Hong Kong: Exports drop further

Hong Kong's exports fell further in February. We think this is partly a Chinese New Year effect and partly a reflection of weak manufacturing due to trade tensions and the downward product cycle of electronic parts. We may need to revise down our GDP growth forecast if economic data continues to show significant weakening

Source: Shutterstock

It's not just the Chinese New Year

Hong Kong's exports fell 6.9% year-on-year in February after falling 0.4%YoY in January. The decline looks bad compared to a month ago but in fact, it is even more severe than it looks when we consider the base effect.

The value of exports was HK$228.67 billion in February 2019, lower than HK$245.74 billion in the same month last year. We can't just blame the Chinese New Year for this result. Trade tensions and the downward product cycle of electronic parts are also significant factors.

Imports look like a less severe problem, but that's not the case

Imports fell 3.8%YoY in February, which is better than the 6% drop in January. But again, the base effect masks weakness.

The value of imports was HK$277.51 billion in February 2019, which was less than HK$288.48 in the same month a year ago.

Unlike exports, which are over 90% re-exports, some imports into Hong Kong are actually consumed there. So softness in imports could indicate weakness in Hong Kong's domestic economy.

We may need to revise down GDP growth

We have yet to see February's retail sales data, which will be published on 1 April. By then, we will have a better understanding of Hong Kong's domestic economy, which we still expect to grow by 2.2% in 2019.

A downward revision to our GDP growth forecast is likely if the upcoming data continues to signal a significant weakening of the economy.

Author

Iris Pang
Chief Economist, Greater China
iris.pang@asia.ing.com