BEA 東亞銀行

Economic Research Department January 2026

Market Monitor – Hong Kong

External trade continued to strengthen amid easing trade tensions

- Merchandise export growth accelerated to 18.8% YoY in November, underpinned by positive sentiment following the China-US one-year trade truce.
- Residential property prices increased by 0.9% MoM in November, while transaction volumes in December remained robust at 5,883 units.
- The 2026-27 Budget is scheduled to be unveiled on 25 February, with continued emphasis expected on the Northern Metropolis development.

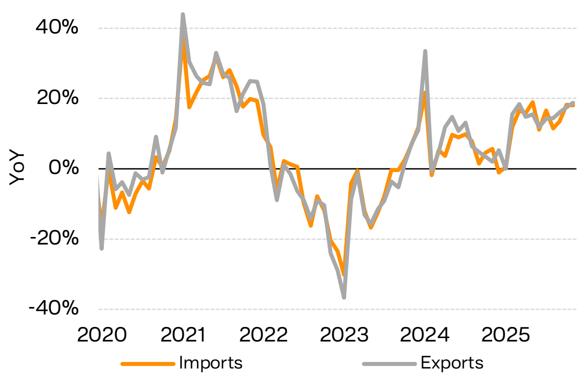
Exports surged as trade tensions calmed significantly

External trade performance strengthened, buoyed by the de-escalation of China-US trade tensions. Merchandise exports expanded by 18.8% year-on-year (YoY) in November, accelerating from the 17.5% growth recorded in October. The improvement was largely driven by positive sentiment following the China-US trade deal in early November. Strong demand was widely seen among major trading partners. Notably, exports to the US surged by 44.4% in November, the strongest pace since February 2015. Exports to the Chinese Mainland and the EU also recorded notable growth of 16.4% and 14.2% YoY in November, respectively. Meanwhile, imports growth rose by 18.1% YoY in November, slightly moderating from the previous month. Together, these dynamics resulted in a widened trade deficit of HKD 48.5 billion, compared to HKD 43.4 billion a year ago. Going forward, the China-US one year trade truce is expected to bolster trade sentiment with greater near-term trade policy predictability, while trade growth may normalise in 2026 due to the high base effect created by frontloading activities in 2025.

Retail sales continued to expand, labour market remained stable

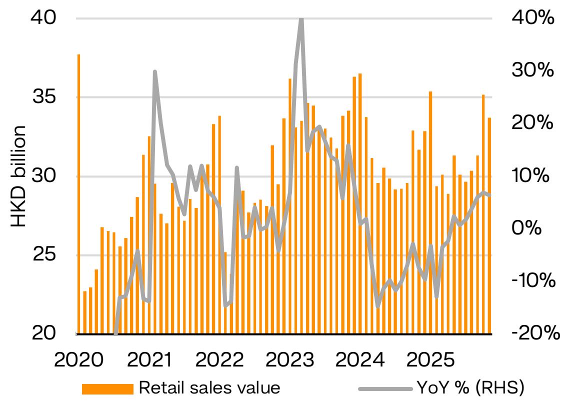
Retail sales maintained gradual growth. Retail sales grew by 6.5% YoY in November, marking the seventh consecutive monthly expansion. Consumer durables, particularly electrical goods, illustrated a marked uptick, partly driven by "Double 11" promotional activities. Retail sales momentum in December is expected to have remained resilient due to the favorable low base from 2024 and increasing inbound tourism. Overall, private consumption in Q4 is likely to have sustained steady expansion, driven by the boost from winter mega-events, improving asset market performance as well as stable labour conditions.

Import and Export Growth



Source: CEIC

Retail Sales

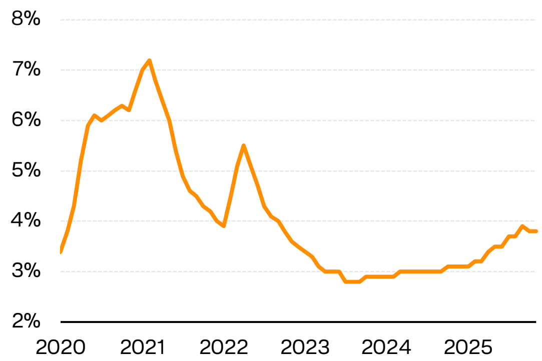


Source: CEIC

The labour market remained steady. The unemployment rate for September-November remained unchanged at 3.8% compared to the preceding three months. On a positive note, several sectors, such as construction and retail & food services, continued to improve, as their unemployment rates edged down from 7.0% to 6.8% and 5.5% to 5.3%, respectively. The moderation was likely supported by the ongoing recovery in the real estate and retail sectors. That said, business hiring attitudes remained subdued, with the private sector vacancy rate staying low at 1.9% in Q3. This reflected a continued softening trend in labour demand. On balance, steady economic growth and improving business sentiment is expected to further ease pressure on the labour market, although certain sectors may continue to face adjustment challenges during the economic rebalancing process.

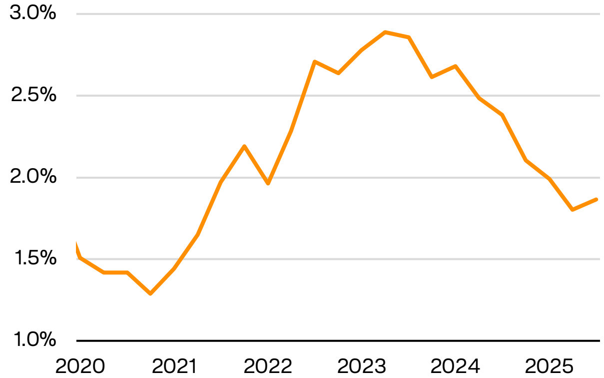
Inflation continued to be benign. The composite CPI remained stable at 1.2% YoY in November. Among major components, food and housing inflation picked up, while their impacts were offset by softer price gains in electricity, miscellaneous goods and services. Netting out the government's one-off relief measures, the underlying inflation rate stayed unchanged at 1.0% YoY for the third consecutive month. With domestic inflationary pressures remaining under control, along with modest imported food prices, overall inflation is likely to gradually edge up towards its trend rate.

Unemployment Rate



Sources: Census and Statistics Department

Private sector vacancy rate

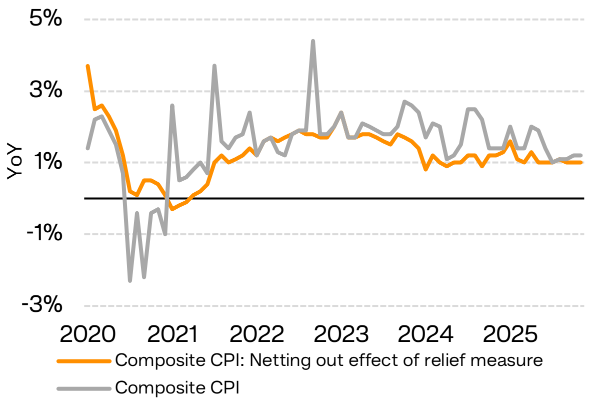


Source: Census and Statistics Department

Further uptick in the property market

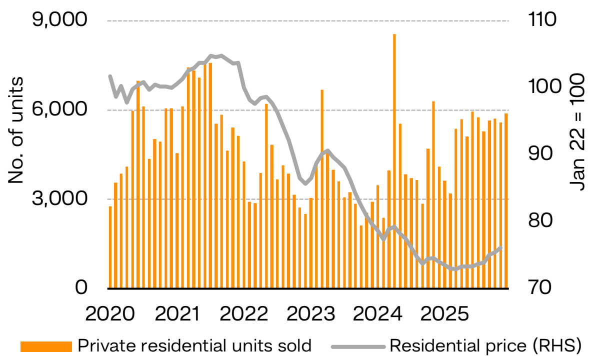
The residential property market sustained recovery momentum. The official residential property price index climbed by 0.9% month-on-month (MoM) in November, extending its recovery trend to six consecutive months and bringing year-to-date gains to 2.8%. Preliminary data from the secondary market transaction revealed a continued upward trend for housing prices in December. The rental market also remained solid, with rental prices edging up by 0.2% MoM in November. Residential property sales reached 5,883 units in December, indicating active buying interest. The ongoing recovery trends in both prices and transaction volumes reinforce a constructive outlook for the housing market, as the confluence of anticipated rate cuts by the Fed, steady economic recovery and sustained demand from incoming talents is expected to provide a firm floor for demand.

Inflation Rate



Source: Hong Kong Census and Statisitcs Department

Private Residential Sales and Price

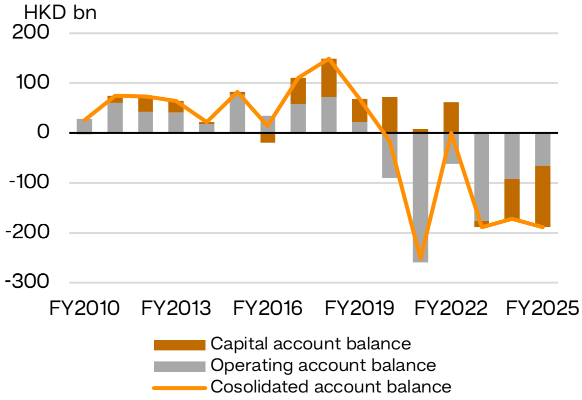


Source: Bloomberg

Continued emphasis on Northern Metropolis development expected in Budget

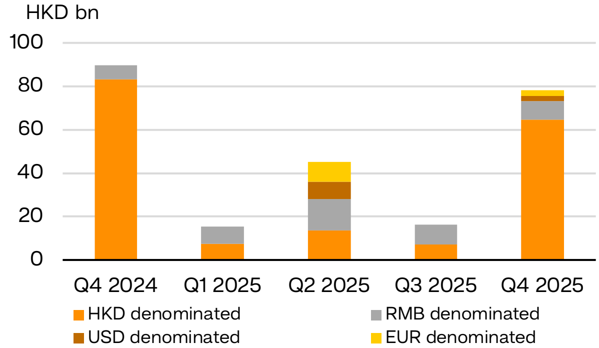
In a blog posted by the Financial Secretary Paul Chan, **the 2026-27 Budget is scheduled to be unveiled on 25 February.** With the implementation of a reinforced fiscal consolidation, along with increased stamp duty receipts from buoyant stock market transactions, the Government anticipates its operating account to reach a surplus sooner than expected. Meanwhile, the development of the Northern Metropolis is expected to be a major focus of the 2026-27 Budget, with several transportation projects and new development areas already under construction. Substantial public investment is likely to continue, supported by increased bond issuances to fund these infrastructure projects in the coming years.

Consolidated account balance



Source: Census and Statistics Department, CEIC

Government bond issuance under IB and GSB Programme



Note: IB: Infrastructure Bond; GSB: Government Sustainable Bond
Source: HKMA

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