OCBC Hong Kong Shares Outlook on Global, China and Hong Kong Economies for Second Half of 2026

Hong Kong, 5 Aug 2026 - OCBC Bank (Hong Kong) Limited ("OCBC Hong Kong") today held its 2026 Second-Half Economic Outlook, themed "The key trio: AI Boom, Geopolitics and Higher Rates", bringing together economists from across the OCBC Group to share their perspectives on key macroeconomic trends. Selena Ling, Chief Economist & Global Head, and Tommy Xie, Head of Asia Macro Research, both from OCBC Group Research and Global Markets team, travelled from Singapore to Hong Kong to join the event, alongside Cindy Keung, Economist, OCBC Hong Kong. The speakers presented OCBC's views on the global economic landscape, China's economy and markets, and Hong Kong's economic outlook for the second half of 2026.

Global Economic Landscape

Presented by Selena Ling, Chief Economist & Global Head, OCBC Group Research, Global Markets, OCBC

- **The AI capital expenditure is the dominant global theme, lifting the US and Asia alike**
  The global economy held up better than expected in 1H26 despite the US-Iran conflict, underpinned by a powerful global AI investment cycle and supportive financial conditions. Large-scale investment in AI infrastructure is driving US investment and creating significant spillovers across Asia, including Taiwan, South Korea, Singapore, Malaysia and even Vietnam, through electronics manufacturing and trade channels.

- **Geopolitics and tariffs remain wildcards; Inflation risks have not disappeared, so watch for hawkish policy recalibration**
  The US-Iran conflict and Strait of Hormuz disruptions introduced a substantial energy risk premium earlier in the year. Although oil prices have retreated following diplomatic developments, any renewed escalation could quickly revive inflation and market volatility.

  With inflation possibly yet to peak, central banks remain cautious and may turn more hawkish if it stays elevated or expectations de-anchor. In addition to the potential persistence of energy - driven inflation pass-through, the threat of a super El Nino may also add to agricultural food price inflation.

- **The three biggest things to watch in 2H26**
  a) Whether the AI investment boom continues or starts to cool.
  b) Whether geopolitical tensions re-escalate, especially around the Middle East and other flashpoints, Some country-specific risks, including the upcoming US mid-term elections etc.

c) Whether central banks become increasingly hawkish if inflation proves sticky into 2027.

China's Economy and Markets
Presented by Tommy Xie, Head of Asia Macro Research, OCBC Group Research, Global Markets, OCBC

- **Investment remained the main drag; AI remains the structural growth engine**
  Domestically, investment is the main drag, led by the property sector, with infrastructure also softening. Exports are the bright spot: AI-related products are a key driver, and IC imports hit another monthly record, up 72.3% year-on-year. Robust growth in both IC exports and imports suggests continued expansion across China's AI supply chain, reinforcing our view that AI-related exports will remain an important pillar supporting China's external sector over the coming quarters.

- **2Q26 is likely to mark the cyclical trough; more policy support for consumption is likely**
  Household consumption is the weakest component of domestic demand, with a five-year target implying modest nominal retail sales growth of around 3.7% a year, below medium-term nominal GDP growth. With additional focus on service consumption and “six networks” investment, growth should improve gradually during the second half of the year. OCBC expects China to achieve its official growth target, although full-year GDP growth is likely to finish toward the lower end of the 4.5–5.0% target range.

- **The big structural trend: China going overseas, tech self-reliance re-rating assets**
  China’s manufacturing trade surplus topped US$2 trillion for the first time, exceeding 1.7% of world GDP. This is a striking number as it makes China on par with the US manufacturing surplus as % of global GDP right after the World War 2 when the world output was depressed. OCBC sees a surplus this large as politically unsustainable, creating genuine pressure for firms to expand overseas this decade. Separately, breakthroughs in critical technologies cut reliance on foreign suppliers and strengthen the industrial ecosystem

Hong Kong’s Economic Outlook
Presented by Cindy Keung, Economist, OCBC Group Research,, Global Markets, OCBC Hong Kong

- **Full-year GDP growth forecast: recovery turns domestically anchored, GDP seen at 3.8%**
  OCBC Hong Kong has revised its full-year 2026 GDP growth forecast to 3.8%. The recovery is increasingly domestically anchored, with consumption, investment and credit demand strengthening in tandem. External risks remain tilted to the downside should geopolitical tensions intensify or persist. A solid pipeline of infrastructure projects, and the investment spending that comes with it, should serve as a structural buffer for growth over the next couple of years.

- **Trade: riding the AI boom, Hong Kong emerging as a regional AI trade hub**
  Merchandise exports and imports rose sharply in the first half of 2026, fuelled by global demand for AI-related electronics and technology components. For the full year, the bank expects exports and imports to grow by over 30% . The booming chip trade is rapidly positioning Hong Kong as a regional AI trade hub.

- **Residential property: durable, broad-based upcycle, prices seen up 8.5%**

Supported by improved affordability, positive carry and demographic tailwinds, the housing market has entered a broad-based upcycle. The bank expects residential prices to rise 8.5% and rents 4.5% in 2026, though the pace of price gains will hinge on the interest-rate trajectory and market sentiment, and may slow in the 2H26.

- **HKD rates: limited downside room, HIBOR steadies into year-end**
  The bank pitches 1-month and 3-month HIBOR at 2.80% and 2.95% respectively at end-2026. As spot USD/HKD trades closer to the weak-side Convertibility Undertaking of 7.85, investors are watching the liquidity implications. Should FX intervention be triggered, liquidity may need to shift from the bills market to the interbank market, and these operations could cause two-way fluctuations in HKD rates.

Images

(From Left) Tommy Xie, Head of Asia Macro Research, Selena Ling, Chief Economist & Global Head, both from OCBC Group Research and Global Markets team, travelled from Singapore to Hong Kong to join the event, alongside Cindy Keung, Economist, OCBC Hong Kong, to present OCBC's views on the global economic landscape, China's economy and markets, and Hong Kong's economic outlook for the second half of 2026.

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