

## Global Markets Research

### Research Alert

# Hong Kong forecasts GDP growth of 2.5-3.5% for 2026

**The Hong Kong economy grew at its fastest pace since 2021 by 3.5% y/y in 2025**  
**Official projects growth of 2.5-3.5% for 2026 amid downside risks and high base effect**  
**Inflation to accelerate from 1.4% in 2025 to 1.8% in 2026 and 2.0% in 2027-2030**

#### Summary

The final 4Q GDP for Hong Kong was left unchanged at 3.8% y/y. This marks a slight uptick from 3.7% in 3Q, and just for recap, had earlier defied expectations for a pullback to 3.0% y/y. Growth at this level marks its strongest pace in 2 years amid broad-based gains from the domestic sector to the external front.

With this, the economy grew by 3.5% for the whole of 2025 and **is expected to grow between 2.5-3.5% this year (2027-2030: 3.0%)**. This official forecast is in line with consensus forecast of 2.6% y/y, largely underpinned by external trade amid AI-related spending, as well as sustained domestic demand. In terms of inflation, **underlying and headline CPI is expected to average 1.7% and 1.8% (2024: 1.4% and 2027-2030: 2.0%)**.

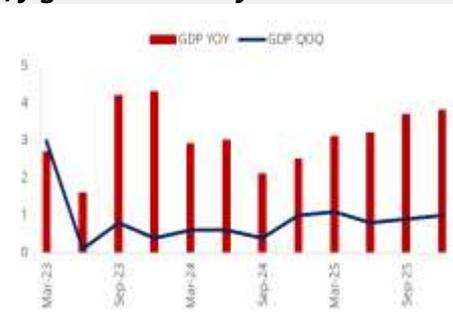
#### Details

By sector, 4Q growth was broad based and driven by domestic demand, primarily by quicker growth for private consumption (2.7% y/y vs 2.4% y/y) and gross domestic fixed capital formation (10.5% vs 3.4% y/y). Government consumption expenditure moderated from 2.0% y/y to 1.4% y/y, while net exports contribution to GDP was also lower with export growth outpaced by imports at 14.0 y/y and 16.6% y/y. The slower export growth was services-driven (4.8% y/y vs 6.6% y/y) while goods exports was robust at 15.5% y/y (prior: 12.0% y/y), benefitting from China's trade resilience and AI demand.

#### Outlook

Despite downside risks especially given the trade policy uncertainties and realistic check from the high base effect from 2025's frontloading, Hong Kong's economic prospect remained resilient and we opine that the target 2.5-3.5% target is achievable for now, supported by:

**Figure 1: 4Q25 saw the strongest y/y growth in two years**



Source: Bloomberg

**Figure 2: Third consecutive quarter of growth for consumption**



Source: Bloomberg

**Figure 3: Robust export growth for goods and services**



Source: Bloomberg

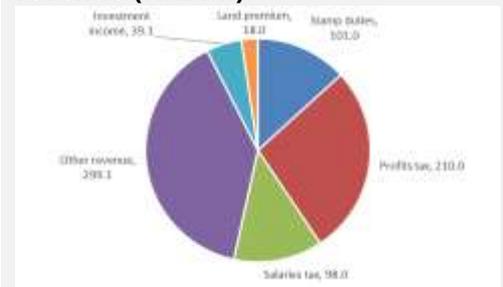
- Robust demand and investments in AI and other new technologies, coupled with stable global economic growth especially from China will underpin growth for trade activities.
- Exports of services, as well as private consumption, will also continue to increase, driven by increasing visitor arrivals (4.4m in 2H vs 3.9m in 1H) and demand for financial services.
- Expectations of easier monetary policy, stabilisation of property prices (average transaction value: HKD45bn in 3Q vs HKD51bn in 4Q vs HKD49bn in Jan) and a strong pipeline of upcoming IPOs and its wealth effect is expected to stimulate private consumption and property investment. Carlson Tong, Chairman of Hong Kong Exchanges and Clearing Limited (HKEX) said that since the start of 2026, Hong Kong's stock market has seen 24 new listings, raising over HKD87bn and has a strong pipeline, with 488 companies awaiting approval.
- Proactive macro policies which will focus on expanding domestic, high-quality development and maintaining reasonable growth.

### The Budget 2026-2027

With regards to proactive macro policies, the 2026-2027 Budget, themed "**Driving High-quality, Inclusive Growth with Innovation and Finance**" was unveiled at the same time. In short, key highlights include:

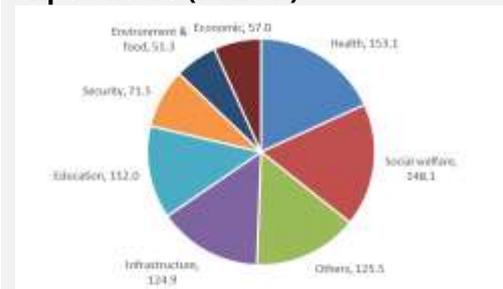
- The city is working towards its 5Y plan to align with the Beijing version. Hong Kong can contribute in various key areas and these same sectors are expected to benefit from the budget, namely:
  - 1) Building a modernised industrial system and accelerating high-level scientific and technological self-reliance, likely to benefit the AI and finance sectors.
  - 2) Promoting high-standard opening up under the "OneCountry, TwoSystems" to fostering two-way trade and investment.
  - 3) Bringing together high-calibre talents from across the globe.
- Hong Kong government is expecting to increase the consolidated surplus from HKD2.9bn in 2025-26 to HKD22.1bn in 2026-27. This will be achieved by increasing revenue (11.1%

**Figure 4: Total government revenue (HKDbn)**



Source: [www.budget.gov.hk](http://www.budget.gov.hk)

**Figure 5: Total government expenditure (HKDbn)**



Source: [www.budget.gov.hk](http://www.budget.gov.hk)

y/y) and strictly containing expenditure (6.9% y/y), the former through the implementation of BEPS 2.0 by OECD and adjustment in stamp duty on residential properties valued over \$100m from 4.25% to 6.50%, and the latter, through the reduction of recurrent government expenditure, adjustments in civil service pay and a cumulative reduction of over 10k posts in civil servant establishment.

## **Appendix: Budget measures**

### **For life and health technology**

- International Clinical Trial Academy to be established in 2027
- HKD500m injection for Chinese Medicine Development Fund

### **Driving AI+ Development with Innovation and Technology (I&T) with Innovation and Technology (I&T)**

- Establish Committee on AI+ and Industry Development Strategy
- Hong Kong AI Research and Development Institute to operate in 2H to support R&D and transformation of outcomes
- Sandy Ridge data facility cluster project
- HKD50m to help public organisations, tech enterprises and tertiary institutions set up AI application courses, seminars and competitions
- HKD100m to accelerate Government digital transformation with leading technologies

### **Supporting Emerging Industries**

- OASES to attract aerospace enterprises, HKEX to review listing requirements for aerospace enterprises
- Hong Kong Investment Corporation (HKIC) and enterprises to establish Hong Kong RISC-V Alliance, forging collaboration among industries, academia and investment for the for microelectronic sector
- Proactive push for R&D and applications in embodied AI, quantum technology, new materials
- HKD10bn I&T Industry-Oriented Fund

### **New Industrialisation**

- New Industrialisation Elite Enterprises Nurturing Scheme to be launched this year, supporting high-growth enterprises
- Around HKD220m to establish the first national manufacturing innovation centre outside Mainland China

**Northern Metropolis for I&T**

- Tripartite co-operation of Government, developers and tech enterprises to channel land and corporate resources for industrial development and unleash land potential
- Hetao Co-operation Zone Hong Kong Park: HKD10bn to accelerate land development, provide infrastructure, establish venture fund
- San Tin Technopole: establish dedicated company and inject HKD\$10bn as initial capital
- HKD10bn to support initial operation of Hung Shui Kiu Industry Park Company Limited

**Patient Capital**

- HKIC has invested in over 190 projects, with 10 investee companies listed and 20 preparing for listing. Attracting over \$8 for every \$1 invested

**Promoting Finance+**

- Offshore RMB market: reduce transaction costs for RMB and other currency conversions, attract more RMB-denominated bond issuances in Hong Kong, explore formation of offshore RMB yield curve
- Mutual Market Access: expedite launch of Chinese Government Bond futures in Hong Kong, inclusion of REITS in mutual access and inclusion of RMB trading counter under Southbound Stock Connect
- Securities market reforms: consultation on revised requirements for weighted voting right structures, facilitating secondary listing of overseas issuers, and implementing T+1 settlement cycles; Enhance structured product-listing framework and regulatory regime for listed companies
- Study the establishment of one-stop multi-asset class post-trade securities infrastructure, covering Mainland and Hong Kong equity and debt securities
- Asset and wealth management: Legislation to enhance family offices and fund tax regime, and enable REITs privatisation; amend the law next year to provide stamp duty waiver for transferring non-residential properties into REITs seeking to list
- Corporate treasury centres (CTCs): relax criteria for stamp duty relief for intra-group transfer of assets, enhancement measures for CTCs, including additional tax incentives to be announced during the year
- Digital assets: OmniClear to establish digital asset platform in the year to support issuance and settlement of digital bonds, establish licensing regime for digital-asset dealing and custodian service providers
- Explore tax concessions for eligible institutions conducting gold trading and settlement in Hong Kong
- Financial inclusion: Amend the law next year to extend MPF “Full Portability” coverage to those employed before 1 May 2025

**Trade Centre**

- Preferential policy package on land grants, financial subsidies and tax incentives. Preferential tax rates at half rate or 5%
- Advisory Committee on Tax Policy to gather views to support economic development with tax policies
- Cross-sectoral professional services platform to support enterprises in going global
- HKD100m to attract international, large-scale exhibitions with new elements

**Intellectual Property Trading**

- Tax deduction arrangements for capex in purchasing intellectual property
- HKD28m for Hong Kong Technology and Innovation Support Centre to provide patent evaluation and implement a 2-year Pilot Patent Valuation Support Scheme
- HKD52m for Intellectual Property Academy on a 2-year pilot

**Aviation, Shipping, Logistics**

- Future Innovative Logistics Acceleration Scheme to enhance interconnectivity of logistics data
- HKD34m to provide port dues concessions for green vessels and offer incentives for green vessels registered in Hong Kong

**Culture, Sports and Tourism**

- HKD1.7bn for Hong Kong Tourism Board
- Additional HKD\$1bn for Built Heritage Conservation Fund
- HKD200m to launch pilot NM Urban-rural Integration Fund
- HKD1.2bn into the sports portion of Arts and Sport Development Fund
- 5-year collaboration with Art Basel

**Green Development**

- 5-year waste reduction and recycling plan
- For electric commercial vehicles, electric motorcycles and electric motor tricycles, first registration tax waived in full to 31 March 2028

**Education and Talent**

- HKD10bn loan to support campus development in the NM University Town
- HKD65m to provide additional government-funded training places for construction professionals
- Extend Programme to Enhance Talent Training for the Insurance Sector to March 2029

**Supporting Local Enterprises**

- BUD Fund: injection of HKD200m
- Raise funding ceiling for each Easy BUD application to HKD150k

**Support Measures for the People**

- Rates concession for domestic properties for the first 2 quarters of 2026-27, subject to a HKD500 ceiling per quarter
- Rates concession for non-domestic properties first 2 quarters of 2026-27, subject to a HKD500 ceiling per quarter
- Reduction in salaries tax and tax under personal assessment for the assessment year 2025-26 by 100%, subject to a HKD3k ceiling
- Reduction in profit tax for the assessment year 2025-26 by 100%, subject to a HKD\$3k ceiling
- Extra 1 month allowance of standard CSSA payments, Old Age Allowance, Old Age Living Allowance or Disability Allowance. Similar arrangements for Working Family Allowance

**Supporting Work Following the Tai Po Fire**

- HKD4bn to support long-term housing arrangements for those affected
- HKD300m injection to URA to launch enhanced "Smart Tender" and provide subsidies for using the services
- HKD3bn to support new subsidy scheme for Operation Building Bright 2.0
- HKD1bn to extend Lift Modernisation Subsidy Scheme

**Caring for the Community**

- Elderly Health Care Voucher Pilot Reward Scheme extended to end-2028; Accumulate voucher spending of HKD1k on specific primary healthcare services in the same year and receive a HKD500 voucher reward - HKD1bn expenditure
- Residential Care Service Vouchers for the Elderly increased to 7k, involving annual expenditure of HKD2.0bn
- Community Care Service Vouchers for the Elderly increased to 16k, with annual expenditure of HKD1.2bn
- HKD60m to continue HYAB Funding Scheme for International Youth Exchange
- 450 additional places for day, residential and pre-school rehabilitation services in 2026-27, involving an expenditure over HKD100m
- HKD260m to provide bridging and support services for primary school children receiving On-site Pre-school Rehabilitation Services
- Re-employment Allowance Pilot Scheme: provision increased to over HKD\$220m

**For Land, Housing and Infrastructure**

- About 22k units from the 2026-27 Land Sale Programme (9 residential sites), railway property developments, URA projects and private development and redevelopment projects
- Total public housing supply at 196k units in the coming 5 years, completion of about 17k private residential units annually in the coming 5 years.
- HKD1bn injection into the Construction Innovation and Technology Fund to promote I&T's industry-wide application
- HKD100m for Building Technology Research Institute to support studies reviewing construction standards and exploring AI applications

Source: [www.budget.gov.hk](http://www.budget.gov.hk)

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 122

Fax: 603-2081 8936

Email: [HLMarkets@hlbb.hongleong.com.my](mailto:HLMarkets@hlbb.hongleong.com.my)**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.