Economic Research Department

February 2026

Market Monitor – Hong Kong

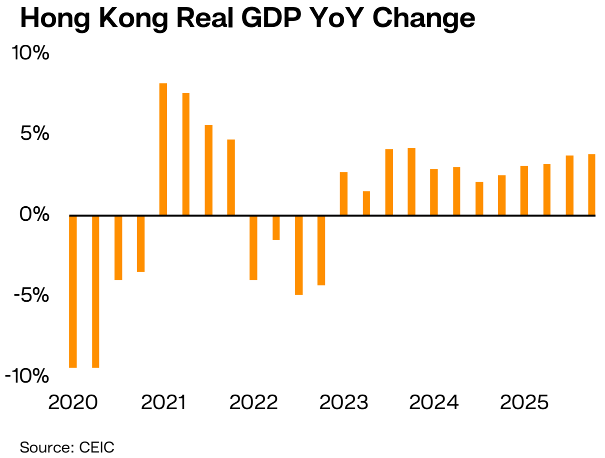
Robust momentum set to sustain in 2026

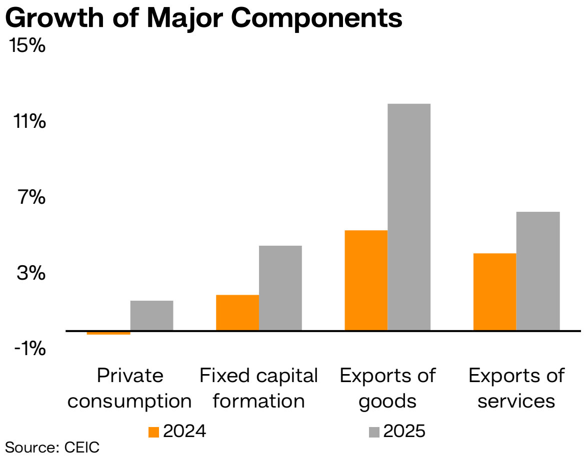
- Hong Kong GDP growth accelerated to 3.8% YoY in Q4, up from 3.7% in Q3, lifting the 2025 full-year growth to 3.5%.
- Merchandise exports in December surged on the back of China-US trade deals, while retail sales maintained steady growth.
- Residential property price increased by 0.2% MoM in December, bringing the annual 2025 growth to 3.3%.

Solid Q4 momentum boosted 2025 full-year growth to 3.5%

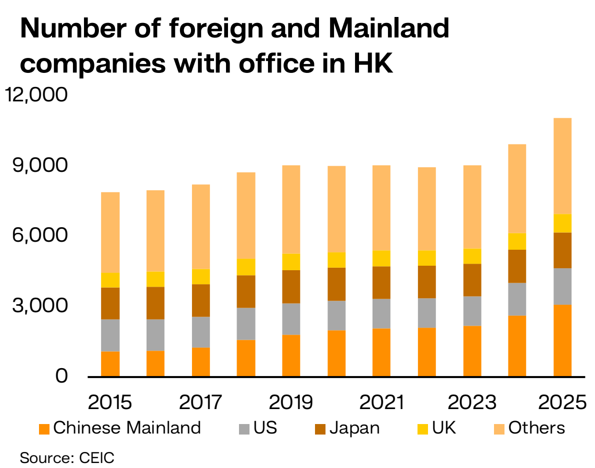
Hong Kong's GDP grew by 3.8% in 2025, driven by widespread economic momentum. The Hong Kong economy expanded by 3.8% year-on-year (YoY) in Q4, accelerating from 3.7% in Q3. On a quarter-to-quarter (QoQ) basis, economic growth picked up further from 0.9% in Q3 to 1.0% in Q4. For 2025 as a whole, Hong Kong's GDP growth rose from 2.6% in 2024 to 3.5% in 2025, exceeding the SAR Government's forecast of 3.2%. Breaking down by components, investment spending grew 4.5% in 2025; private consumption recovered to 1.6% growth; exports and imports of goods rose by 12.0% and 12.6% respectively, despite a volatile global trade policy backdrop; exports of services jumped by 6.3%, supported by the stronger inbound tourist arrivals, whereas growth in imports of services slowed to 4.1%.

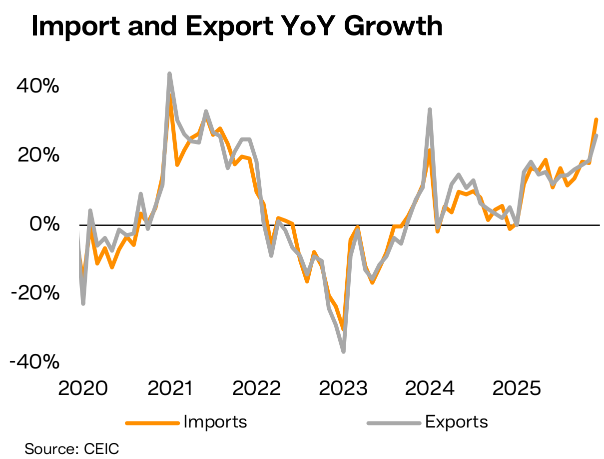
A wide range of catalysts are expected to sustain robust growth in 2026. Along with a pickup of growth momentum, the recovery has been broad-based, supported by multiple favourable factors, including a rebound in retail sales and private consumption, reduced global trade uncertainty, improved financial conditions, rising business confidence, stabilising labour conditions and substantial public investment. With these tailwinds, the Hong Kong economy is projected to maintain robust growth at 2.5-3.0% in 2026.





Hong Kong has remained a significant regional hub for both overseas and mainland companies. In 2025, the total number of overseas and Mainland companies in Hong Kong increased by 11.1% to 11,070. Chinese Mainland companies continued to be the main contributor, increasing from 2,620 to 3,090. Meanwhile, foreign companies, including the US, Japan, the UK and Singapore, expanded further, reaching 6,430, with an 8.1% growth. This underscored Hong Kong's unique position as a "super-connecter", enabling Chinese Mainland companies to leverage the city as a gateway for accessing global markets while providing international firms a strategic platform to tap into the Chinese Mainland economy. A rising number of Mainland and foreign companies operating in Hong Kong should support an eventual stabilising trend of the commercial real estate market, which has been lagging the recovery of the residential property market.





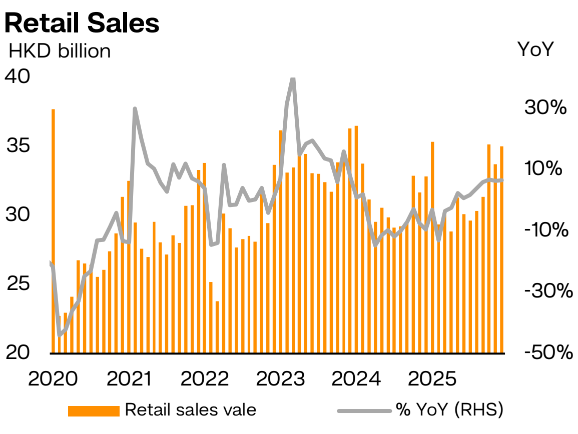
Exports surged further, while retail sales posted steady gains

External trade accelerated once again. Merchandise exports surged by 26.1% YoY in December 2025, accelerating from the 18.8% growth in November. This brought the annual 2025 growth rate to 15.4%, up from 8.7% in 2024. The robust export performance in December reflected the positive sentiment following the trade deal between the Chinese Mainland and the US made in early November. Strong demand was widespread among major trading partners. Exports to the US rose by 47.5% YoY in December, while exports to the Chinese Mainland and the EU also recorded notable growth of 24.9% and 6.5%, respectively. Meanwhile, imports growth skyrocketed by 30.6% YoY in December, contributing to a widened trade deficit of HKD 63.3 billion, compared to HKD 34.5 billion a year ago. Going forward, the one-year China-US trade truce is expected to sustain positive trade sentiment by providing near-term policy stability, but trade growth may normalise in 2026 due to the high base effect and frontloading activities in the previous year.

Retail sales maintained steady growth. Retail sales growth edged up from 6.5% YoY in November to 6.6% in December, albeit below market consensus. For the full year of 2025, retail sales growth improved to 1.1%. December's retail sales performance was supported by substantial tourist inflows, with tourist arrivals surging to 4.6 million in December. That said, it was partially offset by rising resident outbound travels, which amounted to 11.4 million in December. By category, consumer durables and jewellery reported rapid growth rates of 38.4% YoY and 14.3% in December, respectively, with the latter probably driven by the soaring international gold prices. Looking ahead, buoyant tourist arrivals should mitigate the impacts of persistent resident outbound travels, while improving asset market performance as well as stable labour conditions should continue to support retail sales to recover further.

Inflation inched higher; labour market remained stable

Inflation ticked up slightly. The composite CPI inflation increased to 1.4% YoY in December, up from 1.2% in November. Similarly, the underlying inflation rate (which nets out government's one-off relief measures) climbed from 1.0% to 1.3% YoY in December. For 2025, headline inflation was modest at 1.3%. The uptick of December's inflation was driven by inbound and outbound transportation as well as package tours, which accelerated from 7.1% to 9.3% and 1.9% to 3.4% YoY, respectively, likely spurred by strong travel demand during the Christmas festive season. That said, domestic price pressures remained contained.



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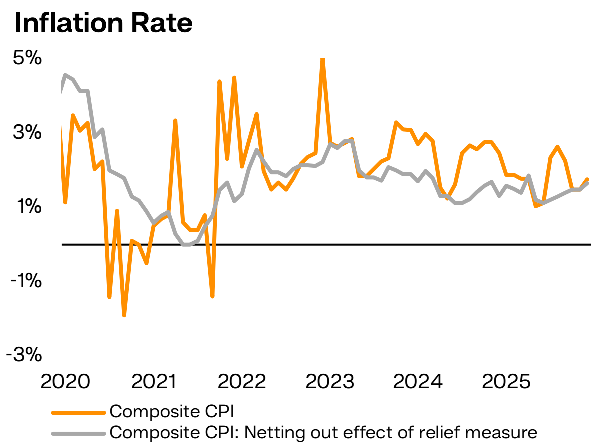


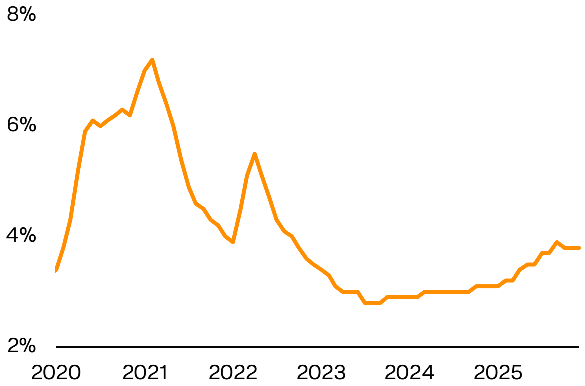
Source: CEIC

The labour market remained stable. The unemployment rate for October-December held steady at 3.8%. Nonetheless, marginal improvements were observed across most sectors. Notably, the unemployment rate in the construction sector declined from 6.8% to 6.7%, while the retail and food services sector saw a slight drop from 5.3% to 5.2%. These moderations were likely driven by the ongoing recovery in the real estate and retail sectors. On balance, steady economic growth and improving business sentiment are expected to further ease the pressure on the labour market, although certain sectors may continue to face adjustment challenges during the economic rebalancing process.

The property market recovery solidified in 2025

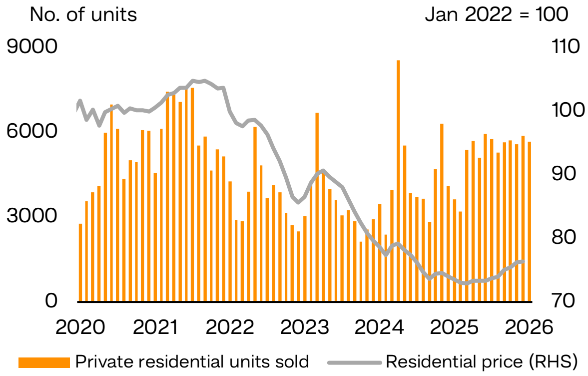
Residential property prices experienced a turnaround of 3.3% in 2025. The official residential property price index rose by 0.2% month-on-month (MoM) in December 2025, which lifted the year's overall gains to 3.3%. Meanwhile, rental prices saw a modest increase, edging up by 0.1% MoM in December, bringing its annual growth to 4.3%. Residential property sales maintained a solid 5,669 units in January 2026. Bolstered by expected Fed rate cuts, a robust and broad-based economic recovery, and consistent demand driven by the influx of new talent, housing demand is likely to strengthen further. Overall, along with increased market optimism, the rising trend of housing prices is set to carry forward into 2026, with residential prices projected to achieve high single-digit growth.

Unemployment Rate



Sources: CEIC

Private Residential Sales and Price



Source: CEIC

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