

## Hong Kong trade unaffected by 'Made in Hong Kong' ban

Goods labelled "Made in Hong Kong" will soon be re-labelled "Made in China" when they are now exported to the US. Will this hurt Hong Kong's trade? We don't think so



### Trade continues to shrink

Hong Kong exports shrank by 3.0% year-on-year in July, contracting by more than the -1.3%YoY seen a month ago. But imports shrank less than they did a month ago. In July, they declined by -3.4%YoY, compared to -7.1%YoY a month ago.

### Covid-19 is a challenge for both exports and imports

For trade, the main picture hasn't changed - things are still mostly Covid-19 driven. Unless the number of cases falls sharply around the world and social distancing measures ease, Hong Kong's exports will continue to shrink for the remainder of 2020.

In July, social distancing measures were relaxed significantly and were only tightened again towards the end of the month, and therefore imports in July increased on a monthly basis.

Imports partly share the same story as exports, as some imports ultimately go on to other places.

e.g. imports from mainland China that are exported to other locations in the world. Some imports into Hong Kong stay in Hong Kong because Hong Kong relies heavily on imports and does not produce goods in general.

## **“Made in Hong Kong” is really the old days**

When the US banned goods exports from Hong Kong labelled as “Made in Hong Kong”, this came as a surprise because there are so few goods that are actually produced in Hong Kong and the economy is really all about services. In 2020, exports of goods from Hong Kong, excluding re-exports, accounted for just 1.1% of Hong Kong’s total exports.

And this has been the case for a while. Back in 2008, the proportion of Hong Kong’s own exports was only 3.2% of total exports - over 94% of Hong Kong exports were just re-exports.

We don’t see the US policy hurting overall trade in Hong Kong. There could be an increase in shipping costs, which is the aim of another US policy, but as a free transshipment port, this increase in shipping fee, which should be shared among the shipping companies, exporters and importers in the US, should not have a major impact on Hong Kong’s existing role as a major port in Asia.

Having said all of this, we still think Covid-19 is the biggest challenge to Hong Kong trade.