

Market Monitor – Hong Kong

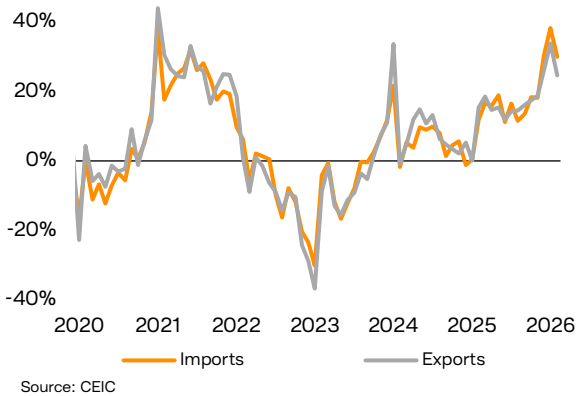
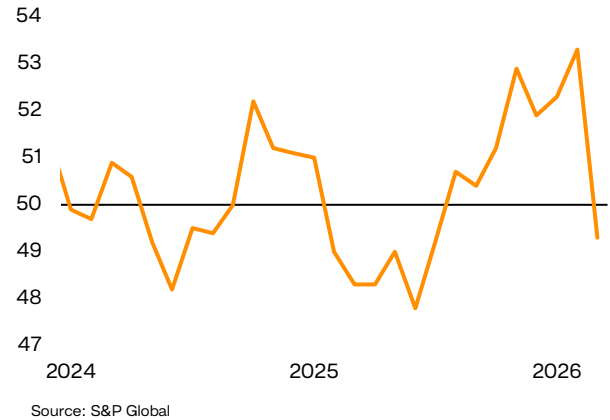
External trade held up but Middle East tensions pose new risks



- Merchandise exports growth accelerated to 29.6% YoY in the first two months of 2026, fuelled by robust demand for AI-related electronic products.
- Retail sales growth surged by 11.8% in January and February 2026, thanks to robust vehicles sales and a continued recovery in inbound tourism.
- Residential property prices increased by 1.6% MoM in February, pushing the year-to-date growth to 2.6%.

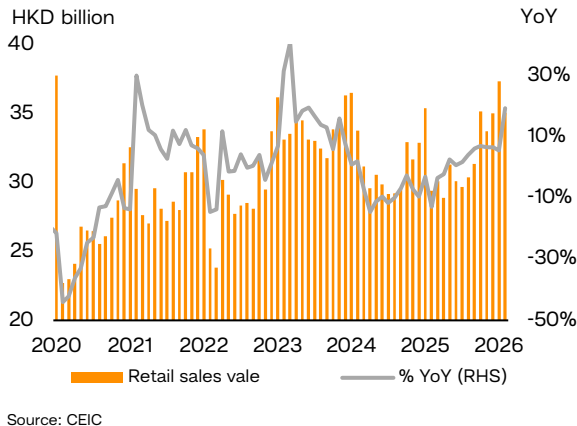
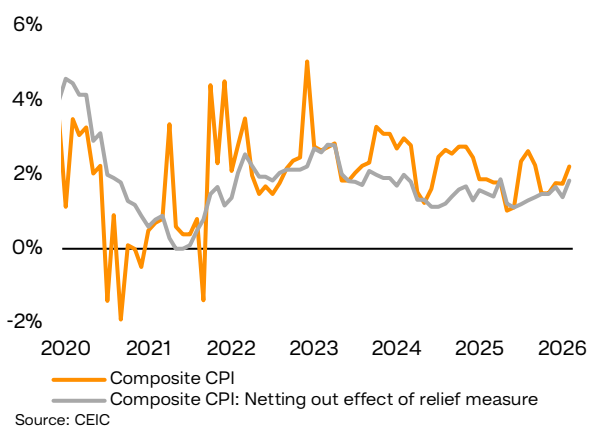
Exports boomed, but the Middle East conflict casts a shadow over the outlook

External trade soared ahead of the Middle East conflict. Merchandise exports rose by 29.6% year-on-year (YoY) in January and February 2026 combined, up from 26.1% in December 2025. The robust export performance was underpinned by buoyant global demand for AI-related electronics, as evidenced by the surge in exports of electrical machinery. Exports to the Chinese Mainland rose by 31.6% YoY in the first two months of 2026, and exports to the US and EU also recorded robust gains of 28.8% and 22.4%, respectively. Meanwhile, imports growth soared by 34.1% YoY in January and February 2026, up from 30.6% in December 2025. That said, the external outlook has become more uncertain. The ongoing conflict in the Middle East has induced significant volatility in global financial markets, with higher energy prices and substantial disruptions to shipping and trade routes in the region. These developments could weaken external demand and raise input costs. Notably, business confidence weakened sharply, with the S&P Global Hong Kong PMI falling to 49.3 in March from 53.3 in February, its first contraction reading in eight months.

Import and Export YoY Growth

S&P Global Hong Kong SAR PMI


Robust retail sales and an improving labour market indicate healthy domestic demand

Retail sales surged thanks to strong vehicles sales and a continued recovery in inbound tourism. Retail sales growth accelerated from 6.6% in December 2025 to 11.8% YoY in January and February 2026. The robust performance was boosted by the expiration of the "One-for-One Replacement" scheme for electric vehicles on March 31, as motor vehicle sales soared 28.5% YoY during the first two months of 2026, compared to 8.9% in December 2025. Meanwhile, retail sales in furniture and fixtures climbed 13.0% YoY, likely driven by the optimistic housing market outlook, while jewellery sales surged 27.8%, probably driven by high gold prices. In addition, strong tourist inflows remained a significant driver of retail sales, with visitor arrivals rising 18.3% YoY to 10.0 million in the first two months of 2026. Looking ahead, buoyant tourist arrivals, particularly from the Chinese Mainland amid a stronger RMB, are expected to offset the drag from strong resident outbound travel, while robust asset market performance and stable labour conditions should continue to support retail sales to recover further.

Retail Sales

Inflation Rate


The labour market showed signs of stabilisation. The unemployment rate for November 2025 to January 2026 eased to 3.8%, down from 3.9% in the preceding three months. Improvements were widely seen across sectors. Notably, the unemployment rate in the construction sector edged down

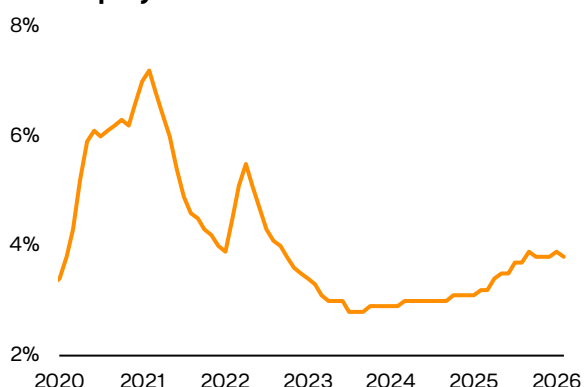
from 6.9% to 6.7%, while the retail and food services sector declined from 5.2% to 4.9%. These moderations were likely driven by the recovery in the real estate and retail sectors. Nevertheless, the unemployment rate in finance, insurance, and real estate sector ticked up slightly. On balance, the labour market strain is likely to ease over time, underpinned by a steady economic expansion, although short-term volatility may persist amid ongoing economic rebalancing.

Inflation remained benign for now. Composite CPI inflation held steady at 1.5% YoY in January-February 2026. Similarly, underlying inflation (which nets out the efforts of all government's one-off relief measures) remained unchanged at 1.3%. Specifically, miscellaneous services inflation accelerated from 1.3% in December 2025 to 2.1% YoY in January-February 2026, led by an increase in medical services, while housing and transportation inflation eased. That said, the transmission of higher international energy prices to Hong Kong has been swift and visible, as several airlines have already doubled their fuel surcharges, and retail petrol prices rose almost immediately following the recent rally. In response, the SAR Government announced a two-month subsidy of HKD 3 per litre of diesel for commercial vehicles, vessels and related industries that use diesel as fuel, alongside other relief measures such as lower tunnel tolls. These measures are expected to soften inflation pressures arising from the global energy shocks.

The housing market has extended its strong rebound

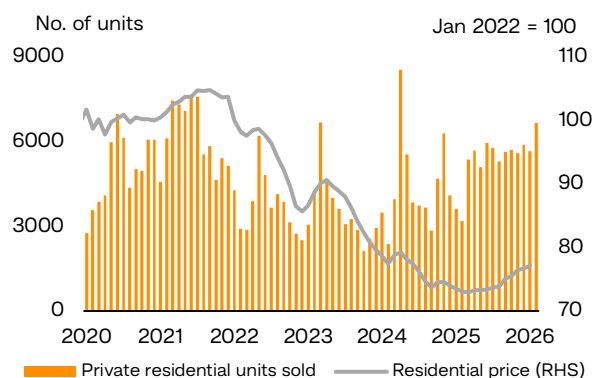
The residential property market has extended its robust recovery. The official residential property price index rose by 1.6% month-on-month (MoM) in February, bringing the year-to-date growth to 2.6%. Preliminary data from secondary market transactions suggested that the uptrend in housing prices is likely to persist into March. On the other hand, rental prices remained steady. Residential property sales in March also remained robust at 6,316 units. Going forward, while the interest rate trajectory has become more uncertain due to the Middle East conflict, Hong Kong's broad-based economic expansion is poised to underpin a sustained recovery in residential property prices.

Unemployment Rate



Sources: CEIC

Private Residential Sales and Price



Source: CEIC

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