

Box 2.1**Regional trade performance entering 2021**

The COVID-19 pandemic seriously disrupted a wide range of economic activities around the world in the first half of 2020, pushing the global economy into a deep recession. Trading and production activities in Asia were hard hit in the first half of 2020. While having started to recover from the second half, major economies in Asia, except for the Mainland, Taiwan and Vietnam, recorded declines in merchandise exports for the year as a whole (*Table 1*). Entering 2021, notwithstanding the fluctuating pandemic situation, trading and production activities in the region have generally recovered further and stayed vibrant. This box article provides some observations on the trading and production activities in the region so far in 2021.

In the first three quarters of 2021, merchandise exports of all major economies in the region recorded strong year-on-year growth in US dollar terms (*Table 1*). Performance was particularly spectacular in the second quarter, with all major Asian economies registering double-digit growth partly helped by low bases of comparison. Latest merchandise exports value of these economies have exceeded their pre-pandemic levels in the respective periods in 2019. Likewise, production activities showed continued improvement, again with particularly notable growth seen in the second quarter partly due to base effect. The momentum extended to the third quarter for most economies in the region (*Table 2*).

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

Exports of	2019	2020	2019				2020				2021		
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
The Mainland	0.5	3.6	1.4	-1.0	-0.3	2.0	-13.6	-0.2	8.4	16.6	48.8	30.7	24.4
Japan	-4.4	-9.2	-5.7	-6.2	-1.3	-4.4	-4.4	-23.7	-12.0	3.3	8.9	42.5	20.4
Korea	-10.4	-5.5	-8.5	-8.7	-12.3	-11.8	-1.9	-20.3	-3.5	4.1	12.5	42.1	26.5
Taiwan	-1.5	4.9	-4.2	-2.7	-0.9	1.8	3.6	-2.4	6.0	11.7	24.6	37.4	30.1
Singapore	-5.2	-4.2	-2.7	-6.7	-7.8	-3.5	1.7	-14.5	-2.1	-1.7	11.1	33.6	19.4
India	-0.1	-14.8	6.7	-1.4	-3.9	-1.9	-12.7	-36.6	-5.4	-4.3	19.6	86.2	38.4
Indonesia	-6.8	-2.7	-6.7	-9.3	-7.5	-4.0	1.1	-12.5	-6.6	6.7	17.2	55.9	50.9
Malaysia	-3.4	-2.6	-3.6	-4.3	-2.6	-3.1	-2.3	-18.3	4.2	6.8	21.2	50.7	16.0
Philippines	2.3	-8.1	-2.0	2.9	2.2	6.2	-1.6	-25.6	-6.2	1.7	8.4	36.6	12.7
Thailand	-2.6	-5.9	-1.9	-3.8	-0.5	-4.4	1.2	-15.2	-7.7	-2.0	2.1	31.8	15.3
Vietnam	8.4	6.9	5.2	9.1	10.5	8.5	7.8	-6.9	10.7	15.0	23.7	34.6	3.2

Sources : CEIC and internal estimation.

Box 2.1 (Cont'd)

Table 2: Industrial production of selected Asian economies
(year-on-year rate of change, %)

	2019	2020	2019				2020				2021		
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
The Mainland	5.7	2.8	6.5	5.6	5.0	5.9	-8.4	4.4	5.8	7.1	24.5	8.9	4.9
Japan	-3.0	-10.3	-1.7	-2.1	-1.1	-6.8	-4.7	-20.3	-13.0	-3.5	-1.1	19.9	5.8
Korea	0.3	-0.3	-2.0	*	0.7	2.5	4.6	-5.8	0.2	*	4.4	12.7	5.0
Taiwan	-0.3	7.1	-4.6	-0.9	2.0	1.8	9.7	4.4	6.2	8.2	12.7	16.4	13.3
Singapore	-1.5	7.5	*	-0.5	-1.2	-4.0	8.3	-0.4	11.0	11.4	11.2	17.9	7.2
India	0.7	-11.0	1.5	3.0	-0.4	-1.4	-4.3	-35.6	-5.7	1.7	6.0	44.3	-
Indonesia	4.0	-10.1	4.5	3.6	4.3	3.6	0.8	-19.7	-13.1	-8.6	-4.8	-	-
Malaysia	2.4	-4.4	3.2	3.6	1.8	1.3	0.2	-18.0	0.7	-0.4	3.9	22.6	-
Philippines	-8.8	-40.5	1.0	-6.8	-25.2	-4.1	-8.1	-72.6	-69.4	-20.9	-41.8	258.0	-
Thailand	-3.4	-9.3	-0.5	-2.1	-4.2	-6.9	-6.7	-20.4	-8.5	-1.6	0.8	20.6	-0.8
Vietnam	9.1	3.3	9.2	6.9	10.0	4.5	5.8	-4.9	4.0	6.6	5.7	11.7	-7.5

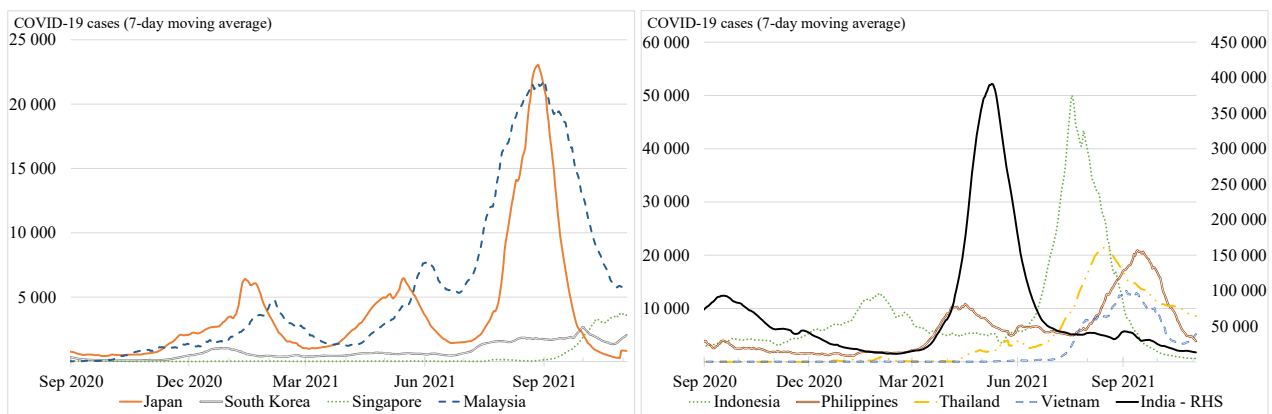
Sources : CEIC and internal estimation.

Notes : (-) Not available.

(*) Change within $\pm 0.05\%$.

Compared to the first half of 2020 when the spread of COVID-19 severely disrupted trading and production activities, the impact on related economic activities in Asia of relapses in pandemic situation resulting from the spread of the more infectious Delta variant turned out to be much milder this year, conceivably due to several factors (*Chart 1*). On the demand side, reopening and recovery of the Western economies provided strong support to demand for goods. On the production side, vaccination programmes have allowed Asian economies to gradually relax their social distancing measures through a vaccination-differentiation approach, and governments in the region have generally adopted granular and district-specific restrictions instead of extensive lockdown.

Chart 1: Average daily new COVID-19 cases of selected Asian economies



Source: World Health Organization.

Box 2.1 (Cont'd)

The buoyant trade flows in the region, if sustained, should augur well for Hong Kong's export performance in the near term. Yet, the impact of the pandemic situation on the regional and global supply chains remains a key source of uncertainty going forward. In its latest *World Economic Outlook*, the IMF remarked that supply disruptions arising from the pandemic outbreak pose a major challenge to the global economy. Minutes of the FOMC meeting on 21-22 September 2021 indicated that US firms in a number of industries were facing challenges keeping up with strong demand due to widespread supply chain bottlenecks as well as labour shortages. The European Central Bank also noted ongoing supply-side disruptions involving broad-based shortages of raw materials (e.g. semiconductors, metals and plastics) and continuing transport bottlenecks. Recently, there has been growing concern that supply and production bottlenecks in many places may turn more severe and persistent than previously anticipated, which would in turn entail a more visible dampening impact on the global economy, with potential repercussions on regional trade flows. The situation warrants close monitoring.