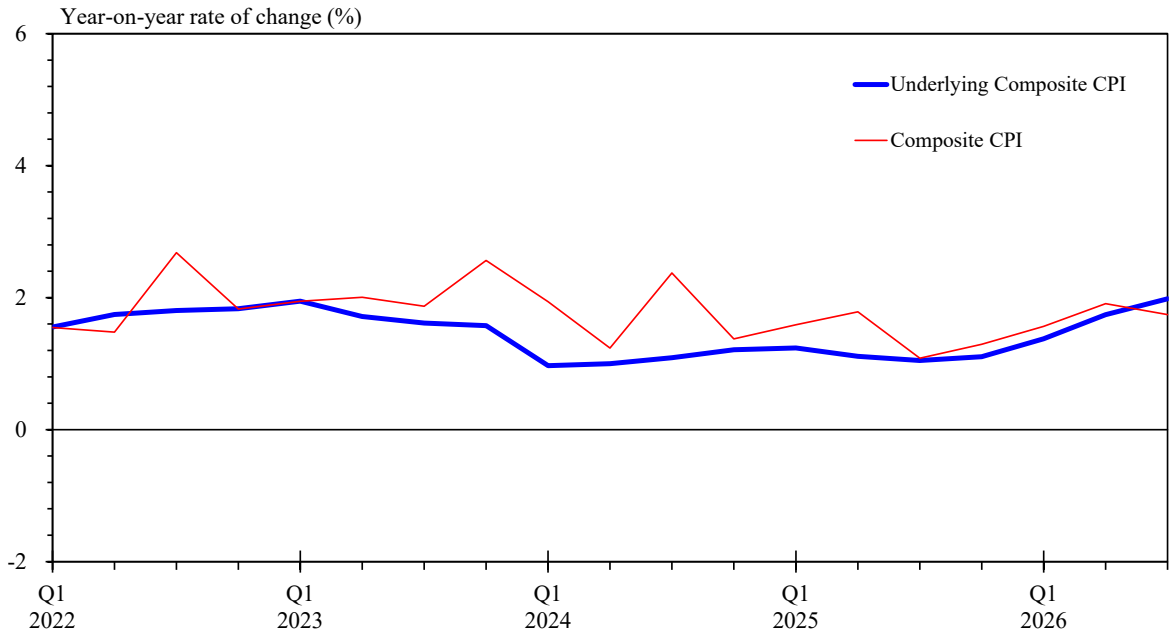
Summary

- *The underlying consumer price inflation edged up further in the third quarter, mainly driven by a pick-up in fuel-related components as international oil prices stayed high. Nevertheless, overall inflation remained moderate, as price pressures in other components were generally modest.*
- *The year-on-year increase in the underlying Composite Consumer Price Index (Composite CPI)[(1)] edged up from 1.7% in the second quarter to 2.0% in the third quarter.*
- *Domestic cost pressures stayed largely contained in the third quarter. Commercial rental costs continued to trend downwards. Increases in labour earnings were underpinned by labour productivity growth, keeping overall labour cost pressures in check.*
- *External price pressures on local consumer prices remained moderate in the third quarter, even as the overall import prices picked up further. Import prices of foodstuffs, which are relevant to a notable chunk of the local consumption basket, continued to decline. While import fuel prices continued to surge, their impact on local consumer prices at the overall level was relatively contained, as the energy intensity in Hong Kong's economic activities was generally low, given its predominantly service-based economy. As for import prices of other broad end-use categories, the increases were more visible, but they were to a large extent driven by the increase in prices of AI-related products destined for re-export, thus having only a relatively limited impact on local consumer prices.*
- *Consumer price inflation has so far been lower than expected, reflecting the slower-than-anticipated pass-through of higher international oil prices to fuel-related components as well as the alleviation effect from the Government's relevant measures including the fuel subsidies. Although the US midterm election results have raised hopes of a de-escalation in Middle East geopolitical tensions and an easing in oil prices, the situation remains uncertain, and the pass-through of elevated oil price earlier is likely to continue into 2027. Nevertheless, as price pressures on other fronts are expected to remain largely contained, overall inflation should stay moderate.*

Consumer prices

6.1 The underlying consumer price inflation edged up further in the third quarter, mainly driven by a pick-up in fuel-related components as international oil prices stayed high. Nevertheless, overall inflation remained moderate, as price pressures in other components were generally modest. Domestically, cost pressures stayed largely contained. Commercial rental costs continued to trend downwards. Increases in labour earnings were underpinned by labour productivity growth, keeping labour cost pressures in check. External price pressures on local consumer prices remained moderate. While the overall import prices picked up further, it was mainly driven by the continued surge in import fuel prices and the visible increases in prices of AI-related products. Their impact on overall local consumer prices was relatively contained, as the energy intensity of Hong Kong's economic activities was low in general, given its predominantly service-based economy, and as a large proportion of those AI-related products were for re-exports. Meanwhile, import prices of foodstuffs, which are relevant to a notable chunk of the local consumption basket, continued to decline.

Diagram 6.1: Underlying inflation edged up further in the third quarter, but remained moderate in overall terms



6.2 The underlying consumer price inflation, as measured by the year-on-year rate of increase in the underlying Composite CPI, was 2.0% in the third quarter, edging up from 1.7% in the preceding quarter. Also taking into account the effects of the Government's one-off measures, the headline Composite CPI inflation rate was 1.7% in the third quarter, down slightly from the 1.9% in the preceding quarter. The headline rate was lower than the underlying rate in the third quarter, as the Government provided a rates concession as a one-off measure in the quarter, compared with the same quarter last year when there was no such concession.

Table 6.1 : Consumer Price Indices
(year-on-year rate of change (%))

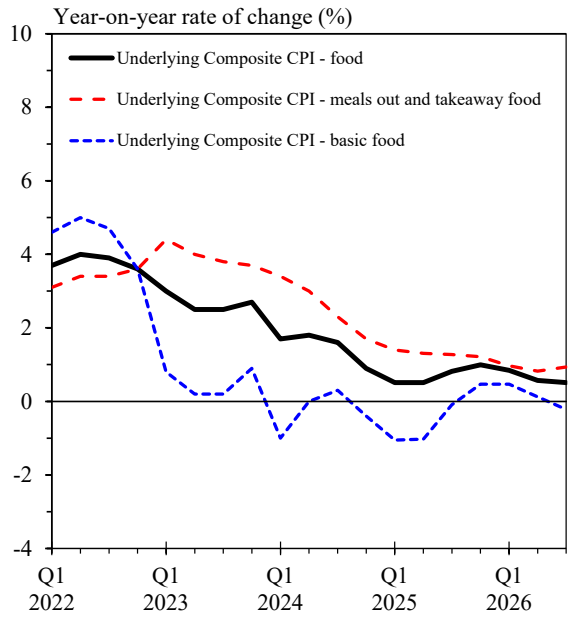
		Composite CPI		CPI(A)	CPI(B)	CPI(C)
		Underlying[(a)]	Headline			
2025	Annual	1.1	1.4	1.9	1.3	1.1
2026	Q1	1.4	1.6	1.5	1.6	1.6
	Q2	1.7	1.9	1.7	2.0	2.0
	Jul	1.9	1.7	1.2	1.8	2.0
	Aug	1.9	1.7	1.2	1.8	1.9
	Sep	2.1	1.9	1.4	2.0	2.3
	Q3	2.0	1.7	1.3	1.9	2.1
	(seasonally adjusted quarter-to-quarter rate of change (%))					
2025	Q1	0.1	0.3	0.6	0.2	0.2
	Q2	0.2	-0.2	-0.3	-0.2	-0.1
	Q3	0.3	0.7	1.0	0.6	0.4
	Q4	0.4	0.4	0.2	0.5	0.7
2026	Q1	0.4	0.6	0.6	0.6	0.5
	Q2	0.6	0.2	-0.1	0.3	0.4
	Q3	0.5	0.5	0.6	0.5	0.5

Note : (a) Underlying consumer price inflation is calculated by netting out the effects of all Government's one-off relief measures introduced since 2007, including the waiver and Government's payment of public housing rentals, rates concession, suspension and subsequent abolition of Employees Retraining Levy, subsidies for household electricity charges, and waiver of examination fees.

6.3 Analysing the underlying Composite CPI by major component, price pressures in most components stayed in check in the third quarter, though those fuel-related ones registered more visible increases. Food prices as a whole increased mildly by 0.5% over a year earlier, with prices of meals out and takeaway food rising by 0.9% and basic food prices declining slightly by 0.2%. Private housing rentals increased modestly further by 1.1%, while public housing rentals edged down by 0.1%. Prices of miscellaneous goods, durable goods, and clothing and footwear rose mildly to moderately. The feedthrough of higher fuel costs was seen in the price increases in the three broad components of electricity, gas and water, transport, and miscellaneous services, reflecting the rises in individual items such as charges for electricity and towngas, prices of fuels for personal transport equipment, inbound and outbound transport fares, and charges for package holidays which embed the flight costs. The increase in prices of educational services also contributed to the increase in prices of miscellaneous services. Nevertheless, prices of other individual items under these three broad components generally only registered small increases or even declines, thus helping cushion the extent of increase in these broad components.

Diagram 6.2 : Food and private housing rental components of the underlying Composite CPI

(a) Food inflation stayed mild



(b) Private housing rentals increased modestly

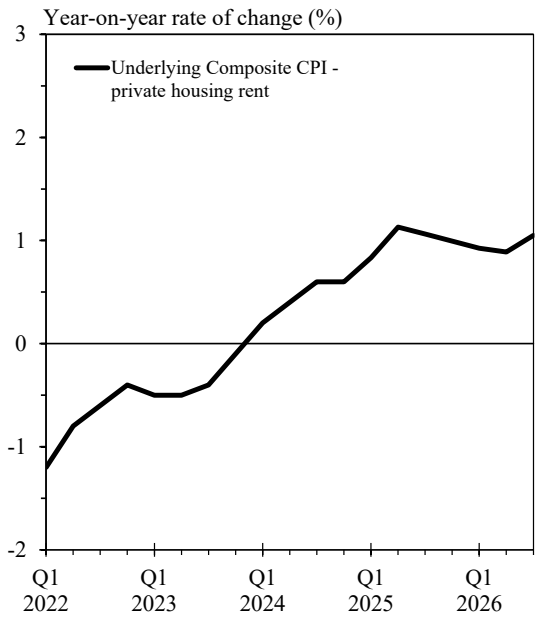


Diagram 6.3 (a) : Inflation of public utilities accelerated, while price increases of transport and miscellaneous items remained notable

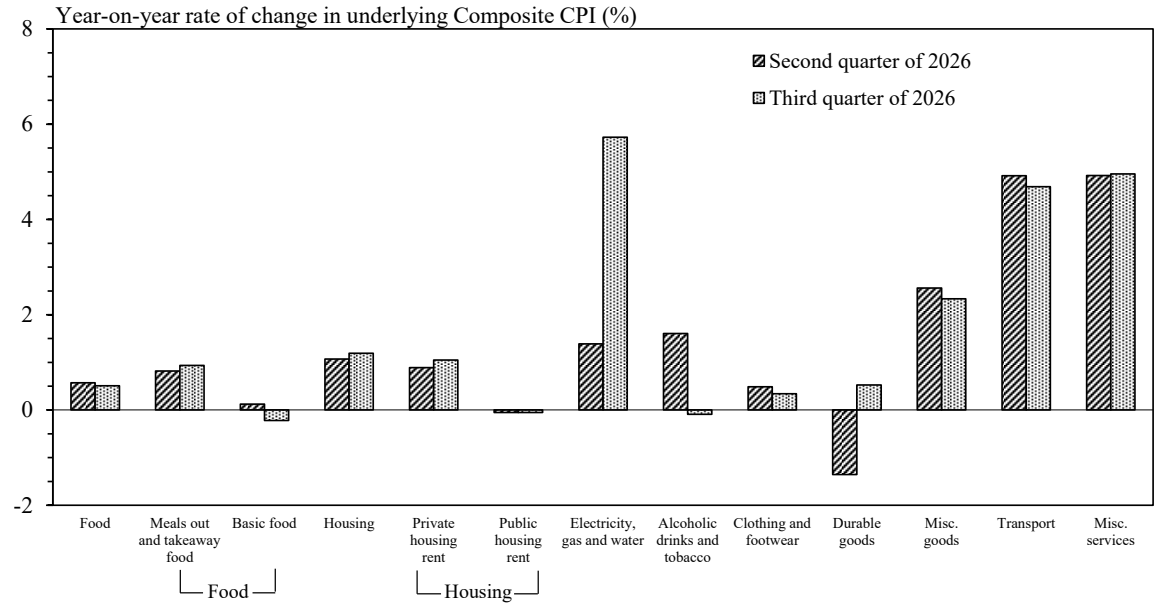
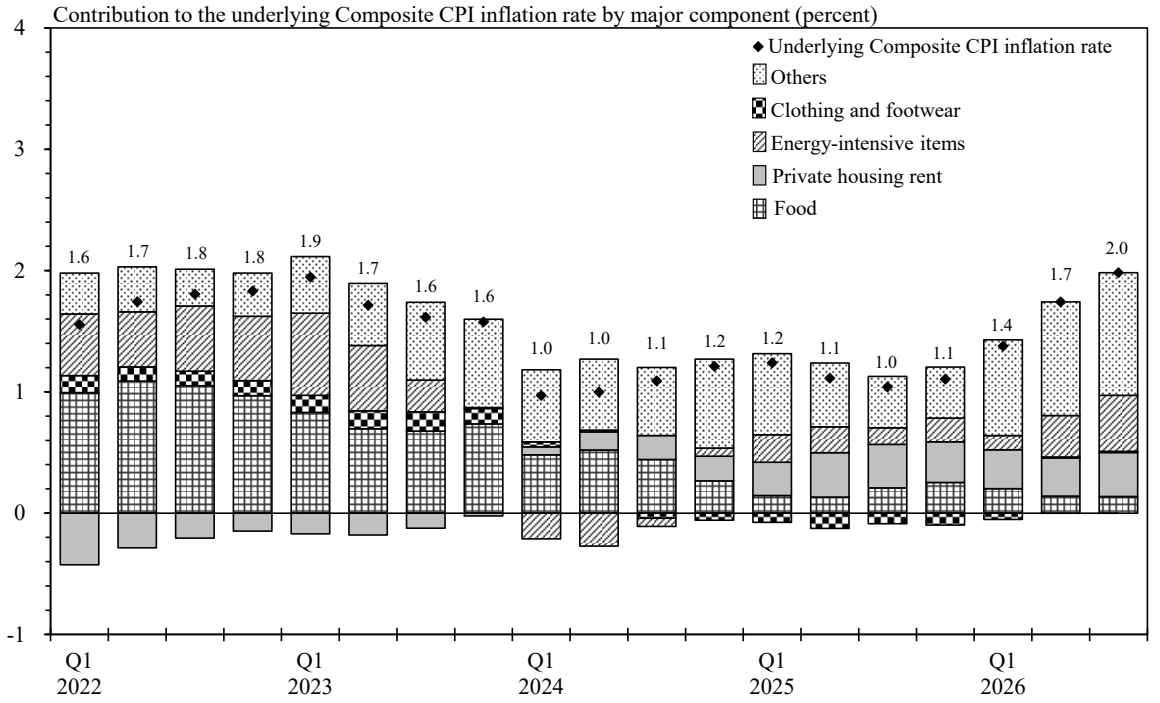


Diagram 6.3 (b) : Inflation edged up further, mainly driven by a pick-up in energy-intensive items and travel-related services



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

Table 6.2 : Underlying Composite CPI by component
(year-on-year rate of change (%))

Expenditure component	Weighting (%)^	2025 Annual	2025 Q1	2025 Q2	2026 Jul	2026 Aug	2026 Sep	2026 Q3
Food	25.27	0.7	0.8	0.6	0.5	0.6	0.5	0.5
Meals out and takeaway food	*15.92*	*1.3*	*1.0*	*0.8*	*0.9*	*1.1*	*1.0*	*0.9*
Basic food	*9.35*	*-0.4*	*0.5*	*0.1*	*-0.2*	*-0.2*	*-0.2*	*-0.2*
Housing[(a)]	39.69	1.5 (1.9)	1.1 (1.1)	1.1 (1.1)	1.1 (0.1)	1.2 (0.1)	1.2 (0.2)	1.2 (0.2)
Private housing rent	*33.94*	*1.0* *(1.2)*	*0.9* *(0.9)*	*0.9* *(1.0)*	*1.0* *(0.2)*	*1.1* *(0.3)*	*1.1* *(0.4)*	*1.1* *(0.3)*
Public housing rent	*2.25*	*7.9* *(11.7)*	*0.5* *(0.5)*	*-0.1* *(-0.1)*	*-0.1* *(-6.5)*	*-0.1* *(-6.5)*	*-0.1* *(-6.5)*	*-0.1* *(-6.5)*
Electricity, gas and water	2.80	0.7 (5.8)	-2.1 (3.5)	1.4 (7.1)	4.9 (10.8)	5.5 (11.5)	6.8 (12.9)	5.7 (11.7)
Alcoholic drinks and tobacco	0.41	4.5	2.2	1.6	0.1	*	-0.4	-0.1
Clothing and footwear	2.10	-3.5	-2.1	0.5	0.6	*	0.3	0.3
Durable goods	3.44	-2.2	-2.5	-1.4	-0.2	0.8	1.1	0.5
Miscellaneous goods	3.13	0.9	2.3	2.6	2.3	2.5	2.1	2.3
Transport	7.59	2.8	3.2	4.9	5.0	3.9	5.2	4.7
Miscellaneous services	15.57	1.6 (1.6)	4.1 (4.1)	4.9 (4.9)	4.9 (4.9)	4.7 (4.7)	5.3 (5.3)	5.0 (5.0)
All items	100.00	1.1 (1.4)	1.4 (1.6)	1.7 (1.9)	1.9 (1.7)	1.9 (1.7)	2.1 (1.9)	2.0 (1.7)

Notes : (^) These are expenditure weights of the reference period 2025, which are used for the compilation of CPIs starting from the second quarter of 2026. Please refer to Note (1) for a detailed description on the methodology by the Census and Statistics Department.

( ) Figures in brackets represent the headline rates of change before netting out the effects of Government's one-off relief measures.

(a) The housing component covers rents, rates, Government rent, management fees and other housing charges. Its sub-components on private and public housing rents as presented here, however, cover rents, rates and Government rent only. Hence, the combined weighting of private and public housing rents is slightly less than the weighting of the entire housing component.

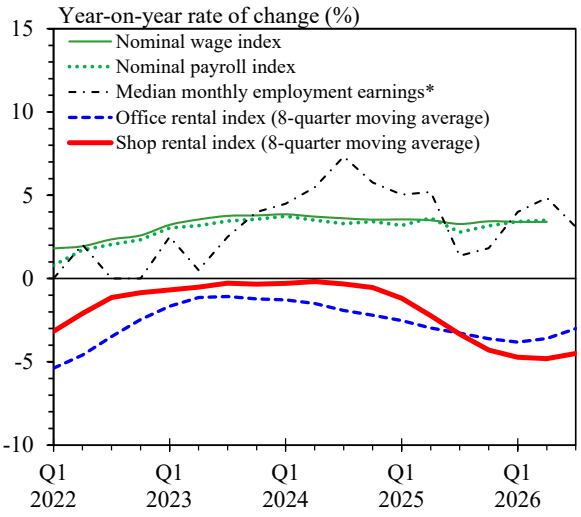
(*) Change within ±0.05%.

Costs of factor inputs and import prices

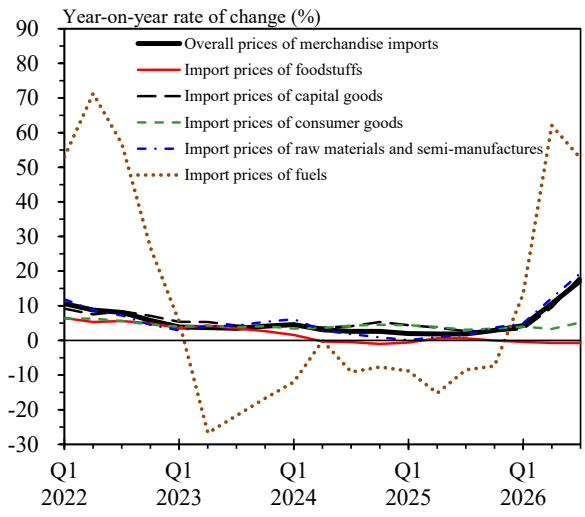
6.4 Domestic cost pressures stayed largely contained in the third quarter. Commercial rental costs continued to trend downward. As a proxy, the eight-quarter moving averages of office rentals and shop rentals fell further by 3.0% and 4.5% respectively. Meanwhile, latest establishment-based data up to the second quarter showed that wages and payroll per person engaged grew solidly over a year earlier. The median employment earnings as shown in the more recent household-based data continued to increase in the third quarter. Increases in labour earnings were underpinned by labour productivity growth, keeping unit labour cost pressures in check(2).

Diagram 6.4 : Domestic cost pressures stayed largely contained in the third quarter; despite a further increase in overall import prices, their impact on local consumer prices remained moderate

(a) Labour cost and commercial rentals



(b) Prices of merchandise imports



Note: (*) Refers to the nominal earnings of all employed persons (excluding foreign domestic helpers).

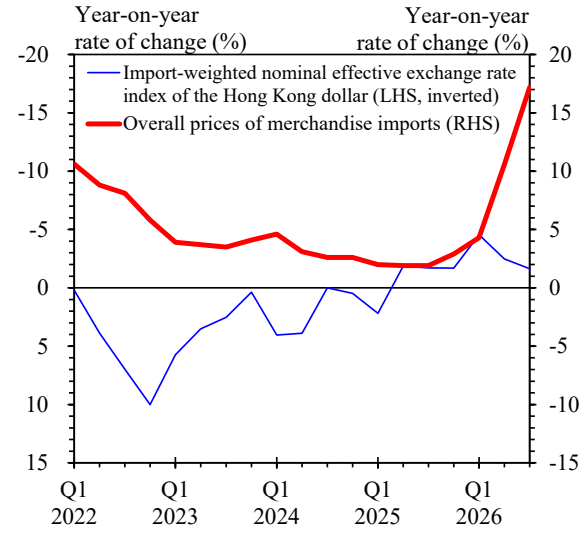
6.5 External price pressures on local consumer prices remained moderate, though the overall import prices picked up further by 17.2% in the third quarter over a year earlier. Import prices of foodstuffs, which are relevant to a major chunk of the local consumption basket, continued to decline. While import fuel prices surged by 52.6%, its impact on local consumer prices at the overall level was relatively contained, as the energy intensity in Hong Kong's economic activities was generally low as a predominantly service-based economy. Import prices for consumer goods, raw materials and semi-manufactures, and capital goods recorded more visible increases of 5.2%, 19.4% and 18.5% respectively, yet their increases were to a large extent driven by the increase in prices of AI-related products destined for re-export, and thus their impact on local consumer prices was much more contained.

Table 6.3 : Prices of imports by end-use category
(year-on-year rate of change (%))

		Foodstuffs	Consumer goods	Raw materials and semi-manufactures	Fuels	Capital goods	All
2025	Annual	0.1	3.8	1.7	-10.0	3.3	2.2
2026	Q1	-0.4	4.0	4.9	13.3	3.3	4.3
	Q2	-0.7	3.3	12.2	62.1	9.5	10.6
	Jul	-1.3	4.9	15.6	36.9	14.3	13.6
	Aug	-0.3	5.3	20.2	55.5	19.4	18.0
	Sep	-0.3	5.5	22.3	67.2	21.1	19.7
	Q3	-0.7	5.2	19.4	52.6	18.5	17.2

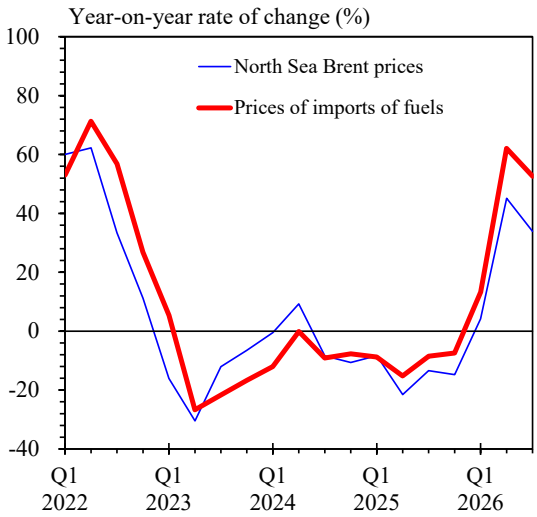
Diagram 6.5: Prices of merchandise imports by selected end-use category

(a) Overall import prices increased further



Note : An increase in the nominal EERI indicates strengthening of the Hong Kong dollar. The y-axis of nominal EERI in this graph is inverted for easier comprehension.

(b) Import prices of fuels continued to surge



Output prices

6.6 Output prices of various selected sectors, as measured by their corresponding *Producer Price Indices*(3), generally increased in the second quarter compared with a year earlier. While the output prices of some sectors registered more visible increases, the output prices in many other sectors were still moderate. Specifically, output prices of manufacturing increased further visibly, mainly driven by notable increases in output prices of the metal, computer, electronic and optical products, and machinery and equipment sector amid a strong demand for relevant products. Among the selected service sectors, output prices of air transport and water transport rose notably, as the pass-through of the elevated fuel costs was more obvious for these sectors. The disruptions to some key trade routes amid ongoing geopolitical tensions also helped boost container freight rates. Meanwhile, output prices of courier services, accommodation services, and land transport only increased moderately, whereas that of telecommunications fell further.

Table 6.4 : Producer Price Indices for the manufacturing sector and selected service sectors
(year-on-year rate of change (%))

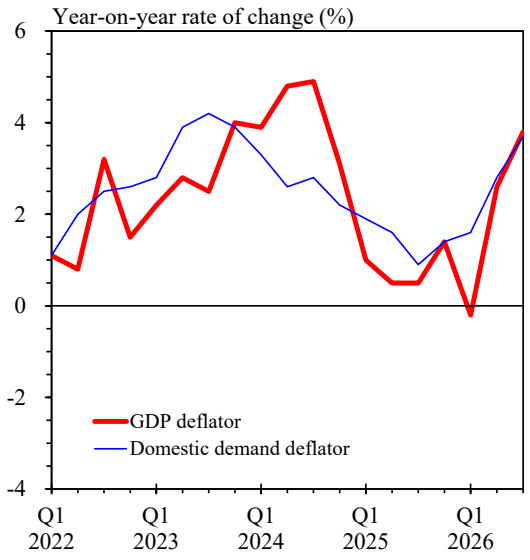
		2025				2026	
Industry group	Annual	Q1	Q2	Q3	Q4	Q1	Q2
Manufacturing	6.5	4.8	4.0	7.7	9.5	17.7	13.1
Selected service sectors							
Accommodation services	-0.8	-3.3	-1.9	-0.2	2.2	4.7	2.7
Land transport	1.3	1.0	1.5	1.3	1.4	0.8	1.5
Water transport	-8.6	5.4	-5.8	-19.2	-11.5	-0.5	9.5
Air transport	-4.5	3.2	-4.2	-8.4	-8.2	0.3	10.6
Telecommunications	-1.9	-1.5	-1.9	-2.2	-2.0	-2.1	-1.6
Courier services	3.0	2.4	1.9	3.8	4.0	4.4	2.9

GDP deflator

6.7 As a broad measure of the overall change in prices in the economy, the *GDP deflator*(4) rose by 3.8% year-on-year in the third quarter, after increasing by 2.6% in the preceding quarter. The *terms of trade*(5) fell by 0.3%, after rising by 0.1% in the preceding quarter. Taking out the external trade components, the domestic demand deflator increased by 3.7%, after rising by 2.8% in the preceding quarter.

Diagram 6.6: GDP deflator

(a) The GDP deflator rose



(b) Terms of trade fell

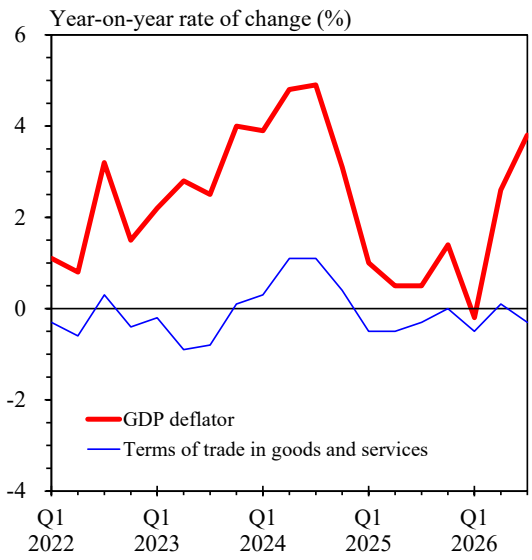


Table 6.5 : GDP deflator and the main expenditure component deflators
(year-on-year rate of change (%))

		2025				2026		
	Annual[#]	Q1[#]	Q2[#]	Q3[#]	Q4[#]	Q1[#]	Q2[#]	Q3[#]
Private consumption expenditure	1.2	1.4	0.7	1.2	1.4	1.8	2.1	2.2
Government consumption expenditure	1.3	2.8	0.9	0.9	0.6	0.2	2.2	2.6
Gross domestic fixed capital formation	1.8	3.8	5.4	-0.5	-1.0	1.5	3.8	9.1
Total exports of goods[&]	3.8	3.3	3.2	3.4	5.1	7.4	12.5	18.5
Imports of goods[&]	4.3	4.3	3.8	3.7	5.2	7.6	12.4	19.0
Exports of services[&]	1.2	2.4	0.8	-0.6	2.3	4.0	6.7	7.2
Imports of services[&]	0.1	-1.2	0.7	-0.6	1.3	4.9	4.6	4.1
Gross Domestic Product	**0.9**	**1.0 <-0.4>**	**0.5 <0.5>**	**0.5 <0.6>**	**1.4 <0.6>**	**-0.2 <-1.8>**	**2.6 <3.2>**	**3.8 <1.8>**
Total final demand[&]	2.8	2.7	2.5	2.2	3.7	5.2	9.3	13.6
Domestic demand	1.5	1.9	1.6	0.9	1.4	1.6	2.8	3.7
Terms of trade in goods and services[&]	-0.3	-0.5	-0.5	-0.3	*	-0.5	0.1	-0.3

Notes : Figures are derived based on the series of chain volume measures of GDP. They are subject to revision later on as more data become available.

(&) Figures are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

(#) Revised figures.

< > Seasonally adjusted quarter-to-quarter rate of change.

(*) Change within ±0.05%.

Notes :

(1) The Consumer Price Indices (A), (B) and (C) are compiled with reference to the average expenditure patterns for different groups of households as obtained from the Household Expenditure Survey. Then, by aggregating the expenditure patterns of all the households covered by the above three indices, a Composite CPI is compiled.

In May 2021, the Census and Statistics Department (C&SD) updated the base period for compiling the CPIs. CPI figures quoted in this report refer to the 2019/20-based series unless otherwise stated. The expenditure ranges of the households covered in the 2019/20-based CPIs are shown below:

	Approximate percentage of households covered (%)	Average monthly household expenditure range (at 2025 prices) ($)
CPI(A)	50	7,100 to 29,000
CPI(B)	30	29,000 to 53,100
CPI(C)	10	53,100 to 99,300

To capture more recent changes in household consumption patterns for CPI compilation, C&SD has since 2021 adopted an enhanced framework to review the CPI expenditure weights annually. The specific reference periods of expenditure weights adopted in the CPIs since then are as follows:

CPIs by reference period	Reference period of expenditure weights adopted:
Before Q2 2024	October 2019 – September 2020
From Q2 2024 – Q1 2025	Whole year of 2023
From Q2 2025 – Q1 2026	Whole year of 2024
From Q2 2026 onwards	Whole year of 2025

The expenditure weights of the reference period 2025 are as follows:

Expenditure component	Composite CPI (%)	CPI(A) (%)	CPI(B) (%)	CPI(C) (%)
Food	25.27	30.97	24.39	19.01
Meals out and takeaway food	*15.92*	*18.26*	*16.25*	*12.27*
Basic food	*9.35*	*12.71*	*8.14*	*6.74*
Housing	39.69	41.14	40.82	35.95
Private housing rent	*33.94*	*32.63*	*36.48*	*31.66*
Public housing rent	*2.25*	*5.85*	*0.62*	--
Management fees and other housing charges	*3.50*	*2.66*	*3.72*	*4.29*
Electricity, gas and water	2.80	3.74	2.57	1.91
Alcoholic drinks and tobacco	0.41	0.65	0.31	0.22
Clothing and footwear	2.10	1.62	2.23	2.52
Durable goods	3.44	2.64	3.62	4.23
Miscellaneous goods	3.13	2.96	2.97	3.62
Transport	7.59	5.53	7.86	9.95
Miscellaneous services	15.57	10.75	15.23	22.59
All items	100.00	100.00	100.00	100.00

(2) Labour productivity growth is reflected by the difference between the growth in real output and the growth in labour input of the economy.

(3) The Producer Price Indices are designed to reflect changes in the prices of goods and services received by local producers. Producer prices refer to the transacted prices, net of any discounts or rebates allowed to the buyers.

(4) The implicit price deflators of GDP and its main expenditure components are derived by dividing GDP at current prices by the corresponding chained-dollar figures. The rate of change in the GDP deflator may differ substantially from that in the Composite CPI over the same time span. The Composite CPI covers consumer price inflation in particular. Yet the GDP deflator is a much broader measure of inflation for the entire economy, and takes into account all the price changes related to consumption, investment, exports and imports. Also, the rate of change in the GDP deflator may differ appreciably from that in the total final demand deflator, depending on the movement in the prices of final demand and imports. Likewise, the rate of change in the GDP deflator may differ appreciably from that in the domestic demand deflator, depending on the movement in the prices of imports and exports.

(5) The terms of trade is defined as the ratio of the prices of total exports to the prices of total imports.

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