CHAPTER 2 : THE EXTERNAL SECTOR

Summary

- *The external trading environment worsened further in the third quarter. The recoveries of many advanced economies were weak, while the growth slowdown of emerging markets continued. Besides, the fluctuations of the global financial markets intensified amid fears about the US interest rate lift-off and global economic outlook. The subdued global economic landscape took a further toll on Asian exports, with some Asian economies witnessing double-digit declines.*

- *In tandem with the downdraft in Asian trade, Hong Kong's merchandise exports slackened further to show a year-on-year fall of 3.8% in real terms(1) in the third quarter of 2015. The performance of most major markets was rather weak.*

- *Exports of services also reverted to drop by 1.3% in the third quarter from a year earlier. Dragged by the subdued global economic climate, the weak performance was evident across most major service groups. The fall in exports of travel services widened again, as visitor arrivals slackened visibly further to show a decline during the period. Exports of trade-related services and transportation services also declined further under the general setback in regional trade and cargo flows. Meanwhile, the global financial market upheaval during the summer put a dent on cross-border financial activity, resulting in moderation in the growth of exports of financial and other business services.*

- *The 18th Plenary of the Hong Kong/Guangdong Co-operation Joint Conference was convened in early September, setting directions for collaboration in the coming year. Five co-operation agreements, including those on intellectual property protection and enhancing cross-boundary e-commerce, were signed. In October, the Government announced that Hong Kong and Macao would commence negotiations on the Hong Kong and Macao Closer Economic Partnership Arrangement (HK-Macao CEPA), a free trade agreement that would further enhance economic co-operation and development of the two cities.*

Goods trade

Total exports of goods

2.1 Global demand remained rather weak, putting a serious dent on Asian trading and production activity. Its negative spill-overs on Hong Kong's external segment were visible. As part of a region-wide phenomenon, *merchandise exports* (comprising re-exports and domestic exports) declined further by 3.8% in real terms in the third quarter over a year earlier, slightly larger than the 3.0% fall in the second quarter. On a seasonally adjusted quarter-to-quarter basis, merchandise exports held virtually unchanged in the third quarter, following the 1.3% decline in the preceding quarter.

2.2 The global economic environment stayed lacklustre. The US economy wavered again and softened in momentum in the third quarter. Its labour market also saw slower job gains during the quarter, but consumer spending there generally held up. The recoveries in other major advanced economies also failed to gain traction, as the eurozone economy was inflicted by structural issues and still stuck in the slow track. Japan's economy even teetered on the verge of technical recession. Moreover, emerging market economies in general continued to weaken, with those heavily dependent on commodity exports being put under stress. Indeed, Brazil and Russia were already mired in recession. The downward pressure on growth facing the Mainland economy also persisted. During the quarter, international financial markets saw heightened volatility. Global stock markets experienced notable corrections, and some emerging market currencies tested multi-year lows upon capital outflows, further complicating the already austere external environment. In October, the International Monetary Fund lowered its global growth forecast for 2015 for the third time this year to 3.1%, marking the slowest growth since 2009.

2.3 Battered by the choppy international economic and financial situation, Asian exports slid further across the region in the third quarter, with some bracing for the worst retrenchment since the Global Financial Crisis. For example, Korea's, Singapore's and Taiwan's goods exports plunged in the third quarter, down by 9.5% to 17.2% in US dollar terms from a year earlier. The weaker trading and manufacturing activities led to economic growth slowdown in export-dependent Asia, which in turn posed an additional drag on intra-regional trade.

Table 2.1 : Total exports of goods, re-exports and domestic exports (year-on-year rate of change (%))

		Total exports of goods				Re-exports				Domestic exports			
		In value terms	In real terms[(a)]		Change in prices	In value terms	In real terms[(a)]		Change in prices	In value terms	In real terms[(a)]		Change in prices
2014	Annual	3.2	1.5		2.0	3.2	1.5		2.0	1.7	2.9		0.2
	Q1	0.7	-0.7	(-4.1)	1.7	0.7	-0.7	(-4.2)	1.7	-1.1	0.6	(4.4)	-0.5
	Q2	4.8	3.4	(3.8)	1.9	4.8	3.3	(3.8)	1.9	8.3	9.6	(3.4)	0.5
	Q3	5.8	4.1	(2.0)	2.2	5.9	4.1	(2.1)	2.2	3.1	3.4	(-4.5)	1.3
	Q4	1.2	-0.8	(-3.2)	2.2	1.3	-0.8	(-3.1)	2.3	-3.7	-2.4	(-5.8)	-0.7
2015	Q1	2.3	0.7	(-0.6)	2.0	2.5	0.8	(-0.6)	2.1	-10.1	-8.7	(-0.1)	-1.5
	Q2	-1.9	-3.0	(-1.3)	1.3	-1.7	-2.8	(-1.2)	1.4	-15.6	-13.8	(-4.2)	-2.7
	Q3	-4.1	-3.8	(*)	-0.4	-3.9	-3.6	(0.1)	-0.4	-18.3	-15.7	(-7.7)	-4.3

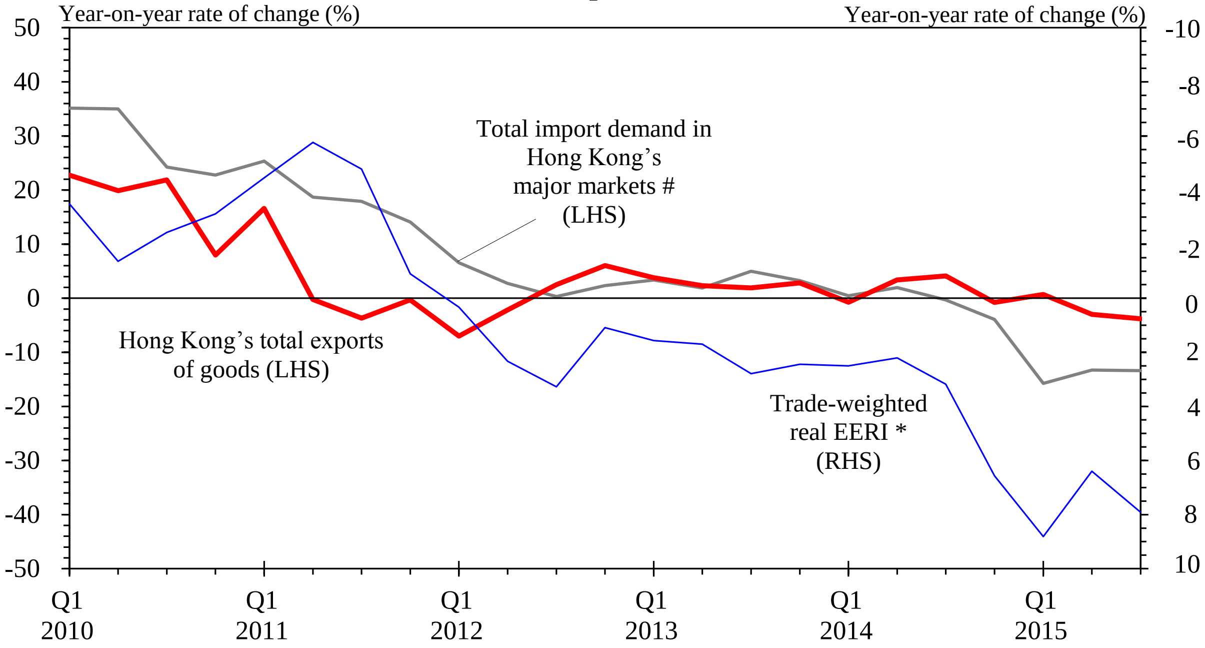
Notes : ( ) Seasonally adjusted quarter-to-quarter rate of change.

(*) Change within ±0.05%.

(a) The growth rates here are not strictly comparable with those in the GDP accounts in Table 1.1, due to differences in coverage.

2.4 *Re-exports*[(2)], the mainstay of overall merchandise exports and accounting for 98.7% of total exports by value, fell by 3.6% year-on-year in real terms in the third quarter of 2015, following the 2.8% decline in the preceding quarter. *Domestic exports*, constituting the remaining 1.3% of total exports, plunged by 15.7% year-on-year in real terms in the third quarter of 2015, further to a notable decline of 13.8% in the second quarter.

Diagram 2.1 : Merchandise exports worsened further in the third quarter of 2015



Notes : Total exports of goods as depicted refer to the year-on-year rate of change in real terms, while total import demand in Hong Kong's major markets as depicted refers to the year-on-year rate of change in US dollar terms in the aggregate import demand in Asia, the United States and the European Union taken together.

(*) The real EERI in this graph is inverted in scale for easier comprehension. A positive change denotes real appreciation of the Hong Kong dollar.

(#) Import demand figure for the third quarter of 2015 is based on statistics for July and August 2015.

Diagram 2.2 : Exports in Asian newly industrialised economies all registered notable declines in the third quarter of 2015

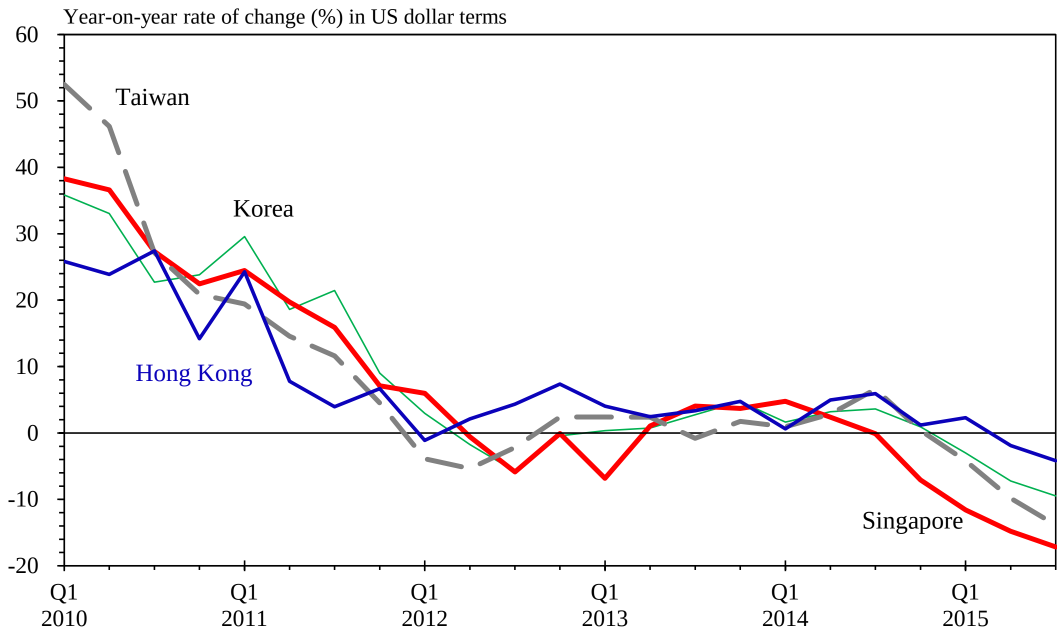
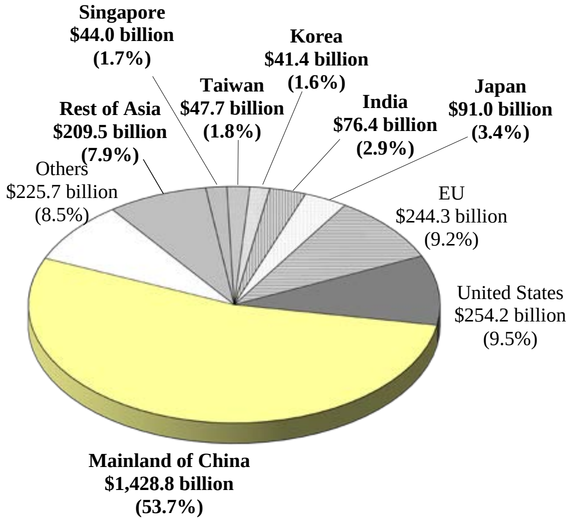


Diagram 2.3 : Exports to the Asian markets slackened amid slugguish global import demand



Total exports of goods in the first three quarters of 2015: $2,662.9 billion

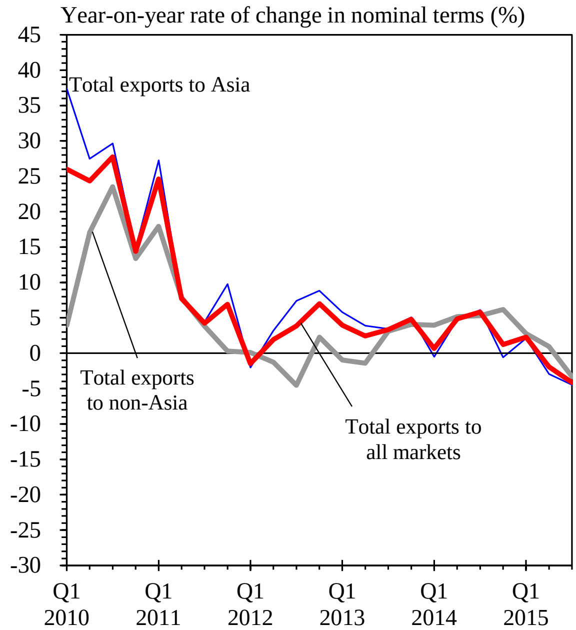


Table 2.2 : Total exports of goods by major market (year-on-year rate of change in real terms (%))

		2014				2015		
	Annual	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Mainland of China	-0.7	-3.7	2.8	2.4	-4.3	-0.2	-4.4	-3.5
United States	2.7	4.2	2.9	0.2	3.8	3.3	3.6	-1.4
European Union	0.6	1.2	4.4	-0.3	-2.3	-3.5	-6.7	-6.0
Japan	-4.5	-2.0	-1.8	-5.2	-8.4	-5.8	-4.0	-1.7
India	16.0	6.8	15.3	35.6	6.1	12.4	-3.1	2.3
Taiwan	2.1	-7.9	1.2	13.6	1.7	-12.8	-20.3	-23.5
Korea	-1.8	0.1	1.3	4.0	-11.5	-5.7	-13.8	-19.1
Singapore	2.1	7.9	0.3	0.3	0.6	0.4	-3.7	-8.7
Overall*	1.5	-0.7	3.4	4.1	-0.8	0.7	-3.0	-3.8

Note : (*) The growth rates here are not strictly comparable with those in the GDP accounts in Table 1.1, due to differences in coverage.

2.5 Analysed by major market on a year-on-year comparison, the US market relapsed to decline slightly in the third quarter, matching the softer growth momentum there during the period. The performance of other major advanced markets was also fairly sluggish, characterised by sustained falls in exports to the EU and Japan, reflecting the fragile recoveries of these economies and the continued feed-through of the negative impacts of earlier euro and yen depreciations on their import demand.

2.6 In Asia, industrial activity was hit by the sustained weakness in final demand from major economies, resulting in notable declines in regional trade flows of raw materials and semi-manufactures as well as capital goods. The concurrent economic slowdown in the region also dampened their import appetite, and the blow extended to their consumer goods imports. In such a harsh trading environment, exports to most Asian markets registered varying degrees of declines in the third quarter. The falls in exports to higher-income Asian markets, including Singapore, Taiwan and Korea, were fairly pronounced, ranging between 8.7% and 23.5%. Exports to the Mainland went down by 3.5% over the same period, and those to some ASEAN emerging markets also reverted to a decline. Exports to India, nevertheless, rebounded to show a modest growth in the third quarter.

Diagram 2.4 : Exports to the Mainland remained weak

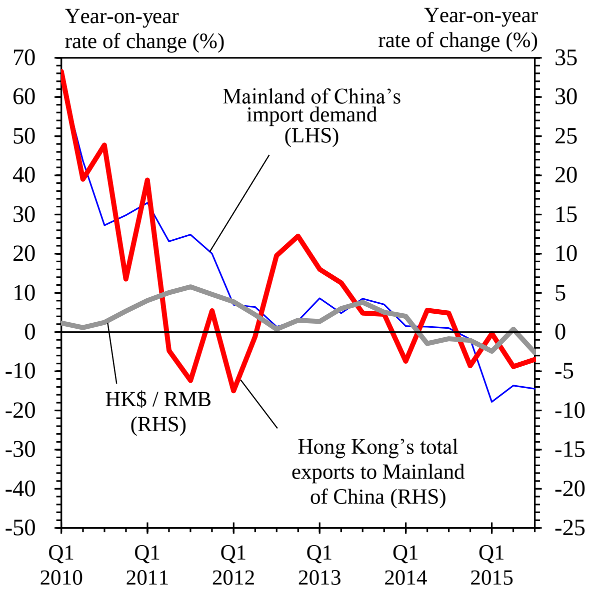


Diagram 2.5 : Exports to the EU showed no sign of improvement

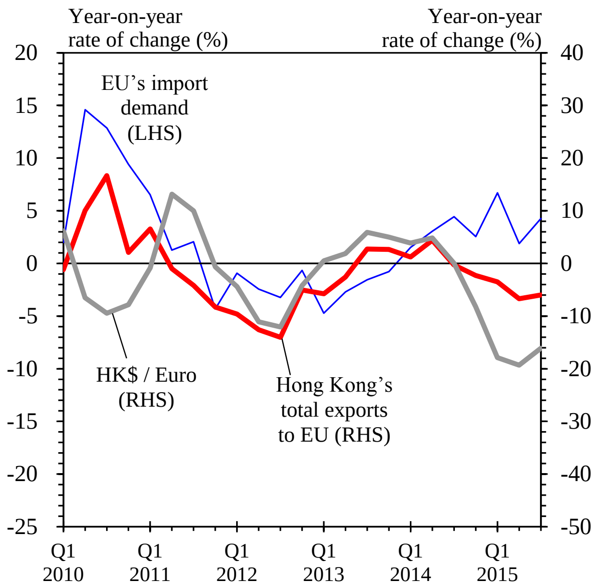


Diagram 2.6 : Exports to the US relapsed to a slight decline

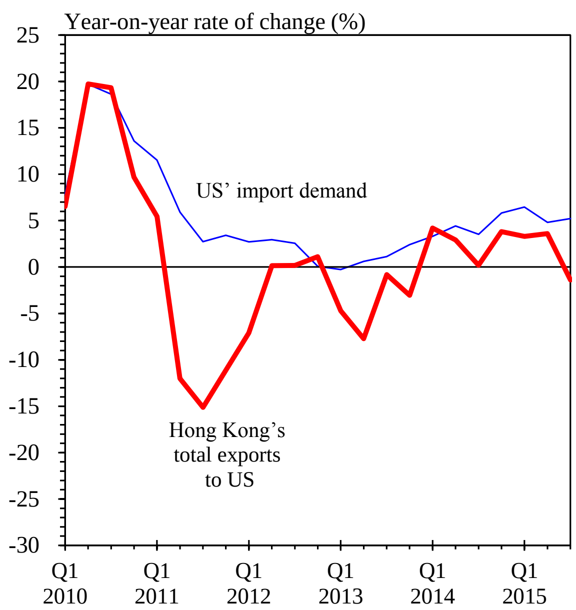


Diagram 2.7 : Exports to Japan remained sluggish

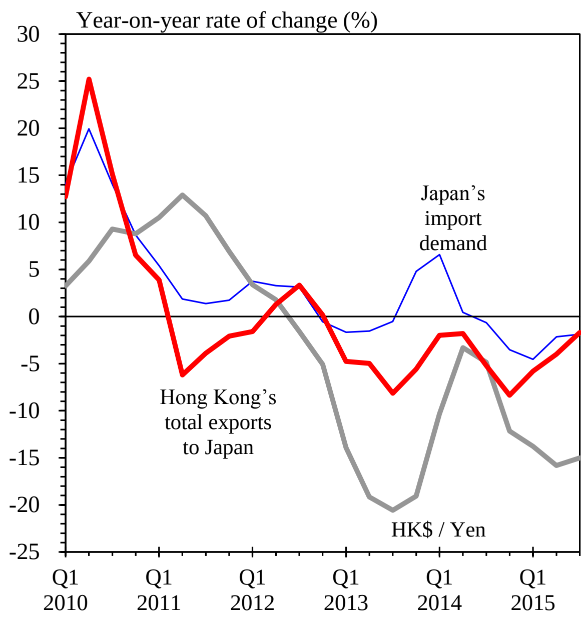


Diagram 2.8 : Exports to India rebounded

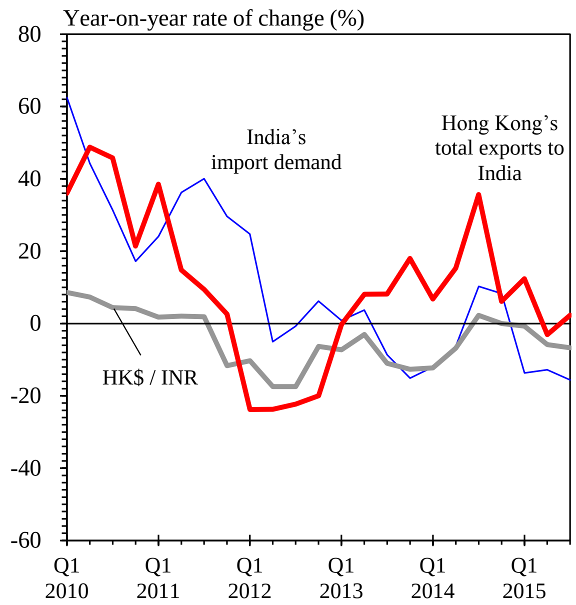


Diagram 2.9 : Exports to Taiwan remained on a dive

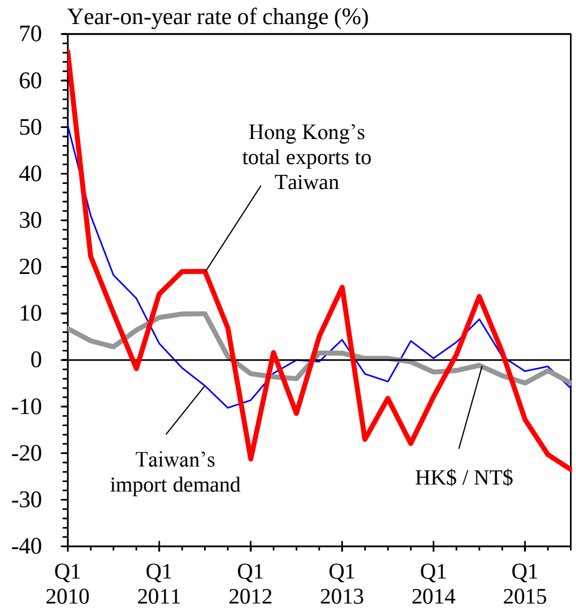


Diagram 2.10 : Exports to Korea plummeted further

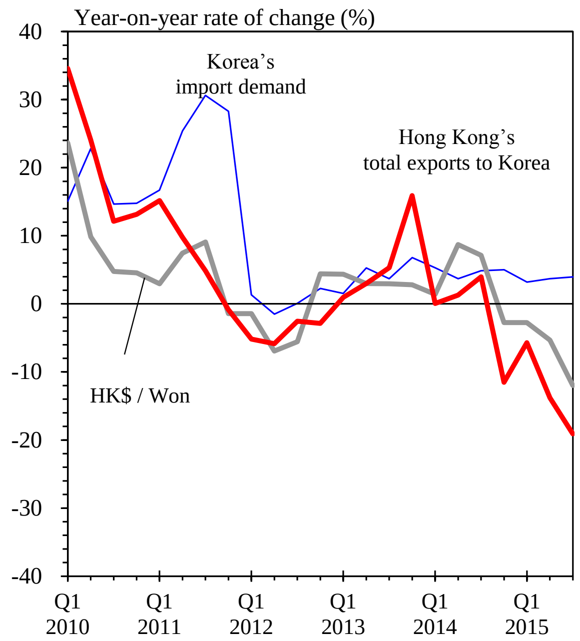
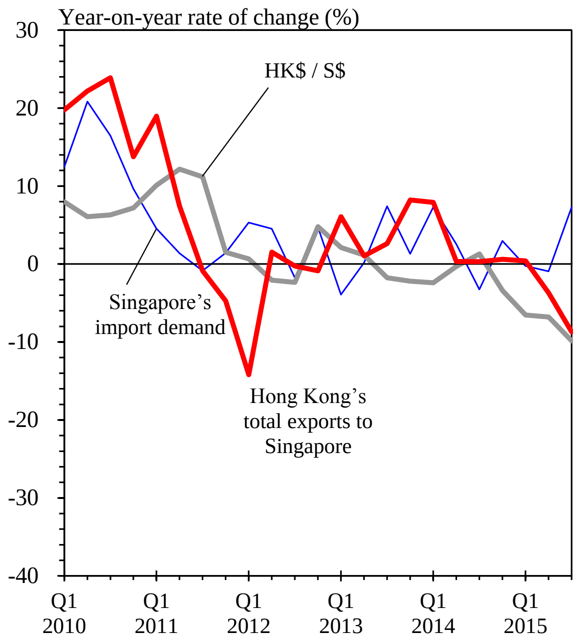


Diagram 2.11 : Exports to Singapore declined further



Box 2.1

The increasing monetary policy divergence between major central banks

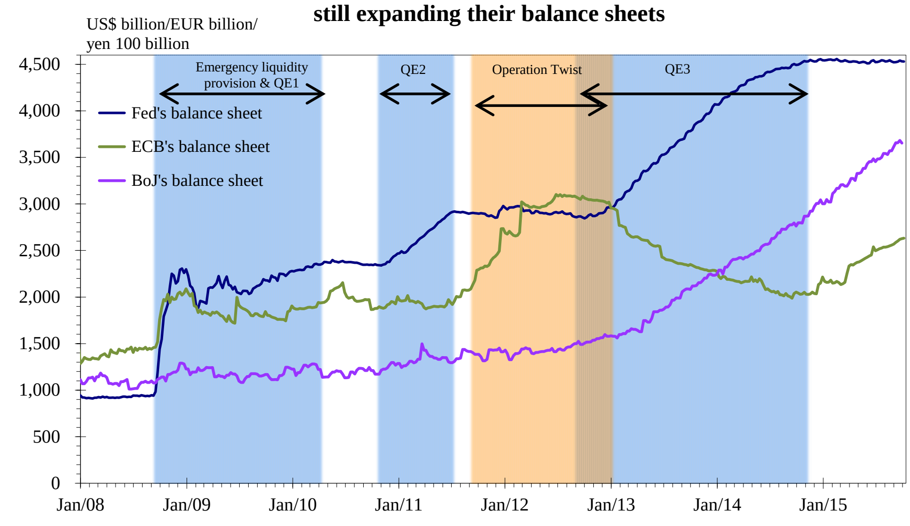
The pronounced divergence of monetary policy stances among major central banks, which has led to a more volatile global financial environment, remains a key source of uncertainty facing the global economy. This note briefly reviews the policy directions signalled by the major central banks.

In the US, the Federal Reserve (Fed) ended its third round of quantitative easing (QE) in October 2014, upon growing signs of economic improvement. Although the US economy hit a soft patch in the first quarter of 2015, the Fed considered the setback to be temporary and removed the reference to "being patient" in beginning to normalise the monetary policy in the Federal Open Market Committee (FOMC) meeting statement in March, signifying that the conditions for an interest rate life-off were increasingly ripe. US economic growth rebounded as expected and the labour market continued to improve in the second quarter.

The US data, however, turned softer again in the third quarter, with moderated GDP growth and slower job gains, although the unemployment rate, at 5.1% in September, was close to the full-employment rate as estimated by the FOMC participants. Besides, inflation pressure and wage growth stayed low. Thus, the Fed continued to keep interest rate unchanged in the FOMC meeting in October. Yet, the accompanying policy statement hinted that the interest rate lift-off may start in December if the US economic recovery continues as expected. Such a signal increased sharply the market expectations for an interest rate lift-off in December.

In contrast to the US Fed's preparation for lifting interest rates, the European Central Bank (ECB) and the Bank of Japan (BOJ) took further steps to expand their balance sheets over the past year (**Chart 1**). Faced with growing deflation risks and sluggish economic growth, and with the scope for interest rate cuts almost exhausted, the ECB launched an expanded Asset Purchase Programme in October 2014 to cover the purchase of covered bonds and other asset-backed securities.

Chart 1 : In contrast to the US Fed's conclusion of its QE programme, the ECB and BoJ are still expanding their balance sheets



The ECB stepped up asset purchases from March 2015 to include euro-denominated investment-grade securities issued by eurozone governments and agencies and European institutions, with the total monthly purchases of public and private sector securities amounting to €60 billion. Since then, economic growth remained modest. Consumer price inflation stayed below target and the flash reading for October was zero, underscoring the deflation risks. While the asset purchase programme was originally intended to be carried out until end-September 2016, the ECB President in the post-meeting press conference in

Box 2.1 (Cont'd)

October indicated that the monetary policy stance needed to be re-examined in December. This raised market expectations for further easing measures to come soon. Apart from the possibility of stepping up the asset purchase programme, the ECB stated that it would deliberate all other instruments available within its mandate, including a further reduction of policy interest rates which had already been reduced to negative unprecedentedly in June 2014.

As for the BOJ, it surprised the market in October 2014 by accelerating the monetary base increase from an annual pace of 60-70 trillion yen to about 80 trillion yen. The BOJ contended that economic growth and inflation had not picked up as expected after a sales tax hike in April 2014. To pre-empt deflation risks, the BOJ announced further steps in January 2015 to stimulate bank lending. While the BOJ kept monetary policy unchanged in its latest meeting at the end of October, it cut Japan's economic growth and CPI inflation projections for this and next fiscal year. Given the consistently low inflation and the fragile state of the economic recovery, the BOJ remains under pressure to further ease monetary policy.

Elsewhere, many central banks in different parts of the world successively cut interest rates thus far this year, including those in the Mainland, Thailand, Indonesia, South Korea, Taiwan, Russia, India, Canada and Australia, with more aggressive cuts for some. On the other hand, the Bank of England (BOE) held the policy rate unchanged at 0.5% in November, but the minutes of the Monetary Policy Committee revealed that one member preferred to hike rate given the concerns about rising domestic cost pressures. Amid the increasing monetary policy divergence, the exchange rate fluctuations were unusually large over the past year or so. By end-October, the Japanese yen and euro against the US dollar both had depreciated by some 20% from mid-2014.

The international financial markets have turned exceptionally volatile, particularly during the summer months this year. Global stock and commodity markets came under severe selling pressure, with visible capital outflows from emerging market economies in August (**Chart 2a & 2b**). Currencies of emerging market economies such as Malaysia, Indonesia, Thailand, Brazil, Mexico and Russia all fell to multi-year lows **(Chart 3)**.

Chart 2a: Global stocks plunged in the summer of 2015

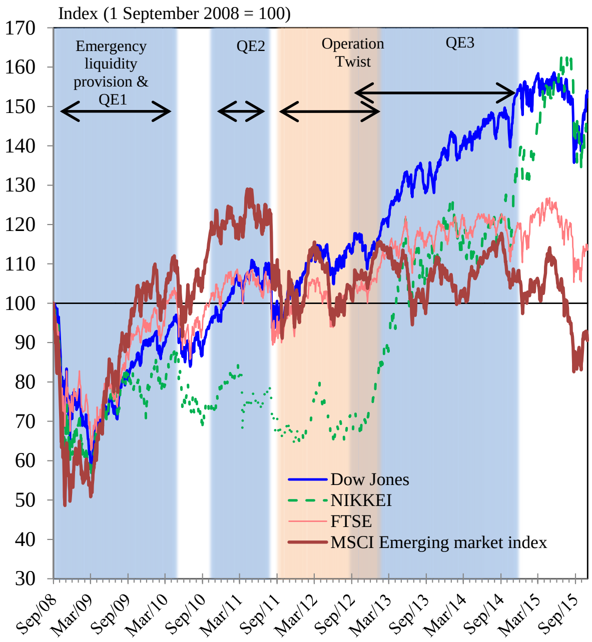
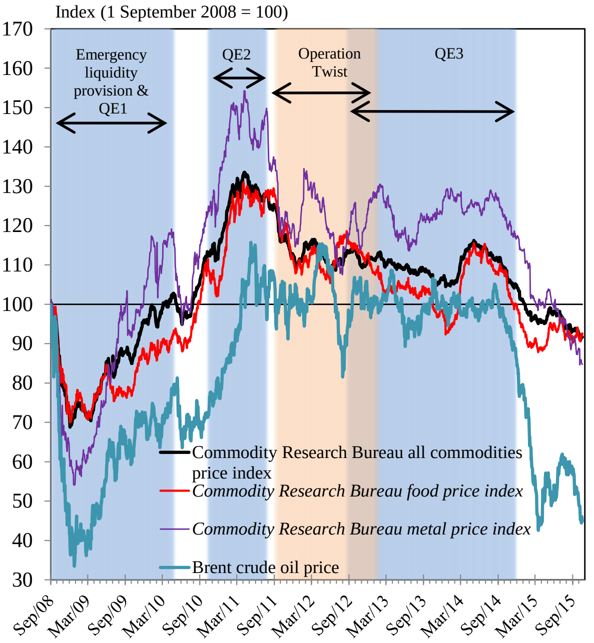
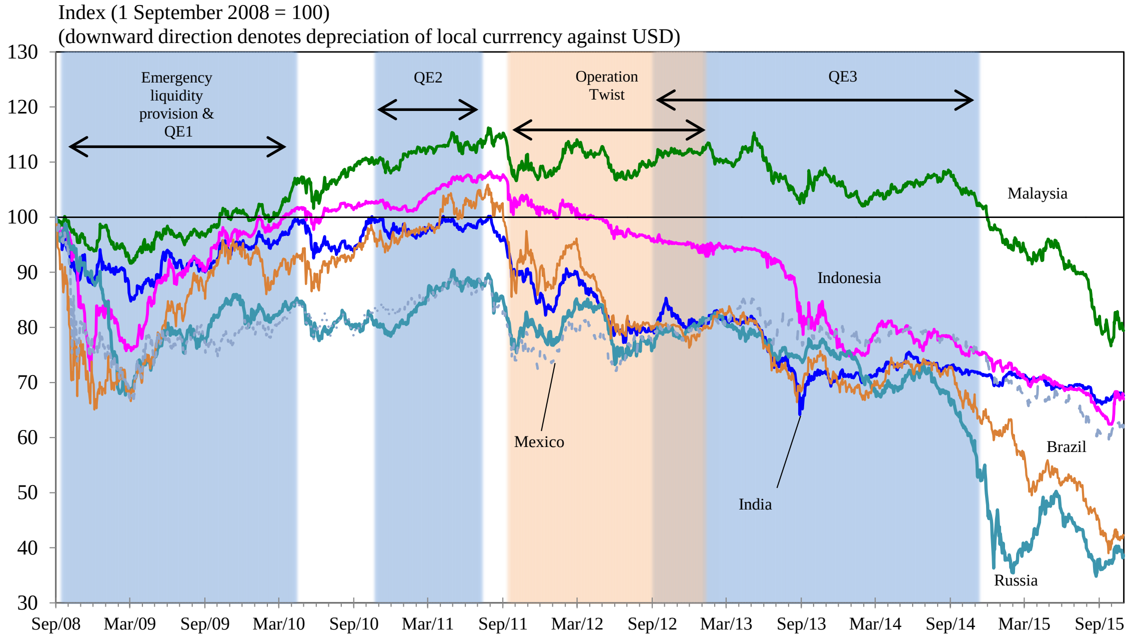


Chart 2b: Commodities prices fell visibly further in 2015



Box 2.1 (Cont'd)

Chart 3: Currencies of many emerging market economies came under pressure in 2015



The monetary policy divergence among central banks is likely to deepen further in the period ahead in the midst of an uneven expansion and shaky recovery of the global economy. The Government will stay vigilant and closely monitor the developments on the international monetary front and their possible impacts on the Hong Kong economy.

Imports of goods

2.7 *Imports of goods* likewise slackened and recorded a year-on-year decline of 5.5% in real terms in the third quarter, larger than the 3.1% contraction in the preceding quarter. Retained imports, referring to the imports for domestic use, which accounted for around one-quarter of total imports, plunged by 11.2% year-on-year in real terms in the third quarter, down further from the 3.9% decline in the preceding quarter. Analysed by end-use category on a year-on-year comparison, the steeper fall was mainly weighed down by the fall-off in retained imports of raw materials and semi-manufactures during the period, reflecting the spill-over arising from sluggish region-wide trading and production activities. Besides, retained imports of consumer goods and foodstuffs both declined notably further amid softer retail sales. On the other hand, intake of capital goods grew visibly further, as demand for telecommunication products was strong during the quarter. Retained imports of fuels also increased further in the third quarter, after registering marked declines in 2014.

Table 2.3 : Imports of goods and retained imports
(year-on-year rate of change (%))

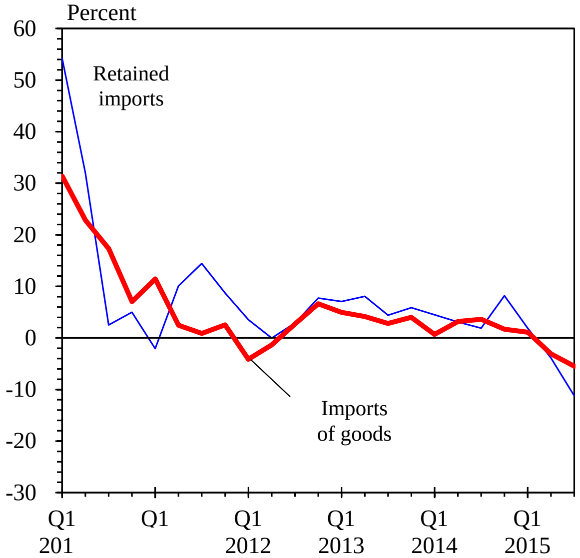
		Imports of goods				Retained imports[a]			
		In value terms	In real terms		Change in prices	In value terms	In real terms		Change in prices
2014	Annual	3.9	2.3		1.9	5.1	4.5		1.0
	Q1	2.1	0.7	(-3.1)	2.1	5.1	4.5	(-0.2)	2.5
	Q2	4.5	3.2	(2.4)	2.0	3.0	3.1	(-1.1)	1.7
	Q3	5.7	3.6	(1.8)	2.4	4.3	1.9	(1.1)	2.0
	Q4	3.2	1.7	(-0.4)	1.3	7.7	8.2	(7.1)	-1.6
2015	Q1	1.4	1.1	(-2.0)	0.9	-1.4	1.9	(-5.3)	-2.1
	Q2	-3.2	-3.1	(-2.5)	0.6	-6.9	-3.9	(-5.8)	-1.5
	Q3	-6.7	-5.5	(-1.8)	-0.7	-14.5	-11.2	(-6.7)	-1.8

Notes : (a) Based on the results of the Annual Survey of Re-export Trade conducted by the Census and Statistics Department, re-export margins by individual end-use category are estimated and adopted for deriving the value of imports retained for use in Hong Kong.

( ) Seasonally adjusted quarter-to-quarter rate of change.

Diagram 2.12 : Imports and retained imports both went down further

(a) Year-on-year rate of change



(b) Seasonally adjusted quarter-to-quarter rate of change in real terms

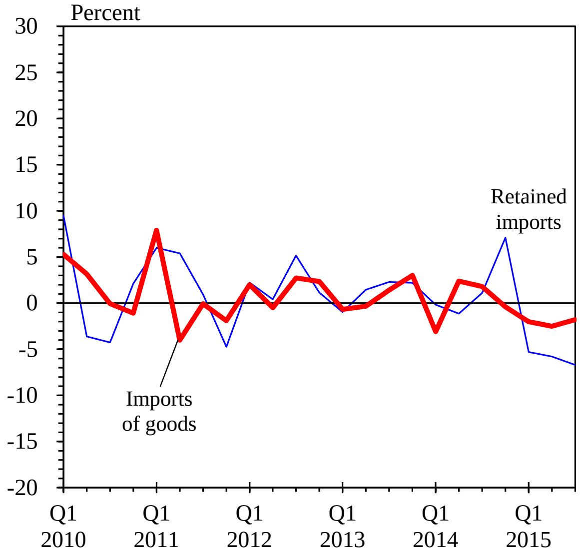


Table 2.4 : Retained imports by end-use category (year-on-year rate of change in real terms (%))

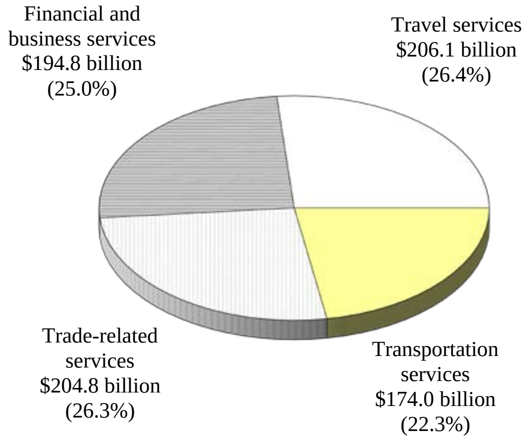
		Consumer goods	Foodstuffs	Capital goods	Raw materials and semi-manufactures	Fuels
2014	Annual	8.2	5.8	-9.9	13.9	-5.9
	Q1	1.8	2.2	-1.6	10.5	-8.8
	Q2	7.6	12.4	-13.2	7.5	-2.6
	Q3	10.9	6.3	-23.5	12.7	-6.6
	Q4	12.4	3.4	-0.4	26.4	-5.2
2015	Q1	-13.0	4.1	44.6	-12.9	22.6
	Q2	-11.2	-11.1	17.0	-14.3	19.7
	Q3	-17.7	-21.1	14.0	-25.2	22.8

Services trade

Exports of services

2.8 *Exports of services* relapsed to a year-on-year decline in real terms of 1.3% in the third quarter of 2015, after a modest growth of 0.9% in the second quarter. The weak performance was evident across most major service groups. The decline in exports of travel services widened again, as visitor arrivals slackened further to record its first decline since the third quarter of 2009. Apart from the mediocre global economic performance, depreciations of many currencies against the US dollar conceivably led some visitors to reduce travel and possibly diverted some to other popular travel destinations. Meanwhile, exports of trade-related services (comprising mainly offshore trade) and transportation services slid further as regional trade and cargo flows shrank. Moreover, the growth in exports of financial and other business services moderated visibly, as cross-border financial activities slowed upon global economic and US interest rate uncertainties.

Diagram 2.13 : Major service groups accounted for similar shares of Hong Kong's services exports, reflecting a diversified base



Exports of services in the first three quarters of 2015: $779.8 billion

Diagram 2.14 : Exports of services relapsed to a decline in the third quarter

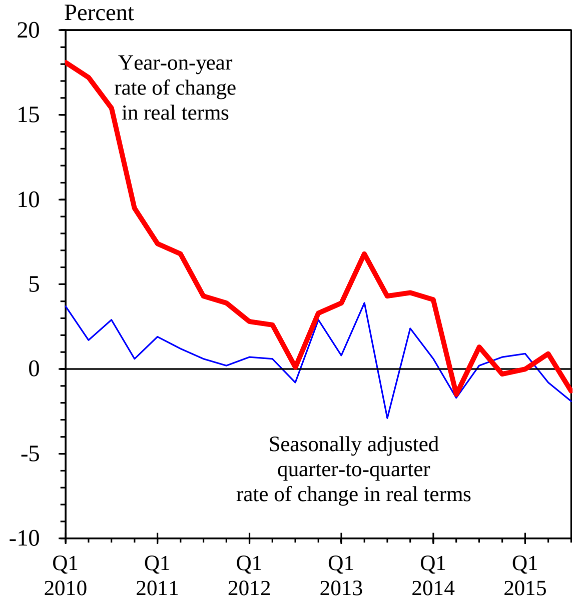


Table 2.5 : Exports of services by major service group (year-on-year rate of change in real terms (%))

		Exports of services	*Of which :* Trade-related services[a]	Transportation services	Travel services[b]	Financial and business services
2014	Annual	0.9	1.3	2.6	-1.5	1.7
	Q1	4.1 (0.6)	-0.2	1.5	11.1	2.5
	Q2	-1.5 (-1.7)	1.5	3.9	-9.6	0.5
	Q3	1.3 (0.2)	2.7	2.9	-3.8	4.2
	Q4	-0.3 (0.7)	0.8	1.9	-2.9	-0.5
2015	Q1	* (0.9)	-1.0	1.0	-4.4	5.4
	Q2	0.9 (-0.8)	-1.9	-1.8	-1.6	11.1
	Q3	-1.3 (-1.9)	-2.4	-1.6	-5.6	6.2

Notes : (a) Comprising mainly offshore trade.

(b) Comprising mainly inbound tourism receipts.

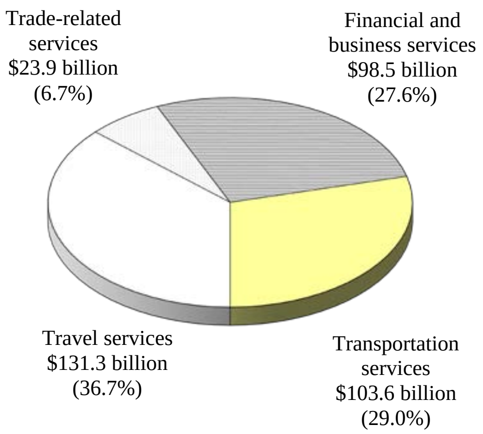
( ) Seasonally adjusted quarter-to-quarter rate of change.

(*) Change within ±0.05%.

Imports of services

2.9 *Imports of services* were more steady in performance, with growth at 4.1% year-on-year in real terms in the third quarter of 2015, following a 3.6% increase in the preceding quarter. Imports of travel services maintained notable growth amid strong travel interest among local residents. Apart from stable local income and job conditions, the enthusiasm to travel abroad might have been fuelled by the increase in purchasing power of local residents following the depreciation of major currencies against the US dollar in the recent past. Meanwhile, imports of financial and other business services slowed down somewhat in growth amid the volatile global financial markets. Against the unfavourable external backdrop, both imports of transportation services and imports of trade-related services registered declines.

Diagram 2.15 : Travel services had the largest share in imports of services



Imports of services in the first three quarters of 2015: $357.4 billion

Diagram 2.16 : Imports of services continued to grow moderately in the third quarter

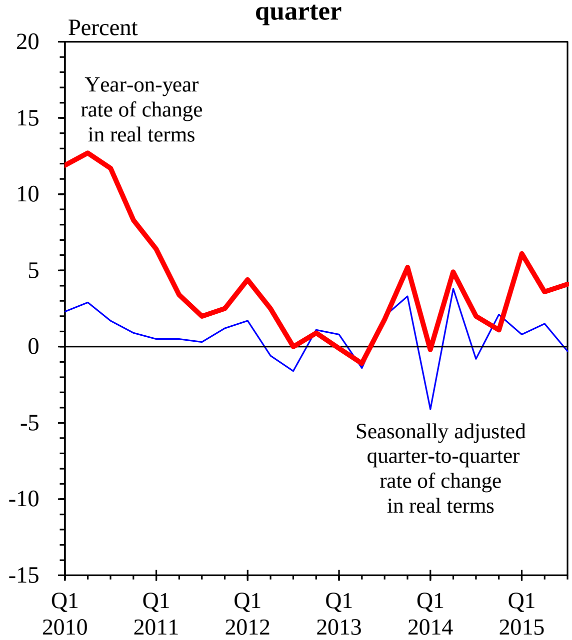


Table 2.6 : Imports of services by major service group (year-on-year rate of change in real terms (%))

				Of which :			
		Imports of services		Travel services(+)	Transportation services	Trade-related services	Financial and business services
2014	Annual	1.9		3.7	0.1	1.1	1.6
	Q1	-0.2	(-4.1)	-2.7	-0.8	0.8	2.9
	Q2	4.9	(3.8)	10.5	1.8	2.5	1.7
	Q3	2.0	(-0.8)	4.0	0.4	1.7	1.4
	Q4	1.1	(2.1)	3.3	-0.9	-0.2	0.6
2015	Q1	6.1	(0.8)	12.6	0.5	1.0	5.3
	Q2	3.6	(1.5)	8.6	-3.1	1.1	5.5
	Q3	4.1	(-0.3)	10.9	-2.7	-0.9	4.0

Notes : (+) Comprising mainly outbound travel spending.

( ) Seasonally adjusted quarter-to-quarter rate of change.

Goods and services balance

2.10 The goods deficit narrowed further in the third quarter of 2015 compared with the same period last year, as goods imports continued to fall at a faster pace than exports amid lower import prices and slower local economic growth. With the services surplus more than offsetting the goods deficit, the combined goods and services account registered a surplus of $51 billion in the third quarter, equivalent to 4.3% of total import value, which was larger than the surplus of $33 billion (2.6% of total import value) in the same quarter last year.

Table 2.7 : Goods and services balance
($ billion at current market prices)

		Total exports		Imports		Trade balance			
		Goods	Services	Goods	Services	Goods	Services	Combined	As % of imports
2014	Annual	3,877	1,076	4,472	481	-594	595	1	#
	Q1	870	266	1,029	115	-158	151	-7	-0.6
	Q2	949	245	1,111	115	-162	129	-33	-2.7
	Q3	1,027	279	1,148	124	-122	155	33	2.6
	Q4	1,031	287	1,183	127	-152	160	8	0.6
2015	Q1	879	266	1,028	118	-149	148	-1	-0.1
	Q2	916	245	1,067	117	-150	128	-22	-1.9
	Q3	982	269	1,078	123	-95	146	51	4.3

Notes : Figures may not add up exactly to the total due to rounding.

(#) Within ±0.05%.

Other developments

2.11 The 18th Plenary of the Hong Kong/Guangdong Co-operation Joint Conference was held in September, setting directions for collaboration of the two places in the coming year. Five co-operation agreements were signed after the meeting, including, among others, the Agreement on Guangdong/Hong Kong Co-operation on Intellectual Property Protection (2015-16) and Co-operation Agreement on Enhancing Cross-Boundary E-commerce. The two sides also agreed to strengthen liaison in the future to seize the immense opportunities from the "Belt and Road" initiatives and the development of the Guangdong Free Trade Zone.

2.12 In the same month, the establishment of a Hong Kong Economic and Trade Office (ETO) in Jakarta was announced, marking the 12th ETO in a foreign country. Its establishment should help enhance economic ties between

Hong Kong and Indonesia in a wide range of areas such as trade and commerce, investment, professional services and tourism. Separately, Hong Kong and the Philippines signed a Memorandum of Intent on investment promotion co-operation, which will facilitate mutual investment.

2.13 Twelve economies, including Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam, concluded their negotiation over the Trans-Pacific Strategic Economic Partnership Agreement (TPP). Apart from tariffs and quotas on goods trade, the TPP also covers a wide range of areas such as services trade, cross-border investment, electronic commerce, intellectual property, labour market protection and environmental protection. To-date, many complicated details of the TPP have yet to be fully unveiled. Besides, its implementation will take time as it is still subject to the legislative approval by each of the signatory members. As a staunch supporter of free trade, Hong Kong welcomes any agreement that would promote international trade facilitation, and will strive to enhance the co-operation with our major trading partners.

2.14 For example, the Government announced in October to commence negotiations on the Hong Kong and Macao Closer Economic Partnership Arrangement (HK-Macao CEPA). At present, Hong Kong and Macao have each entered into a separate Closer Economic Partnership Arrangement (CEPA) with the Mainland. The proposed HK-Macao CEPA allows the three places to build upon those CEPAs to establish a new, common platform to advance further liberalisation and facilitation of trade and investment in the Greater China region.

Notes :

(1) Changes in merchandise exports and imports in real terms are derived by discounting the effect of price changes from changes in the value of the trade aggregates. Estimates of price changes for the trade aggregates are based on changes in unit values, which do not take into account changes in the composition or quality of the goods traded, except for some selected commodities for which specific price indices are available. The real growth figures reported here are based on the external trade quantum index series compiled using the chain linking approach, which were first released in March 2015 to replace the previous trade index numbers compiled using the Laspeyres method with a fixed base year. Under the new approach, the series are comparable with the real trade aggregates under GDP (reported in Chapter 1) which are based on the same measures. However, non-monetary gold is recorded as a separate item in the statistics of merchandise trade and not included in the trade aggregates reported in Chapter 2, but is included in the trade aggregates under GDP in accordance to the international compilation standard.

(2) Re-exports are those goods which have previously been imported into Hong Kong and are subsequently exported without having undergone in Hong Kong any manufacturing processes which change permanently the shape, nature, form or utility of the goods.