

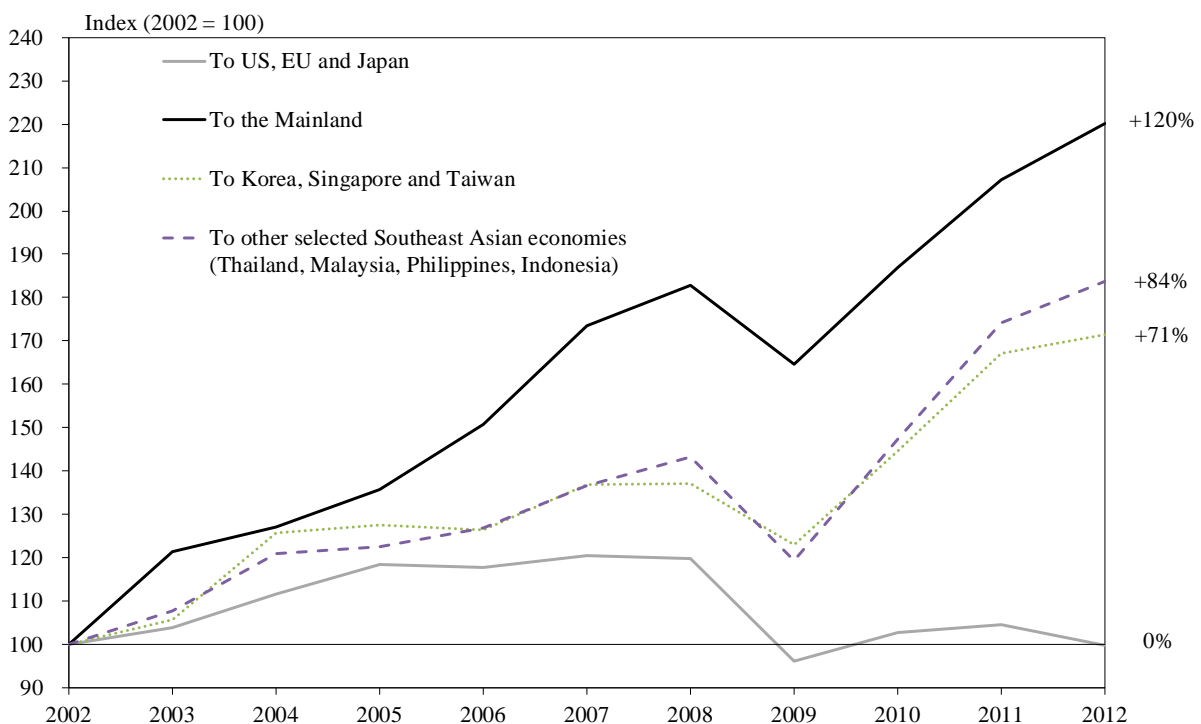
Box 2.2

Performance of exports of consumer goods – a longer-term perspective

Hong Kong’s external trade has seen much volatility in recent years. The slow recovery in the advanced economies has weighed on final demand there, in turn adversely affecting production activity and intra-regional trade in Asia. Yet cyclicality aside, the faster income growth of Asia and, consequently, the strengthening of domestic demand in the region could eventually be an important factor underpinning our trade performance in the longer term. This article highlights the performance of our exports of consumer goods to selected Asian economies over the past decade.

Chart 1 shows that Hong Kong’s exports of consumer goods to selected Asian economies grew much faster than those to the advanced economies, namely the US, EU and Japan (G3), over the past 10 years between 2002 and 2012. Among them, the Mainland market was the brightest spot, registering a cumulative growth of 120% in value terms (or 8.2% per annum). Strong growth was also recorded in a number of developing Southeast Asian markets as well as the newly industrialised economies (namely, Korea, Singapore and Taiwan). In stark contrast, exports of consumer goods to the G3 markets plummeted sharply after the global financial crisis that broke out in late 2008, and remained distinctly weak over the past few years amid their sluggish economic recovery. Against this background, the share of these selected Asian markets in our exports of consumer goods rose from 17% in 2002 to 26% in 2012. Nonetheless, the G3 economies still represented our largest export markets for consumer goods, accounting for a combined 51% of such exports in 2012.

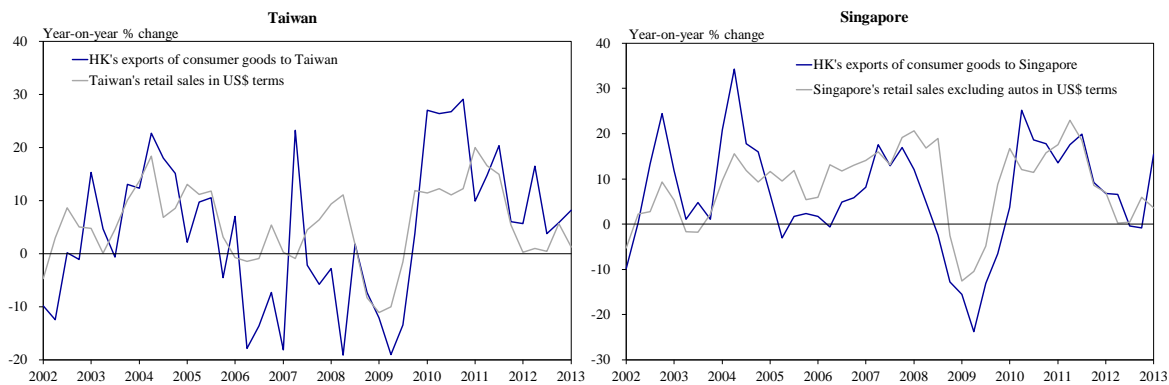
Chart 1 : Exports of consumer goods to selected Asian markets and advanced markets



Box 2.2 (Cont'd)

A closer examination suggests that the performance of our exports of consumption goods to Asian markets is related to their consumption demand. Using Taiwan and Singapore as examples, *Chart 2* illustrates that our exports of consumer goods to these markets roughly followed the movements of their retail sales, an indicator of their consumption demand. However, the ups and downs of their consumption demand still appeared to be sensitive to the global economic cycle, which was mainly driven by the conditions of the advanced economies in recent periods.

Chart 2 : Exports of consumer goods to some Asian markets tended to move in sync with consumption demand there



As exemplified by the great recession of 2008-09 amid the global financial crisis, consumption demand in many Asian economies, Taiwan and Singapore included, decelerated visibly, conceivably in view of their export-dependent nature. More recently, our exports of consumer goods to the selected Asian markets slowed visibly to a 0.6% year-on-year growth in the first half of 2013, in tandem with the slowdown in many Asian economies' GDP growth amid the drag from their external sector.

Furthermore, consumer goods accounted for 26% of Hong Kong's total exports in 2012, considerably smaller than the combined share of raw materials and capital goods at 73%. The latter categories are closely related to production activities involving the regional supply chains, which are more affected by the global economic conditions than by the consumption demand in Asia. As such, our overall export performance is still highly sensitive to the conditions in the advanced economies, which have weighed heavily on the global economy in the recent past (see *Box 2.1*).

All in all, in the longer run, Asia remains the bright spot in the global economy, and its better growth prospects should bode well for Hong Kong's exports. Accompanying Asia's relatively fast economic growth would be a growing appetite for consumption. This is especially true in the case of the Mainland, whose rapid rise in income over the past decade has fuelled a strong growth in our exports of consumer goods there that far outpaced other markets. The Central Government's strategy of rebalancing the economy towards consumption-led growth should further unleash consumption demand in a vast market, and Hong Kong looks set to benefit from these developments in the years to come.