HONG KONG MONETARY AUTHORITY
香港金融管理局

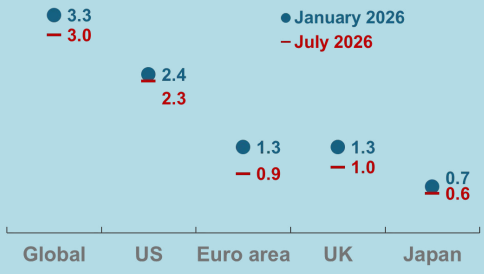
Half-Yearly Monetary and Financial Stability Report (September 2026)

Highlights

External Environment

- The global macro-financial environment was shaped by two forces: the Middle East energy supply shock and the artificial intelligence (A.I.) investment boom. Both fuelled inflation but pulled growth in opposite directions, widening divergence across economies
- The outlook should bend rather than break. Support from the A.I. boom may be offset by persistent risks from geopolitics, trade, financial stability and fiscal sustainability

Real GDP growth projections for 2026 in major advanced economies (%yoy)

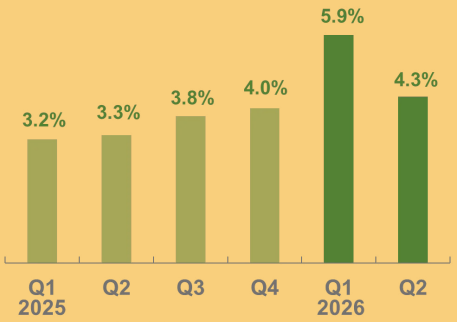


Source: International Monetary Fund

Domestic Economy

- Hong Kong's real GDP expanded robustly in 1H 2026, driven by strong export performance and resilient domestic demand, while the direct impact of the Middle East conflict on Hong Kong has been limited
- Hong Kong's economic growth is expected to remain steady for the remainder of 2026, supported by sustained global demand for A.I.-related electronic products and rising tourist arrivals

Hong Kong real GDP growth (%yoy)

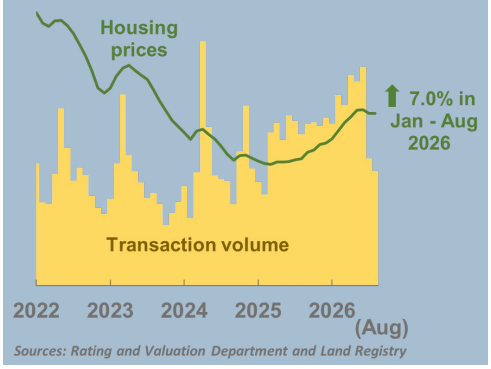


Source: Census and Statistics Department

Property Markets

- The residential property market was buoyant in the first half of the year, underpinned by improved economic conditions and positive market sentiment
- Commercial real estate markets also showed some signs of stabilisation amid improved office occupancy

Housing prices and transaction volume

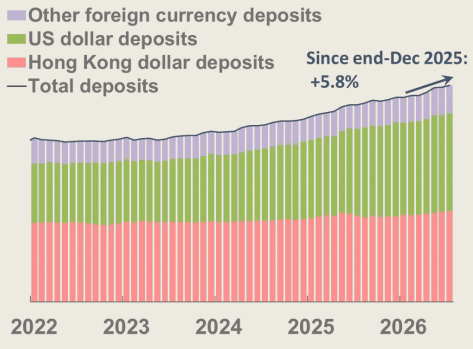


Sources: Rating and Valuation Department and Land Registry

Monetary Environment and Interest Rates

- HKD interest rates eased in early March before generally firming thereafter, reflecting shifts in seasonal and capital market-related funding demand
- Total deposits increased by 5.8% since end-December 2025, reflecting investor confidence in Hong Kong

Deposits with authorized institutions by currency (HKD)

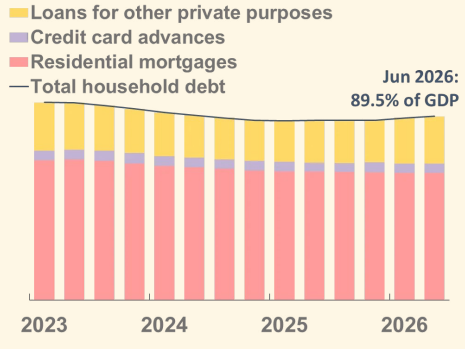


Source: HKMA

Credit Risk - Household Debt

- Hong Kong's households remained financially sound, and the household debt-to-GDP ratio rose by 1.9 percentage points to 89.5% in 1H 2026

Household debt-to-GDP ratio and its components

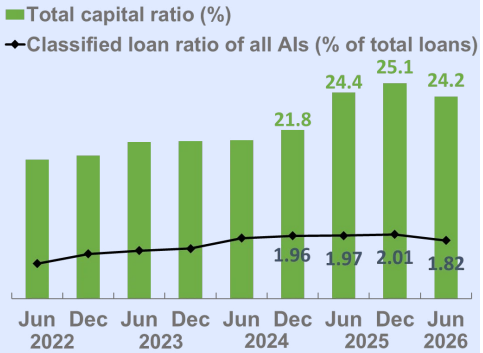


Source: HKMA

Banking Sector Performance

- The classified loan ratio declined in 1H of 2026, indicating the overall asset quality remained manageable with signs of improvement
- The banking sector remained resilient and well-capitalised, but it may face challenges from the spillover risk from debt vulnerabilities in A.I. firms, ongoing Middle East conflict, and uncertainty over the future path of US interest rates

Capital adequacy ratio and asset quality of the Hong Kong banking sector



Source: HKMA

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