

## 【Local】Import and Export Trade Industry in Hong Kong

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Source: HKTDC

### Overview

- Hong Kong's total merchandise trade in 2017 increased by 8.4% to US\$1,056 billion (HK\$8,233 billion) after contracting by 0.7% in 2016.
- Hong Kong handles a large amount of offshore trade, estimated by the Hong Kong government at a value of US\$544 billion (HK\$4,244 billion) in 2016, down 2.1% over 2015. In comparison, re-exports amounted to US\$455 billion (HK\$3,545 billion) in 2016, down 0.4% over 2015.
- As at December 2017, 477,820 people were employed in the import and export sector, which had 100,523 establishments. In 2016, the sector accounted for 17.7% of Hong Kong's GDP.
- Hong Kong handles a good portion of the Chinese mainland's external trade. In 2017, about 13% of the mainland's exports (valued at US\$285 billion) and 15% of imports (US\$268 billion) were handled via Hong Kong and 58% of Hong Kong's re-exports were originated from the mainland.

### Industry Data

#### Import and Export Trade

December 2017

Number of Establishments	100,523
Employment	477,820

Source: Quarterly Report of Employment and Vacancies Statistics, Census and Statistics Department

#### Exports of Merchanting and Trade-related Services (US\$ billion)

	2011	2012	2013	2014	2015	2016	2017
Exports of Merchanting and Trade-related Services	34.7	36.1	36.8	37.5	36.4	36.6	38.0
Year-on-year (YOY) growth	+11.0%	+3.9%	+2.1%	+1.9%	-3.0%	+0.6%	+3.7%
Contribution to Services Exports	28.8%	28.0%	27.1%	27.1%	27.0%	28.3%	27.8%

Sources: Gross Domestic Product (Quarterly), Census and Statistics Department

### Range of Services

Hong Kong's import and export trading firms are active in sourcing various types of goods, including raw materials, machinery and parts, and a wide range of consumer goods. There are three main types of sourcing activities: (1) sourcing goods produced in Hong Kong; (2) sourcing goods from around the region for re-exports; and (3) sourcing goods from one country to be shipped directly to a third country without touching Hong Kong ground.

The import business of Hong Kong trading firms is mainly generated by the distributing capabilities under the identity of agents or dealers. These trading firms usually specialise in one area of products and represent one or more foreign brands. Their trading map usually encompasses Hong Kong, the Chinese mainland (or certain parts of it) or other Asian countries.

Due to the development of trade supporting services on the Chinese mainland, trading firms increasingly source goods offshore for sales in international markets. Some of these goods are either transhipped via Hong Kong or shipped directly without touching Hong Kong ground. Such offshore trade is not reflected in Hong Kong's trade statistics. According to official statistics released in early 2018, Hong Kong's offshore trade in 2016 (including both "merchandising" and "merchandising for offshore transactions") was estimated to be US\$544 billion (HK\$4,244 billion), down 2.1% over 2015. In comparison, re-exports totaled US\$455 billion (HK\$3,545 billion) in 2016, down 0.4% over 2015, representing some 83.5% of the amount of offshore trade.

## **Industry Development and Market Outlook**

Benefitting from the global economic recovery, Hong Kong's total merchandise trade increased by 8.4% to US\$1,056 billion (HK\$8,233 billion) in 2017, after contracting by 0.7% in 2016. In the same period, Hong Kong's merchandise exports saw a year-on-year increase of 8%, after decreasing by 0.5% in the previous year. In 2017, Hong Kong's major export markets were the Chinese mainland (54.3% of total), the EU (9%) and the US (8.5%).

In recent years, Asia has become a more integrated market, thanks to the various free trade agreements (FTAs) signed in the region. In particular, the product trade arrangements under the China-ASEAN Free Trade Area (CAFTA) pact, which commenced in 2005 with scheduled tariff elimination completed in 2010, have contributed to higher intra-Asian trade. In November 2015, China and ASEAN concluded an upgraded FTA that covers further liberalisation of trade as well as economic, investment and regulatory cooperation. This FTA is seen as helping meet the target of boosting bilateral trade to US\$1 trillion by 2020.

Over the past few years, there has been an increase in companies in developed economies treating Asia as a market instead of a pure production base. During 2010-2016, North America's exports to Asia expanded by a CAGR of 2%, surpassing the CAGR of 1% in respect of its exports to Europe in the same period.

ASEAN as a group is the fourth largest export market and second largest trading partner of Hong Kong, with Vietnam having surpassed Singapore to become Hong Kong's largest export market in ASEAN since 2013. To further capitalise on expanding bilateral trade, Hong Kong and ASEAN began formal negotiations on a Hong Kong-ASEAN Free Trade Agreement (HAFTA) in July 2014. In addition to the reduction and/or elimination of import tariffs, other key elements covered by the HAFTA include, rules of origin, liberalisation of trade in services, promotion and protection of investment, as well as intellectual property co-operation. The HAFTA is expected to enter into force on 1 January 2019 to foster stronger economic ties between Hong Kong and ASEAN and enhance Hong Kong's role as a regional trading hub.

The Belt and Road Initiative (BRI), announced by Chinese President Xi Jinping in 2013, is an ambitious plan aimed at promoting economic and social cooperation among more than 60 countries along the proposed BRI corridors. This development will certainly lead to an expansion in the volume of international trade and create fresh demand and business opportunities for Hong Kong's trade sector.