BEA 東亞銀行

Economic Indicators Analysis 31 July 2026

Hong Kong Q2 GDP Growth Moderated After a Strong Q1

Summary:

- Hong Kong's GDP grew by 4.3% YoY in Q2 2026, moderating from 5.9% in Q1.
- Exports of goods accelerated further, while growth in business investment and private consumption moderated but remained solid.
- With robust economic performance in H1, full-year 2026 growth is likely to attain the strongest level since 2021.

Hong Kong's GDP growth normalised in Q2, while continuing to reflect solid underlying economic momentum. The Hong Kong economy expanded by 4.3% year-on-year (YoY) in Q2 2026, moderating from a robust 5.9% expansion in Q1. On a quarter-on-quarter (QoQ) basis, growth fell into a contraction of 0.6% in Q2, following a robust 2.9% in Q1. Specifically, external trade continued to act as the primary driver, alongside steady domestic demand.

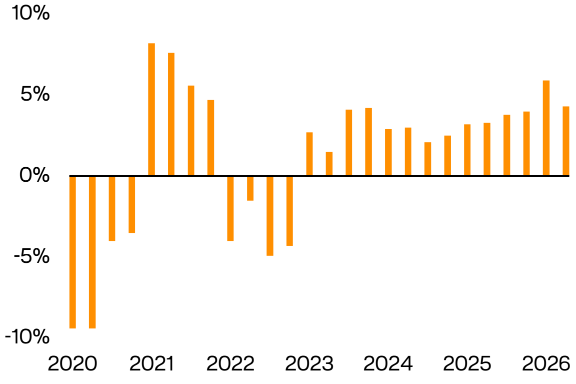
The global AI supercycle remained the key driver of robust merchandise trade performance. Growth in real goods exports accelerated from 23.8% YoY in Q1 to 28.8% in Q2, fuelled by buoyant demand for AI infrastructure and rising semiconductor prices. These factors fuelled brisker export growth in electrical machinery and office & automatic data processing machines. Across major export destinations, this strong export momentum was widely observed, including the Chinese Mainland, the US, the UAE and some ASEAN economies such as Singapore, Thailand and Vietnam. Concurrently, real goods imports edged down from 29.9% YoY in Q1 to 29.3% in Q2. Moving forward, Hong Kong's merchandise trade is likely to remain resilient, underpinned by sustained growth in global AI capex. Solid export demand should also help cushion the adverse impacts of lingering US-Iran geopolitical tensions. The resulting strength in trade activity is also set to support logistics and trade-related professional services.

Services trade maintained steady growth. Real exports of services increased by 3.4% YoY in Q2, compared to 3.3% growth in Q1. Although a detailed breakdown has yet to be released, steady services exports were likely supported by vibrant cross-border financial activities and resilient inbound tourism. Meanwhile, imports of services eased from 3.8% YoY in Q1 to 2.8% in Q2. Looking ahead, active fundraising activity in Hong Kong capital markets should further boost financial services exports, while a strengthening RMB is expected to fuel further growth in Mainland Chinese tourist arrivals. The outlook for services trade continues to be sanguine.

Private consumption growth eased slightly but remained solid. Private consumption expenditure rose by 2.9% YoY in Q2 2026, compared to 4.9% in Q1. The easing was partly driven by unfavourable base effects. During Q2, a pullback in vehicle sales was widely anticipated due to the expiration of the government's EV replacement scheme, which front-loaded certain demand in Q1. In addition, the labour market has held up fairly well, with the unemployment rate stabilising at 3.7% in Q2. A sustained recovery in the residential housing market also provided tailwinds for consumption growth via positive wealth effect.

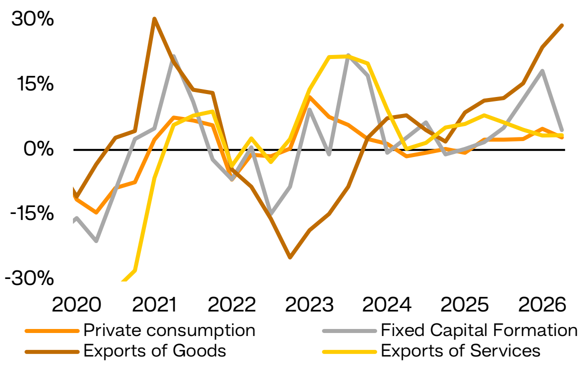
Investment activities softened. Gross domestic fixed capital formation decelerated from a rapid 18.3% growth YoY in Q1 to 4.6% in Q2. The Middle East geopolitical tensions, the subsequent rise in global energy prices and rising rate hike expectations by the Fed would be the factors weighing on corporate sentiment. Besides, inventory changes are estimated to be positive in Q2, contributing approximately 2.0 percentage points to headline YoY GDP growth.

Hong Kong Real GDP YoY Change



Source: CEIC

YoY Change of Major Components



Source: CEIC

The 2026 annual growth outlook remains constructive, underpinned by a robust H1 performance. Despite the moderation in Q2, overall growth in H1 stood at a firm 5.1% according to our estimates. Externally, trade is expected to maintain robust growth, driven by substantial global AI demand. Domestically, consumption momentum is expected to revive as temporary headwinds fade. Furthermore, sustained supportive fiscal policies will continue to beef up public investment. While sequential growth is expected to normalise in H2 following a strong H1, full-year growth is likely to attain the strongest level since 2021.

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