CHAPTER 2 : ECONOMIC OUTLOOK FOR 2026

AND THE MEDIUM TERM

***Summary***

* *The global economy is expected to see steady growth in 2026, continuing to display resilience amidst ongoing supply chain re-alignment and acceleration in artificial intelligence (AI)-related applications and investments. Meanwhile, the Chinese Mainland economy is expected to sustain stable, high-quality growth, providing continued support to the global economy. Further interest rate cuts by the US Federal Reserve (Fed) would also be supportive of global financial conditions. Nevertheless, risks to the global outlook remain tilted to the downside, in particular potential escalation of geopolitical tensions, renewed increases in tariffs and other trade protectionism measures, high public debt levels in major economies, and a retrenchment in AI-related investment triggered by sharp equity market corrections could possibly weigh on global growth.*
* *Overall, the near-term outlook of the Hong Kong economy is cautiously optimistic. The economy is forecast to grow by 2.5% to 3.5% in 2026, after expanding by 3.5% in 2025.*
* *External trade is expected to continue to be the key growth driver. Hong Kong’s total exports of goods should see further decent growth in 2026, following the stellar performance in 2025, underpinned by strong global demand for* *AI-related electronic products and partial easing of trade tensions. As for exports of services, while exports of trade-related services would be supported by sustained growth in merchandise trade, further improvement in cross‑border connectivity and relevant supportive measures are expected to boost visitor flows to Hong Kong and services activities in 2026. Cross‑border financial and business activities would benefit from easing global financial conditions, buoyant financial market activities and deepening market access.*
* *More resilient domestic demand will lend support to economic growth. The momentum of gradually improving consumer confidence and business sentiment would support local consumption and investment. The US interest rate cuts since September 2025 and the anticipated further monetary easing this year should also bolster asset market sentiment and be conducive to fixed asset investment and, coupled with sustained growth in employment income, would continue to underpin private consumption.*
* *Underlying consumer price inflation should remain mild in 2026. With continued economic expansion and a stabilising labour market, local cost pressures from rentals and wages may edge up, yet should remain contained. Imported inflation should stay moderate, as the global disinflation process continues and supply chains remain resilient in mitigating the pass-through of external price shocks. Underlying Composite Consumer Price Index (CPI) inflation is forecast at 1.7% in 2026, compared with 1.1% in 2025.*
* *The medium-term outlook for the Hong Kong economy remains positive. Asia, especially the Chinese Mainland, will remain a key engine of global economic growth. In the international arena, the global trends in supply chains reconfiguration, the push for digital transformation and sustainability will provide substantial opportunities for different segments of the Hong Kong economy.*
* *In the Chinese Mainland, the Recommendations of the Central Committee of the Communist Party of China for Formulating the 15th Five-Year Plan for National Economic and Social Development (2026-2030) (the recommendations for the 15th Five-Year Plan) outlined priorities on high-quality and innovation-driven growth, industrial upgrading, green transition, and boosting domestic demand in navigating global challenges. These priorities also set strategic directions for the Hong Kong’s economy, which will be key impetus for future economic growth.*
* *Locally, the acceleration in the development of the Northern Metropolis, rising presence of companies from various strategic industries, as well as strong talent inflow will empower different segments of the economy and support Hong Kong’s sustainable and high‑quality economic development.*
* *The Hong Kong economy is expected to grow by 3% per annum from 2027 to 2030. The trend rate of underlying Composite CPI inflation is forecast at 2% per annum over the same period.*

**Global economic outlook**

1. The global economy is expected to see steady growth in 2026 amidst ongoing supply chain re-alignment and acceleration in AI-related applications and investments. Global trade tensions have eased somewhat after the US reached preliminary bilateral agreements with a number of major economies since May 2025 and reached consensus with China on major trade issues in late October. Besides, sustained global demand for new technologies such as AI is expected to further drive trading activities in electronics-related products and related services, and the associated financing needs for firms, thereby stimulating fundraising, investment and secondary-market activities in the financial markets. Further interest rate cuts by the US Fed are anticipated, which would be supportive of global financial conditions.  The International Monetary Fund (IMF) in January slightly revised up its forecast for global economic growth to 3.3% for 2026, the same as the estimated growth for 2025.
2. Nevertheless, downside risks still prevail. The international environment remains complicated. International trade policies are increasingly fragile due to rising protectionism in some major economies. Moreover, the pace of further Fed rate cuts is still uncertain. A slower-than-expected monetary easing by the Fed, or a reassessment by the market of profitability growth prospects about new technologies, could trigger financial market gyrations and dampen global growth prospects if any of these risks materialised. In contrast, more aggressive monetary easing in major advanced economies facilitated by disinflation, or rapid AI adoption that translates into durable productivity gains, or a more pronounced easing in trade tensions, if any of which realised, could provide some upside potential to global growth prospects.
3. The Chinese Mainland economy is expected to sustain stable growth in 2026, after expanding solidly by 5.0% in 2025 and meeting the target set at the beginning of the year. The annual Central Economic Work Conference held in December 2025 called for the continuous implementation of a more proactive fiscal policy and an appropriately accommodative monetary policy stance to expand domestic demand, and optimise supply in 2026. Earlier this year, the People’s Bank of China cut interest rates on all structural monetary policy tools by 25 basis points. Policy support focuses on enhancing domestic demand and fostering new technology sectors should enable the Chinese Mainland economy to attain stable growth in 2026.
4. As for the major advanced economies, the IMF projected in January that the US economy will grow by 2.4% in 2026, after an estimated expansion of 2.1% in 2025, supported by fiscal policy, a lower policy interest rate, waning impacts from higher trade barriers, as well as robust technology-related investment and its positive spillovers. With CPI inflation broadly in check, the Fed cut interest rates three times by a total of 75 basis points from September 2025. The Fed’s further monetary easing this year is widely anticipated by the market. The extension of tax breaks and other measures announced in mid-2025 should also render support to the economy. On trade policy, ongoing legal disputes over tariff measures, multiple ongoing trade investigations, and potential policy shifts amid US mid-term elections will continue to pose uncertainties. As for the euro area, growth is expected to remain steady in 2026. Germany, France and Italy are expected to pick up somewhat, and Spain continues to show resilience, reflecting reduced trade policy uncertainty and lower energy prices. Inflation in the region has remained stable and close to the European Central Bank’s target. The market generally expects the policy interest rate to remain unchanged in the near term. The IMF projected in January that the euro area economy would grow modestly further by 1.3% in 2026, after growing by 1.5% in 2025.
5. Other Asian economies should sustain strong growth momentum in 2026, on the back of positive merchandise exports outlook and solid domestic demand. Most of these economies have reached preliminary trade agreements with the US, and sustained global demand for electronic products is expected to render support to their export performances. The IMF projected in January that the ASEAN-5 to grow by 4.2% in 2026, the same as the estimated growth in 2025. India is to expected to expand by 6.4% in fiscal year 2026/27, after an estimated growth of 7.3% in the preceding year.



Table 2.1 : Growth forecasts for major economies in 2026

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2025\*(%) | **2026** | | |
|  | IMF\*(%) | UN@ **(%)** | **Private sector** forecast^ **(%)** |
|  |  |  |  |  |
| World (PPP## weighted) | 3.3 | 3.3 | 3.1 | - |
| Advanced economies | 1.7 | 1.8 | - | - |
| US | 2.1 | 2.4 | 2.0 | 2.4 |
| Euro area | 1.5# | 1.3 | 1.1 | 1.1 |
| UK | 1.4 | 1.3 | 1.1 | 1.0 |
| Japan | 1.1 | 0.7 | 0.9 | 0.8 |
| Emerging market and developing economies |  |  |  |  |
| 4.4 | 4.2 | - | - |
| Emerging and developing Asia | 5.4 | 5.0 | - | - |
| The Chinese Mainland | 5.0# | 4.5 | 4.6 | 4.6 |
| India | 7.3~ | 6.4~ | 6.6 | 6.6~ |
| ASEAN-5§ | 4.2 | 4.2 | - | - |
| Middle East and  Central Asia | 3.7 | 3.9 | - | - |

|  |  |  |  |
| --- | --- | --- | --- |
| Notes | : | (\*) | IMF World Economic Outlook Update, January 2026. |
|  |  | (@) | United Nations World Economic Situation and Prospects, January 2026. |
|  |  | (^) | Average forecasts as of January 2026. |
|  |  | (-) | Not available. |
|  |  | (#) | Actual figures. |
|  |  | (##) | PPP refers to purchasing power parity. |
|  |  | (~)  (§) | Fiscal year.  Includes Indonesia, Malaysia, the Philippines, Singapore and Thailand. |

***World inflation and global commodity prices***

1. Global inflation is expected to continue to decline in 2026. Global inflation broadly eased in 2025, partly driven by lower energy prices, though with variation across economies. Higher US tariffs and the countermeasures by their trading partners have posed limited upward pressure on global inflation so far, as their impact has been partly offset by earlier stockpiling and by absorption along the supply chains to a certain extent. Looking ahead, the global disinflation process will likely continue in 2026, but the possible feed-through of higher trade barriers to consumers or any supply shocks could reverse the trend. According to the IMF’s latest projections, global headline inflation is forecast to fall from about 5.8% in 2024 to 4.1% in 2025 and further to 3.8% in 2026, with inflation in advanced economies moving closer to central bank targets at varying speeds.
2. In 2025, North Sea Brent crude oil prices declined by 15.7%, from US$ 73.1 per barrel in December 2024 to US$ 61.7 per barrel in December 2025, despite various episodes of geopolitical tensions in oil producing regions, as increased oil production outpaced demand. Looking ahead, according to the January projection of the International Energy Agency, global oil demand growth is forecast to be on average 930 000 barrels per day and world oil supply growth is projected to be well larger at 2.5 million barrels per day. As the situation of supply in excess of demand will further widen in 2026, international crude oil prices are likely to continue under pressure.
3. Global food prices rose by an average 4.3% in 2025. Food prices are projected to stay largely unchanged in 2026 as supply growth keeps pace with demand, according to the World Bank’s projections in October 2025.
4. In 2025, base metals prices firmed by 7.1% amid tariff‑related distortions and resilient demand in major economies. Overall, base metal prices are projected to remain broadly stable in 2026, according to the World Bank’s projections.
5. Precious metals prices such as gold and silver surged by 43.5% in 2025, fuelled by robust investment demand, geopolitical tensions, and policy uncertainty. Gold prices are projected to continue to rise moderately in 2026, according to the World Bank’s projections, amid rising precautionary demand and expectations of further US monetary easing.



***Exchange rate movements***

1. The US dollar weakened against most major currencies through 2025 amid interest rate cuts by the US Fed in the later part of the year. Under the Linked Exchange Rate System, the Hong Kong dollar also depreciated along the US dollar against other currencies of our major trading partners. The nominal trade-weighted effective exchange rate index fell by 3.2% in December 2025 over a year earlier. While the prevailing market expectations generally point to continued US dollar softness in 2026, the direction of exchange rate movements will continue to hinge on the monetary policy decisions of major central banks, relative economic growth performances of major economies, and geopolitical developments.



**Outlook for the Hong Kong economy in 2026**

1. The near-term outlook of the Hong Kong economy is cautiously optimistic amidst a steady global economic backdrop. The positive momentum, characterised by robust exports, solid investment and improving private consumption spending, is expected to carry onto 2026. Real GDP is forecast to expand by 2.5% to 3.5% in 2026, after growing by 3.5% in 2025.
2. External trade is expected to continue to be the key growth driver. Hong Kong’s merchandise exports saw stellar growth in 2025 despite increased trade barriers by some major economies. Among various commodities, exports of electrical machinery and related parts were particularly strong, fuelled by the investment boom in new technologies including AI. Hong Kong’s total exports of goods in 2026 should see some further decent growth, underpinned by strong global demand for AI-related electronic products and partial easing of trade tensions.



1. Exports of services registered broad‑based and notable growth in 2025, supported by the strong recovery in visitor arrivals and vibrant financial and business activities. In 2026, ongoing enhancements to cross‑border transport and travel arrangements, together with the Government’s efforts in launching a series of mega events, are expected to foster further increases in visitor flows and services activities. Cross‑border financial and professional services should also benefit from further easing in global financial conditions, more buoyant fundraising, investment and secondary-market activities in the financial markets, and the continued deepening of mutual market access, while trade‑related services will be underpinned by resilient merchandise trading activities.
2. Domestic demand improved in 2025, as private consumption resumed increase and overall investment saw accelerated growth. Looking ahead to 2026, the momentum of gradually improving consumer confidence and business sentiment would continue to support local consumption and investment activities. The interest rate cuts by the US Fed since September 2025 and the anticipated further monetary easing this year would also bolster asset market sentiment. These developments should be conducive to fixed asset investment. Moreover, sustained growth of employment income amid a stabilising local labour market should also underpin further growth in private consumption.





1. Overall, the near-term outlook of the Hong Kong economy is cautiously optimistic. The economy is expected to expand by 2.5% to 3.5% in 2026, after growing by 3.5% in 2025. This outlook is broadly consistent with prevailing projections by market participants and international institutions. For reference, the majority of recent forecasts by private sector analysts for Hong Kong’s economic growth in 2026 range from 2.5% to 3.3%. Among the forecasts by international organisations, the more recent one by the Asian Development Bank, released in December 2025, forecast the Hong Kong economy to grow by 2.6% in 2026.



1. Inflation is expected to stay mild in 2026. Consumer price inflation remained modest in 2025 amid moderate external price pressures and domestic cost increases. Domestically, as economic activity continues to expand and the labour market stabilises, some gradual pick‑up in local cost pressures on rentals and wages is possible, though the cost pressures should still be moderate. As for external factors, imported inflation should remain contained, barring significant disruptions to global supply chains by geopolitical developments. Against this backdrop, underlying consumer price inflation in 2026 is forecast at 1.7%, up moderately from 1.1% in 2025. The GDP deflator is forecast to increase by 1.7% in 2026. For reference, the latest forecasts for consumer price inflation in 2026 by private sector analysts averaged 1.7%.



**Forecast rate of change in 2026 (%)**

|  |  |
| --- | --- |
| **Gross Domestic Product (GDP)** |  |
|  |  |
| ***Real GDP*** | **2.5 to 3.5** |
| *Nominal GDP* | 4.2 to 5.2 |
|  |  |
| *Per capita GDP in real terms* | 2 to 3 |
| *Per capita GDP at current market prices* | HK$460,700 – 465,200  (US$59,100 – 59,600) |
| **Underlying Composite CPI** | **1.7** |
| **GDP Deflator** | **1.7** |

**Forecast on Hong Kong’s real GDP growth in 2026**

**recently made by other selected parties**

|  |  |  |
| --- | --- | --- |
|  | | (%) |
| Asian Development Bank (December 2025) | | 2.6 |
| IMF (October 2025) | | 2.1 |
| The University of Hong Kong (January 2026) | | 2.5 – 3.0 |
| Recent forecasts by private sector analysts# | | 2.5 – 3.3 |
| Note: (#) | Based on the majority of recent forecasts by private sector analysts. | |

**Medium-term outlook for the Hong Kong economy**

1. The medium-term outlook for the Hong Kong economy remains positive. Asia, especially the Chinese Mainland, will remain a key engine of global economic growth. In the international arena, the global trends in supply chains reconfiguration, the push for digital transformation and sustainability will provide substantial opportunities for different segments of the Hong Kong economy.
2. In the Chinese Mainland, according to the recommendations for the 15th Five-Year Plan (2026-2030) released in October 2025, the Chinese Mainland’s per capita GDP is targeted to be on a par with that of a mid-level developed country by 2035. The document outlined priorities on high-quality and innovation-driven growth, industrial upgrading, green transition, and boosting domestic demand in navigating global challenges. As for promoting the long-term prosperity and stability of Hong Kong, the document, amongst others, mentioned consolidating and enhancing its status as an international financial, shipping, and trade centre, supporting it in developing into an international innovation and technology centre, and support it in building itself into an international hub for high-calibre talent. These priorities set strategic directions for the Hong Kong economy and strengthen our role and functions in better integrating into and contributing to the country’s overall development, which will be key impetus for future economic growth. In an evolving international environment, Hong Kong’s unique roles as a “super connector” and a “super value-adder” between the Chinese Mainland and the world have become even more prominent. It will continue to draw on its distinctive institutional strengths under the “One Country, Two Systems”, and serve as a gateway for attracting capital, enterprises and talent and a strategic platform for Chinese Mainland enterprises to “go global”. It will proactively align with the national 15th Five-Year Plan and seize the opportunities arising from the country’s development.
3. Locally, the acceleration in the development of the Northern Metropolis, rising presence of companies from various strategic industries, as well as strong talent inflow will empower different segments of the economy and support Hong Kong’s sustainable and high-quality economic development.
4. Considering the above factors, the Hong Kong economy is expected to grow by 3% per annum in real terms from 2027 to 2030, broadly similar to the average annual growth of 3.1% in 2023-25, the post COVID-19 recovery years. The trend rate of underlying Composite CPI inflation in Hong Kong from 2027 to 2030 is forecast at 2% per annum.

