

## Economic QuickView



### Hong Kong GDP: Growth Posts Strongest Surge in Five Years

- Hong Kong's GDP expanded by 5.9% YoY in Q1 2026, up from an upwardly revised 4.0% growth in Q4 2025.
- Exports of goods, business investment and private consumption staged a broad-based acceleration, while exports of services continued to grow, albeit at a slightly slower pace.
- Bolstered by AI-driven tailwinds and robust domestic demand, the HKSAR government is likely to upgrade its 2.5-3.5% full-year growth forecast range.

**Hong Kong's economic performance delivered a pronounced upside surprise, with growth for Q1 2026 reaching a five-year high.** The Hong Kong economy expanded by 5.9% year-on-year (YoY) in Q1 2026, up from an upwardly revised 4.0% growth in Q4 2025 and marking the strongest quarterly growth in five years. On a quarter-on-quarter (QoQ) basis, growth also picked up from 1.1% in Q4 2025 to 2.9% in Q1 2026. Crucially, this stellar performance was propelled by a synchronised acceleration across external demand, corporate investment and private consumption.

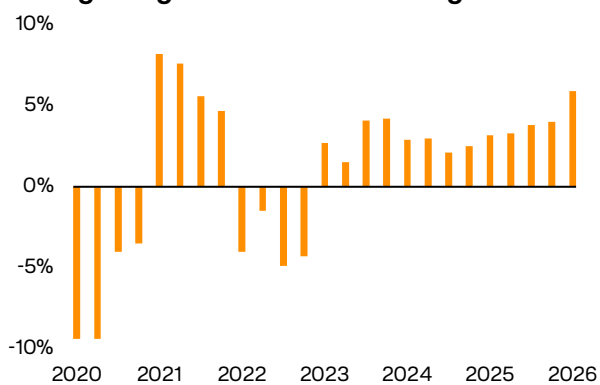
**Merchandise trade surged as robust global AI demand eclipsed the geopolitical tensions in the Middle East.** Real goods exports skyrocketed by 23.8% YoY in Q1 2026, following a robust 15.4% growth in Q4 2025. This brisk growth was heavily fuelled by demand for AI-related products, reflected in a sharp increase in electrical machinery and telecommunications exports, which largely mitigated the adverse effects of Middle East disruptions on global supply chains. Geographically, exports to major markets (the Chinese Mainland, US, EU, and ASEAN) all accelerated, demonstrating the resilience of the Chinese manufacturing prowess and the success of export diversification strategies. Meanwhile, imports of goods rose from 18.2% in Q4 2025 to 29.9% YoY in Q1 2026. While the complex geopolitical landscape shows no signs of abating, the trade outlook

remains cautiously optimistic, anchored by the global AI megatrend.

**Services trade maintained a steady expansion, led by an ongoing tourism recovery.** Real exports of services increased by 3.5% YoY in Q1 2026, compared to a 4.7% growth in Q4 2025. Notably, inbound tourism continued to recover, with tourist arrivals reaching 1.4 million in Q1 2026 and registering a robust 17.0% YoY growth. This strong visitor growth likely boosted travel and transport-related service exports. That said, exports of financial services likely moderated, partly due to high base effects and risk-averse market sentiment induced by ongoing Middle East conflicts. Besides, imports of services ticked up to 3.9% YoY in Q1 from 3.7% in Q4. Looking ahead, buoyant tourist arrivals growth, particularly from the Chinese Mainland driven by a stronger RMB, is expected to provide sustained support to services trade.

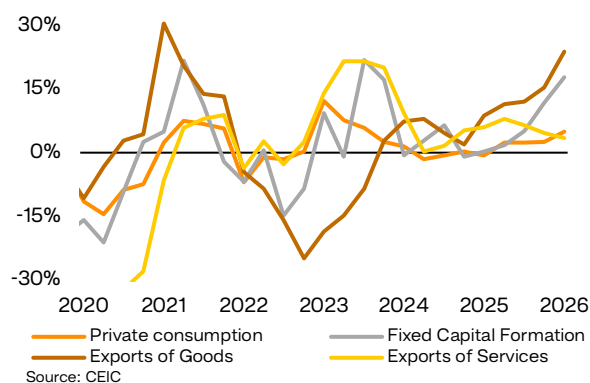
**Investment activities rebounded rapidly.** Gross domestic fixed capital formation rose by 17.7% YoY in Q1 2026, up from 11.7% in Q4 2026. In particular, building and construction investment likely improved, supported by the commencement of various development plans within the Northern Metropolis. The ongoing property market recovery also likely drove up costs of ownership transfer, as market transactions gained steam. In addition, strong capital goods imports suggested an elevated level of machinery and equipment investment. Ultimately, inventory changes were estimated to be strongly positive in Q1, contributing around 8.5 percentage points to the headline YoY GDP growth. This robust investment data indicated that corporations are actively resuming CAPEX deployment, signalling growing confidence in Hong Kong's economic prospects.

**Hong Kong Real GDP YoY Change**



Source: CEIC

**YoY Change of Major Components**



Source: CEIC

**Private consumption also accelerated, driven by steady labour market conditions and positive wealth effects.** Private consumption expenditure rose by 5.0% YoY in Q1 2026, up from 2.5% in Q4 2025. Notably, retail sales improved further, with the first two months of 2026 recording the strongest YoY growth since December 2023. Following a softening trend in 2H 2025, the labour market has stabilised, with the unemployment rate improving from 3.9% in Q4 2025 to 3.7% in Q1 2026. At the same time, a sustained rally in the residential property market generated positive wealth effects for households. Moving forward, consumption growth is likely to be underpinned by several tailwinds, including a continued housing market uptick, further improvements in labour conditions, and steady income growth.

**The remarkable Q1 performance sets a robust foundation for Hong Kong's 2026 growth outlook.** The global economic outlook continues to rely heavily on developments in the Middle East. The impacts of higher energy prices, supply chain disruptions and a potential resurgence of headline inflation are likely to further materialize and pressure international trade. However, substantial global demand for AI infrastructure is anticipated to serve as a mitigating factor, especially Hong Kong remains well-positioned to capitalise on this tech upcycle. On the domestic front, reviving consumption and investment momentum, coupled with supportive fiscal policies, will further insulate the economy from external uncertainties. Overall, given the remarkable Q1 outperformance, it is likely that the HKSAR government will upgrade its 2026 full-year growth forecast from the existing 2.5-3.5% range.

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