

Hong Kong – Q1 GDP

Economic Insight GLOBAL

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- Hong Kong's GDP grew 5.9% year on year in Q1, the strongest in almost five years; it also rose 2.9% quarter on quarter.
- The expansion was broad-based, with domestic demand improving. Private consumption increased 5.0% year on year, supported by firmer sentiment and a wealth effect as private home prices rose 4.4% in Q1.
- External trade was strong, with goods exports up 23.8% and imports up 29.9%, helped by AI-driven demand for electronics.
- Outlook: growth should stay supported but may ease later as base effects fade; risks include tighter global policy and renewed geopolitics.

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Exhibit 1: Hong Kong GDP by Components

	Q2 2025	Q3 2025	Q4 2025	Q1 2026
GDP	3.3%	3.8%	4.0%	5.9%
Consumption	2.4%	2.4%	2.5%	5.0%
Investment	1.8%	5.1%	11.7%	17.7%
Government spending	2.5%	1.9%	1.5%	2.9%
Exports of goods	11.4%	12.0%	15.4%	23.8%
Imports of goods	12.6%	11.7%	18.2%	29.9%
Exports of services	8.0%	6.4%	4.7%	3.5%
Imports of services	6.4%	2.0%	3.7%	3.9%

Note: data up to Q1 2026

Source: Macrobond, Hang Seng Bank

Hong Kong's GDP growth surprised to the upside in the first quarter, expanding 5.9% year on year. This was well above the 3.5% market consensus and the strongest pace in almost five years, following robust 4.0% growth in the previous quarter. On a quarter-on-quarter basis, the economy also grew strongly, up 2.9%.



Broad-based expansion

A key feature of the first-quarter rebound was its breadth, with both domestic and external demand contributing. Almost all major GDP components recorded solid growth (Exhibit 1).

Private consumption was a particular bright spot, rising 5.0% from a year earlier. As we anticipated in previous reports, consumption has improved steadily since the second half of last year, supported by a gradual recovery in consumer sentiment and demand. We believe a major driver has been stronger asset-market performance, especially in the private residential property market. Official data from the Rating and Valuation Department show private home prices rose 4.4% in Q1, extending and accelerating the recovery that began in the second half of last year.

External demand also provided meaningful support. As a major regional trading hub, Hong Kong benefited from strong trade flows: exports and imports of goods surged 23.8% and 29.9% respectively. The Q1 trade data suggest global, AI-driven demand remains robust, supporting exports of electrical machinery and telecommunications equipment, which together account for around 60% of Hong Kong's export value. That said, we note that import growth has outpaced export growth over the past two quarters, which may have mechanically boosted inventories—a component of investment—creating a statistical uplift in the investment figures.

Positive outlook, with risks

The strong Q1 performance reinforces our earlier upgrade to Hong Kong's 2026 GDP growth forecast to 3.1% (from 2.5%). Looking ahead, consumption should continue to benefit from improving sentiment, with the wealth effect remaining supportive. External trade is likely to be underpinned by stronger intra-regional activity in Asia, while AI-driven demand for electronics continues to support global trade.

However, as base effects become less favourable, growth is likely to moderate later in the year. We are also monitoring the risk of further tightening by global central banks if inflation proves more persistent. Finally, while geopolitical uncertainty has eased somewhat, the risk of renewed tensions remains, which could trigger volatility in global financial markets and disrupt capital flows into and out of Hong Kong.



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