Hong Kong Market Brief (July 2026)

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Speaker: Paola Bellusci, Trade Commissioner of Italy in Hong Kong

1. GDP

Hong Kong's economy grew 5.9% year-on-year in Q1 2026, **the fastest quarterly pace in almost five years.** That said, this looks like a peak rather than a new baseline — the government kept its full-year forecast at a cautious **2.5%–3.5%,** and HKU expects Q2 to slow to around 3%, citing a higher year-ago base and softness in China's own economy. The IMF strikes a similar note, saying growth should "moderate in the near term" due to weaker external demand and tighter financial conditions linked to the Middle East conflict, and it describes downside risks as dominant. **It's also worth flagging that the IMF sees Hong Kong's economy as still below its pre-pandemic trend, with medium-term potential growth closer to 2.25%.**

In short: the headline number is real and largely export-driven (AI-related electronics in particular), but it is far from being a sustained boom.

2. Labour Market & Prices

Unemployment has stayed low at **3.7%** for April–June 2026, and inflation is running at a manageable **1.7%–1.9%**. Both point to **stable household purchasing power** in the near term. The one thing worth watching: the IMF flags declining labour force participation as a longer-running structural issue that predates and persists through the recovery.

3. Retail Sales

Retail sales climbed 19.3% year-on-year in February 2026 per Reuters, marking ten straight months of growth, with jewellery and valuable gifts up an even stronger 24.2% that month. But the pace has cooled steadily since — **9.8% in March, 6.4% in April, 4.8% in May** (**could possibly be stemmed from the fading out of last year's low base, instead of the accelerating demand**)

- Category performance is uneven: jewellery, watches, and electronics remain strong, while apparel and footwear have seen **outright declines** in some months.
- Deloitte projects retail sales could rise up to **8% for the full year** (roughly HK$410 billion), but that assumes stimulus and stabilization hold through H2.
- Government messaging attributes **retail strength to "visitor growth"** — worth reading alongside the tourism-spending data below before taking that framing at face value.

4. Tourism

Hong Kong is targeting 53.8 million visitor arrivals in 2026, up 8% from last year, and Q1 arrivals were already up 17% to 14.31 million. The IMF credits tourism's return as a genuine driver of 2025's stronger-than-expected growth.

The catch is spending, not volume. DBS estimates per-capita tourist spending is still roughly 24% below pre-pandemic levels, and tourists now account for only about 18% of total retail sales, down from over 30% previously. DBS doesn't expect a full recovery in tourist spending within the next five years. More visitors are showing up, but their spending habits are different from before.

5. Hong Kong–Italy Trade

- According to TDM, considering only goods (not services), Italy is Hong Kong's 3rd largest EU trading partner, 3rd largest export market after France and Germany, and 2nd largest import market (after France) as of 2025 — a long-established relationship rather than a newly emerging one.
- Hong Kong imported €7.1 billion in goods from Italy between January and December 2025, making Italy the 2nd largest EU supplier.
- Around 300 Italian companies already operate in Hong Kong as of 2025 — this is a mature market presence, not an untapped one.
- Legal groundwork is solid: an Investment Promotion and Protection Agreement has been in force since 1998, and a Double Taxation Agreement since 2015, both reducing friction for exhibitors looking to set up locally.

6. Italian Beauty & Luxury

According to TDM, **Hong Kong is still the top Asian export destination for Italian cosmetics (HS 33)**, ahead of Mainland China, Singapore, South Korea, and Japan. Exports hit over €250 million in 2023 (€ 253 mil) and 2024 (€254 mil), to stabilize in 2025 at €212,4 mil — solid, though not spectacular growth. In **jewellery** the picture is more about headroom than current dominance: Hong Kong's jewellery (HS7113) import market reached €17.8 billion in 2025 (+4.6%), and Italy currently ranks 4th among suppliers (€958 mil), with still some room to grow rather than a market already saturated with Italian goods.

7. Outlook & Caveats

A quick consolidated view of the downside risks referenced above, pulled directly from IMF, HKMA, and independent consumer research.

GDP

- IMF: growth should "moderate in the near term" given weaker external demand and tighter financial conditions tied to the Middle East war.
- IMF: risks are "tilted to the downside," including possible escalation of conflict.
- HKMA expects "moderate," not accelerating, growth in 2026.

Retail & Tourism

- Retail growth deceleration is already visible month-on-month as the favourable base effect fades.
- Visitor numbers are rising, but per-visitor spend and retail contribution share are both trending down.

Consumer Sentiment

- TransUnion (July 2026): fewer households expect income growth than a year ago; 30% say earnings aren't keeping pace with inflation; 35% have cut discretionary spending; 37% are building up emergency savings instead.

Structural retail leakage

Analysts (JLL, SCMP) note Hong Kong retail continues to suffer "leakage of domestic consumption" as residents increasingly travel and spend outbound rather than locally, a persistent drag that predates and continues alongside the recovery.

Structural Headwinds

- IMF flags commercial real estate and highly leveraged corporates as areas needing continued vigilance.
- HKMA notes commercial property prices and rents "continue to face pressure," and household debt-to-GDP rose to 87.6% in H2 2025.
- The IMF's recommendation of an expansionary fiscal stance for 2026 is itself telling — it's premised on the idea that "economic slack" still exists.
- Consumption leakage remains a factor, with residents continuing to spend more outbound than locally.

Bottom Line

Hong Kong's H1 2026 numbers point to a genuine, ongoing recovery — moderate GDP growth, continued retail gains, more visitors, low unemployment, and a well-established, treaty-backed relationship with Italy. It is a stabilizing market rather than a booming one: growth is easing off its Q1 peak, retail strength sits in specific categories rather than across the board, tourists are spending less per visit than before, and households are still cautious. For exhibitors, Hong Kong offers a mature, resilient base with real category-specific upside — particularly in jewellery and premium beauty — rather than a story of explosive, across-the-board growth.