

Economic QuickView



Hong Kong Budget: Cultivating New Drivers for High-Quality, Diversified Growth

- The 2026/27 Budget unveils the SAR Government's plan to nurture new growth drivers.
- Strategic priorities include supporting emerging industries, accelerating the Northern Metropolis (NM) development, integrating artificial intelligence (AI) to drive transformation, and enhancing the financial sector.
- Bolstered by robust stamp duty collections and bond issuances, the consolidated fiscal balance is expected to return to a surplus in the financial year (FY) of 2025/26.

Hong Kong will formulate its first Five-Year Plan (FYP) to strategically align with the broader national development blueprint. Specifically, the SAR Government aims to contribute to three primary areas: 1) building the country's modernised industrial system and supporting technological self-reliance; 2) actively participating in high-level two-way opening-up; 3) bringing together high-calibre international talents. These objectives will be pursued by leveraging a "Finance+" initiative to support the real economy and serving as a "super connector" and "super value-adder" to help enterprises go global while attract external investments.

The SAR Government is actively nurturing emerging industries in tandem with national economic priorities. The aerospace sector is specific focus, with the Office of Attracting Strategic Enterprises tasked with identifying aerospace firms to establish operations in Hong Kong, while the Hong Kong Exchanges and Clearing Limited will review listing requirements to accommodate them. Moreover, research and development and practical applications for cutting-edge fields, such as low-altitude economy, autonomous driving, new materials, RISC-V (technology of a new generation of Chips), embodied AI, quantum technology, will be actively fostered. To catalyse investment in these sectors, the HKD 10 billion Innovation and Technology Industry Oriented Fund is being launched

this year to channel market capital into these emerging industries.

New industrialisation efforts will be intensified through targeted support and infrastructure investment. To facilitate the upgrading of local manufacturers, the SAR Government will introduce the "New Industrialisation Elite Enterprises Nurturing Scheme" to assist high-growth enterprises. In addition, HKD 220 million will be allocated to establish the first national manufacturing innovation centre outside Mainland, reinforcing Hong Kong's commitments to advanced manufacturing and new quality productive forces.

AI will serve as a key component of the city's digital transformation strategy. Recognising the transformative potential of AI technology, the SAR Government will establish a "Committee on AI+ and Industry Development Strategy" to formulate actionable policies for industry transformation. To further accelerate digital intelligence within the public sector, the SAR Government has set up the AI Efficacy Enhancement Team to co-ordinate and steer government departments to apply AI, conduct process re-engineering and enhance efficiency and will allocate HKD 100 million to introduce leading technologies for accelerating digital intelligence transformation.

The development of the Northern Metropolis will be significantly expedited through strategic capital investments. This mega development project remains a top policy priority, supported by an allocation of HKD 10 billion to a dedicated park company aimed at accelerating land disposal and infrastructure development in the Hetao Co-operation Zone Hong Kong Park. Similarly, another HKD 10 billion will be injected into the development of San Tin Technopole, while an additional HKD 10 billion funding will support the initial operations of the newly established Hung Shui Kiu Industry Park Company Limited. Furthermore, construction is already underway on key transportation projects and new development areas within the NM. These massive capital deployments are set to solidify the region as a primary engine for near-term public investment and economic growth.

Beyond industrial development, the NM will also be developed into a diverse hub for tourism and education. Specifically, HKD 200 million will be allocated to launch a pilot "Urban-rural Integration Fund" designed to encourage rural tourism projects. Additionally, HKD 10 billion will be earmarked to provide loans for the development of campus facilities in the NM University Town.

The Budget introduces comprehensive measures to fortify Hong Kong's status as a leading international financial centre. To support the progress of RMB internationalisation, the SAR Government will promote convenient foreign exchange quotations and transactions between RMB and other regional currencies to reduce transaction costs; establish an offshore RMB yield curve by regularly issuing bonds of different tenors; and attract high-quality issuers to increase RMB bond issuances in Hong Kong. Within the securities market, consultations will begin on revising listing requirements for enterprises with weighted voting rights, providing greater flexibility for biotechnology and specialist technology firms, and implementing board lot reforms. Tax incentives will be enhanced for corporate treasury centres, family offices and funds, as well as gold trading and settlement. Mutual-market access will also be enriched by expediting the issuance of Mainland government bond futures in Hong Kong, incorporating REITs into the Connect Schemes, and introducing an RMB trading counter under the Southbound Stock Connect.

Housing supply and land policies will be carefully calibrated to address residents' needs. Same as last year, the SAR Government will continue to suspend the sale of general commercial sites in the coming year. The suspension reflects a prudent move given elevated vacancy rates in the commercial property segment. Conversely, on the residential front, the Land Sale Programme will roll out 9 residential sites in 2026. Together with railway property developments, Urban Renewal Authority projects, and private redevelopments, the total potential land supply for the year is expected to provide around 22,000 units, compared to 13,700 units in the previous year. With the residential property market exhibiting a visible recovery trend, this modest rise in housing supply is a positive step toward improving affordability and meeting the needs of residents. Meanwhile, to bolster fiscal revenue under the "affordable users pay" principle, the stamp duty rate on residential property transactions valued above HKD 100 million will be increased from 4.25% to 6.5%.

The consolidated fiscal account is expected to return a fiscal surplus in FY2025/26. The consolidated fiscal balance (including government bond issuance and repayment) is estimated to record a surplus of HKD 2.9 billion for FY2025/26, compared to the originally projected deficit of HKD 67 billion. Consequently, fiscal reserves are expected to reach HKD 657.2 billion by the end of March 2026. The operating account will record a surplus of HKD 51.3 billion, driven by robust stamp duty collections and profits tax amid a buoyant equity market and economic recovery. However, the capital account will remain in deficit due to subdued revenue from land premium and sustained high capital works expenditure for the NM development.

Increased bond issuances and fund transfers will be utilised to support public investment. To finance massive infrastructure projects, the SAR Government plans to issue HKD 160-220 billion in bonds annually from FY2025/26 to FY2030/31, an increase from HKD 150-195 billion proposed in the previous budget. Accordingly, Hong Kong's debt-to-GDP ratio is projected to rise to a manageable level of 19.9% by the end of FY2030/31. Additionally, the Exchange Fund will transfer a total of HKD 150 billion to the Capital Works Reserve Fund over the next two years (HKD 75 billion per year), to provide financial resources for the NM and other development projects.

The Fiscal Consolidation Programme will remain in force to ensure sustainable public finance. The SAR Government is steadfast in containing the expansion of public spending through tight expenditure controls. Notably, recurrent expenditure will be cut by 2% in both FY2026/27 and FY2027/28. Furthermore, the civil service establishment will face a 2% reduction in each of the coming two years, resulting in a deletion of over 10,000 posts during the term of this Government.

Hong Kong's growth outlook remains constructive. Underpinned by proactive macro policies from the Chinese Mainland under the 15th FYP, easing trade tensions, and expected Fed rate cuts, the SAR Government forecasts Hong Kong's GDP to grow by 2.5-3.5% for 2026, with headline inflation remaining stable at 1.8%. Over the medium term, Hong Kong's economy is expected to grow at an average rate of 3.0% annually from 2027 to 2030, reflecting optimism in the city's long-term growth. The fiscal balance is also projected to maintain a surplus over the next five years.

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