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TRADE

HK EXPORTS SLIP 3pc AS WOES DEEPEN

Little prospect of rebound unless US and EU can bring pandemic under control, economist warns

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The recent decline in Hong Kong trade worsened last month, with exports falling 3 per cent from a year earlier, exacerbated by a combination of the coronavirus pandemic and snowballing US-China tensions.

Exports shrank to HK$328.5 billion following a 1.3 per cent decline in June, while imports dropped 3.4 per cent year on year to HK$358.3 billion, the Census and Statistics Department revealed yesterday.

That left a trade deficit of HK$29.8 billion, equivalent to 8.3 per cent of the value of imports last month.

A government spokesman said exports remained weak in July, particularly to the United States, European Union and major Asian markets such as the Philippines, India, South Korea, Thailand and Japan.

"The threat of Covid-19 will remain until an effective vaccine or treatment is widely available," he said. "The weak global economy, together with the tense China-US relations, will continue to cloud the outlook for Hong Kong's merchandise exports in the near term."

The best performing market for Hong Kong in July was the mainland – the city's No 1 export destination – which saw a 5.2 per cent jump.

Iris Pang, ING bank's chief economist for Greater China, said the performance of markets was reflected in how well the Covid-19 pandemic was being contained.

"Unless the pandemic in the US and EU comes under control, it is hard to see Hong Kong's exports rebounding," she said.

"Social-distancing rules overseas curb demand for goods."

In the US, the coronavirus has infected 5.78 million people, accounting for about a quarter of the world's total number of cases. China has had more than 84,000 cases.

Hong Kong's third wave of infections showed signs of easing, with 24 new cases yesterday, taking the city's tally to 4,734, with 78 related deaths.

In the first seven months, the city's exports shrank 6.3 per cent and imports contracted 8.5 per cent from the same period last year, which resulted in a HK$205.3 billion trade deficit.

The Hong Kong Trade Development Council forecast full-year exports would drop 10 per cent from last year, the worst since a decrease of 12.6 per cent in 2009, in the aftermath of the global financial crisis.

Exports have recently faced escalating headwinds, with the US suspending a reciprocal tax exemption arrangement for shipping companies with the city and forcing products made in Hong Kong to be relabelled "Made in China" after November 9, following a delay in enforcement from September 25.

Analysts said the suspension of the bilateral tax treaty would jack up the cost of trade while the relabelling requirement would take a toll on the city's brand development.

Exports shrank to HK$328.5 billion in July. Photo: Sam Tsang

The weak global economy ... will continue to cloud the outlook in the near term

A GOVERNMENT SPOKESMAN

Steve Lamar, president and CEO of the American Apparel and Footwear Association – an advocacy group representing more than 1,000 major industry brands in the United States – said the label change appeared to be small, but it came suddenly to a system that had been in place for decades.

"Such changes need ample transition time – certainly longer than the few months that have been provided – to learn and implement new rules and prevent confusion or compliance headaches down the road," he said.

The US was Hong Kong's No 2 trading partner after the mainland last year, with bilateral trade worth HK$517 billion, or 6.2 per cent of the city's total. The US last year had a trade surplus of US$26.4 billion with Hong Kong, the country's highest.