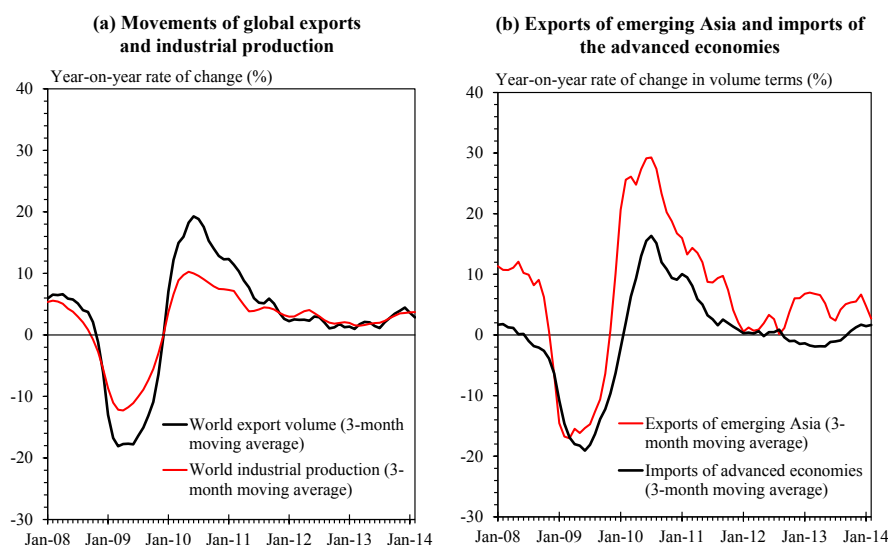


## Box 2.1

## Recent global trade performance

Global trade flows, which tend to track world economic performance closely, have been rather weak in the past few years. World exports saw some relative improvement in the second half of 2013, amid strengthening global activity as reflected by the mild acceleration of world industrial production (*Chart 1a*). Nonetheless, exports of emerging Asian economies were mixed, alongside lacklustre import demand from the advanced markets (*Chart 1b*).

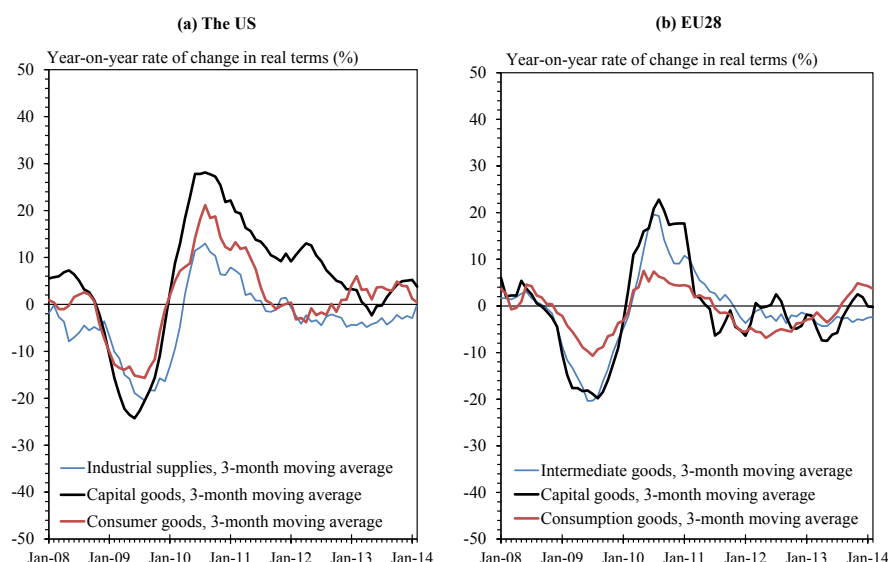
**Chart 1 : Emerging Asia's exports remained mixed alongside weak demand from the advanced economies**



Source : CPB Netherlands Bureau for Economic Policy Analysis

To shed light on the recent export performance of the Asian economies, it is useful to dissect the import demand of the advanced economies (the US and the EU in particular) by major selected end-uses, as shown in *Chart 2*.

**Chart 2 : Imports of the US and the EU by major selected end-uses**

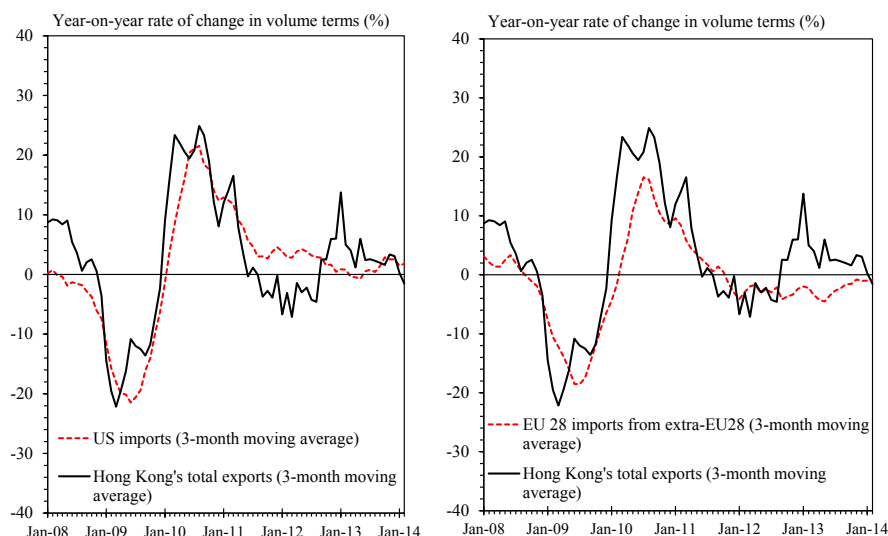


**Box 2.1 (Cont'd)**

It can be seen from the charts that, while the imports of capital goods by the US and the EU showed relative improvement since early 2013, their imports of raw materials stayed largely subdued. Moreover, their import demand for consumer goods was mixed in recent quarters. The faster year-on-year growth in the EU in the second half of 2013 was due partly to a low base of comparison, while the political gridlock over fiscal issues in late 2013 and the unusually cold weather conditions in early 2014 seemed to have dampened the import demand from the US. On the whole, the above developments suggest that the recovery of the advanced economies has not been accompanied by a sustained, broad-based strengthening in their import demand.

Against this background, Hong Kong's recent export performance has likewise relapsed (*Chart 3*). Given that the EU and the US represent our second and third largest export markets respectively, their soft import demand created strong headwinds for Hong Kong's exports, particularly those of consumer goods<sup>(1)</sup>. Moreover, as the export performance of many Asian economies is still highly dependent on the final demand of the advanced economies, the weak import demand in the US and the EU also indirectly weighed on Hong Kong's recent export performance by posing a drag on intra-regional trade flows in Asia<sup>(2)</sup>.

**Chart 3 : Hong Kong's exports were lacklustre of late on weak US and EU demand**



As such, the near-term export outlook of Hong Kong and Asia will hinge upon the strength of import demand in the advanced economies. Still, it is widely envisaged that the growth pace of the advanced economies is likely to quicken later this year, with the International Monetary Fund (IMF) predicting a pick-up in economic growth of the US and the eurozone in 2014. If materialised, this should imply a more supportive environment for international trade flows in the coming quarters, hopefully resulting in a turnaround in Asia's exports, including Hong Kong's exports.

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- (1) In 2013, consumer goods accounted for 57.6% and 50.6% of Hong Kong's total exports to the US and the EU respectively, representing the most important end-use category of our exports to them. In value terms, Hong Kong's total exports of consumer goods to the US and the EU decreased by 5.8% and 7.2% respectively in 2013.
- (2) For a more detailed analysis on intra-regional trade in East Asia, please refer to **Box 2.1** in the *Half-yearly Economic Report 2013*.