

Hong Kong's Exports Fall for First Time in Two Years

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July 24 (Bloomberg) -- Hong Kong's exports fell for the first time in more than two years in June as shipments to the U.S., Japan and mainland China declined.

Overseas sales dropped 0.6 percent from a year earlier to HK\$223.2 billion (\$29 billion), the government said today on its Web site, after gaining 10.3 percent in May. The median estimate of 14 economists surveyed by Bloomberg News was for a 9 percent increase.

The slowdown is another sign of weakness in Asian exports after data today showed Japan's overseas shipments fell for the first time in more than four years. East Asian exporters may face a tougher second half as the U.S. economy slows and demand softens in other major industrial economies, the Asian Development Bank said this week.

"This is a scary number and a very sharp slowdown," said Irina Fan, senior economist at Hang Seng Bank Ltd. in Hong Kong. "All the major markets are not looking good and we will see a significant slowdown in exports in the second half."

Exports to China declined 6.2 percent in June from a year earlier after gaining 12.7 percent in May, the government said. Those to the U.S. slipped 0.1 percent after falling 2.3 percent. Sales to Japan dropped 5.5 percent.

Slower Economic Growth

"The slowing trend will continue and cool economic growth as a result," said Sean Yokota, an economist at UBS AG in Hong Kong. "The next six months will be the toughest time for Hong Kong's exports when global demand weakens significantly."

Hong Kong's economic expansion will slow to 3.9 percent this year from 6.4 percent in 2007 on weaker exports, Yokota estimated. That is less than the government forecast of 4 percent to 5 percent.

Hong Kong is a trade hub for mainland China. China's overseas sales rose in June at the slowest pace in four months as demand in the U.S. and Europe waned and a strengthening yuan and climbing production costs pushed up the price of Chinese goods.

Increases in wages and energy prices and stricter environmental and safety standards have swelled costs at mainland factories. The yuan has gained 21 percent against the U.S. dollar since the end of a peg in July 2005.

Imports climbed 1.3 percent in June from a year earlier to HK\$247.2 billion, leaving a trade deficit of HK\$24 billion, the government said.

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Source: Nipa Piboontanasawat