

Box 2.1**Recent export performance of the major Asian economies**

The export performance of many Asian economies has worsened visibly since the latter part of 2018, affected by weaker global economic growth and other external headwinds especially the escalation of US-Mainland trade tensions. The situation was largely consistent with the moderation in global trade⁽¹⁾ over the period. This box article summarises some initial observations on the recent export performance of the major Asian economies.

Hit directly by the additional tariffs imposed by the US, the Mainland's exports turned soft in the fourth quarter of 2018 and weakened further in the first half of 2019 (*Table 1*). Exports of many other economies in the region followed a similar trend. In particular, exports of higher-income Asian economies including Japan, Korea, Singapore and Taiwan grew at decelerated rates in the second half of 2018, and recorded decreases in US dollar terms of 3.4-8.5% year-on-year in the first half of 2019. This contrasted sharply with the notable growth of 6.3-12.0% in the first half of 2018. As for the developing Asian economies, growth in exports of Malaysia, Thailand, Indonesia and the Philippines likewise moderated during 2018, and turned to decreases of 0.8-8.6% in the first half of 2019. The key exceptions were Vietnam and India, whose exports continued to expand by 7.2% and 2.2% respectively in the first half of 2019, albeit moderating from the corresponding increases of 16.4% and 10.3% in the first half of 2018. But in the case of India, its exports also registered a decline in the second quarter of 2019.

**Table 1: Exports of goods in major Asian economies
(Year-on-year rate of change in US dollar terms, %)**

Exports of	2018				2019		2018		2019
	Q1	Q2	Q3	Q4	Q1	Q2	First half	Second half	First half
The Mainland	13.7	11.5	11.7	3.9	1.3	-1.0	12.5	7.6	0.1
Japan	10.1	9.4	2.4	1.4	-5.7	-6.2	9.8	1.9	-6.0
Korea	9.8	3.1	1.7	7.7	-8.5	-8.5	6.3	4.6	-8.5
Taiwan	10.6	11.2	3.0	0.1	-4.2	-2.6	10.9	1.5	-3.4
Singapore [^]	9.8	14.1	12.1	5.5	-2.7	-6.6	12.0	8.8	-4.7
Vietnam	24.5	9.5	14.8	6.7	5.3	9.0	16.4	10.7	7.2
Malaysia	19.6	18.8	9.5	7.8	-4.7	-4.6	19.2	8.6	-4.7
Thailand	12.2	11.2	3.0	2.0	-2.1	-3.8	11.7	2.5	-2.9
Indonesia	8.6	11.1	8.5	-0.7	-8.2	-9.0	9.8	3.8	-8.6
Philippines	0.9	1.2	2.5	-1.2	-2.9	1.2	1.1	0.7	-0.8
India	5.5	15.3	9.8	4.5	6.7	-1.7	10.3	7.1	2.2

Note: [^] Figures refer to Singapore's total exports of goods.

Source: CEIC.

An analysis by market (*Table 2*) showed that the current weak performance of the Asian economies was largely attributable to the fall in exports to the Mainland, conceivably due to subdued demand for intermediate inputs there amid softening manufacturing and export activities in the face of increasing trade tensions. On the other hand, many Asian economies' exports to the US held up well in the first half of 2019. This, coupled with the fall in the Mainland's exports to US, seemed to suggest that some trade diversion might have been taking place. As a large variety of Mainland products are subject to additional tariff measures in the US, it seems natural for US companies to switch to other import sources. Meanwhile, many Asian economies' exports to the EU registered falls of different degrees in the first half of 2019, again in sharp contrast to the Mainland's export performance in this

(1) According to World Trade Organization's data, the value of global merchandise exports decelerated from a year-on-year growth of 14% in US dollar terms in the first half of 2018 to 6% in the second half, and declined by 3% in the first quarter of 2019.

Box 2.1 (Cont'd)

Table 2: Exports of goods in major Asian economies by major markets
(Year-on-year rate of change in US dollar terms, %)

Exports of	to	2018				2019		2018		2019
		Q1	Q2	Q3	Q4	Q1	Q2	First half	Second half	First half
Japan	The Mainland	14.1	13.8	6.7	0.6	-9.4	-9.3	14.0	3.5	-9.3
Korea		14.8	27.5	17.8	-0.5	-17.3	-16.7	21.0	8.2	-17.0
Taiwan		18.8	13.5	6.1	-0.3	-12.3	-6.0	16.1	2.7	-9.1
Singapore [^]		-2.8	-3.0	-11.0	-9.5	0.3	-6.5	-2.9	-10.2	-3.3
Vietnam		33.8	22.8	32.0	-5.8	-7.7	11.0	28.0	9.7	1.7
Malaysia		13.5	26.9	17.0	11.8	2.6	-11.4	20.5	14.3	-5.1
Thailand		4.7	13.8	-2.8	-5.3	-11.1	-7.4	9.1	-4.1	-9.2
Indonesia		31.1	39.3	15.6	-4.1	-15.1	-1.4	35.0	4.7	-8.4
Philippines		9.9	15.3	15.2	-0.4	2.7	12.1	12.7	7.6	7.7
India		20.5	60.9	30.1	18.9	6.8	4.0	38.0	23.6	5.4
The Mainland		14.8	12.7	13.4	6.7	-8.5	-7.7	13.5	10.0	-8.1
Japan	US	7.1	4.8	-0.8	4.9	2.2	5.3	5.9	2.1	3.7
Korea		-3.2	5.6	-1.0	23.5	12.9	2.4	1.3	10.6	7.2
Taiwan		9.0	7.3	4.7	9.0	19.3	15.7	8.1	6.9	17.4
Singapore [^]		35.9	31.1	30.2	25.9	14.5	10.5	33.4	28.1	12.4
Vietnam		19.8	2.0	18.2	17.4	29.0	26.2	9.8	17.8	27.6
Malaysia		17.6	7.6	5.6	5.8	-5.1	2.5	12.4	5.7	-1.3
Thailand		9.7	4.7	-0.5	6.2	31.4	5.3	7.1	2.8	18.2
Indonesia		4.0	4.0	6.4	-0.0	-8.6	-6.4	4.0	3.2	-7.5
Philippines		3.1	16.6	8.1	13.5	4.8	14.4	9.5	10.6	9.7
India		18.3	10.9	11.5	7.9	7.7	4.7	14.5	9.7	6.1
The Mainland		13.2	10.8	12.2	6.5	8.8	3.6	11.6	9.3	6.0
Japan	EU	15.1	10.1	2.3	5.3	0.7	-6.1	12.5	3.8	-2.7
Korea		14.9	-7.4	-3.7	27.6	-3.8	-5.8	2.4	11.3	-4.8
Taiwan		12.9	14.8	3.5	3.2	-1.4	-9.0	13.9	3.4	-5.4
Singapore [^]		13.6	33.7	15.0	9.6	2.1	-10.1	23.6	12.2	-4.5
Vietnam		21.4	6.8	4.9	6.7	2.6	-3.5	13.4	5.8	-0.5
Malaysia		19.2	23.1	2.8	-1.9	-3.4	-9.5	21.2	0.4	-6.5
Thailand		23.3	19.1	4.4	-2.8	-6.3	-5.2	21.2	0.7	-5.7
Indonesia		4.5	8.9	5.8	-1.0	-15.5	-15.7	6.7	2.4	-15.6
Philippines		-4.8	4.4	-18.5	-8.6	-14.7	-10.6	-0.4	-13.9	-12.6
India		15.1	19.4	8.7	2.7	-1.6	0.4	17.2	5.7	-0.6

Note: [^] Figures refer to Singapore's total exports of goods.

Source: CEIC.

market, which continued to increase. Weak import demand in the EU amid soft economic growth might be the major cause for the fall in the Asian economies' exports. On the other hand, Mainland exporters might have attempted to ship more of their goods to the EU in response to the US' additional tariffs on Mainland products.

The weakened global economic outlook and high uncertainties arising from trade tensions will likely continue to weigh on exports of the Asian economies in the period ahead. US-Mainland trade tensions escalated further in early August, hinting that it would not be easy for the bilateral trade talks to reach a deal in the near future. Furthermore, lingering trade disputes between the US and some of its other trading partners also warrant concerns. While in mid-May 2019 the US postponed the decision on imposing additional tariffs on automobiles and automobile parts from the EU and Japan for up to 180 days, it remains uncertain whether the US can defuse the trade tensions with these economies through trade talks. Moreover, in early June 2019 the US terminated the preferential trade status for India, and India countered by imposing additional tariffs on 28 US products. As Hong Kong's short-term export outlook hinges on the global growth momentum as well as crucially on the development of global trade tensions and the resulting impact on regional trade flows, the Government will continue to monitor the situation closely.