

### **DON'T HOLD OUT TOO MUCH HOPE FOR THE COMING YEAR**

The signs appear to be ominous for exporters of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), following a recent statement, issued by The European Commission's Directorate-General for Trade, and statistics, compiled by the HKSAR Government.

The European Commission has predicted that trade with The Eurozone – those 18 European countries that use the euro as their medium of exchange – would experience growth in the 2014 calendar year of about 1.10 percent, Year-On-Year.

For HKSAR exporters, this could well be another blow for them because, although trade with the European Union, that is during the entire 2012 year, was worth a whopping €33,469 million, there has been a decided downward trend in exports to this important part of the world.

The European Union is the HKSAR's largest, single trading partner.

In the 2012 year, the HKSAR accounted for about 1.30 percent of the European Union's total imports by value, that value, being about €44,201 million.

Also, in the 2012 year, exports from the HKSAR to the 27 member states of the European Union (including The Eurozone's 18 member states) were of great importance, being the territory's third-largest market for goods and services.

Of late, as reported by **TARGET** (), earlier this year, orders for goods to the European Union, especially electrical and electronic goods, have been on the decline.

According to the statistics, compiled by the HKSAR Government, exports of high-tech products '*increased from \$409.0 billion in 2002 to \$1,624.3 billion in 2012 at an average annual growth rate of 15%, which was distinctly faster than that of 8% for the total merchandise exports of Hong Kong*'.

However, even though the past may appear to have been very positive, in the words of Mr Matthew Cheung Kin Chung (), Secretary for Labour and Welfare, a branch of the HKSAR Government:

*'External environment remains unsteady, with uncertainties arising from the US's future monetary policy direction and its political brinkmanship over fiscal issues clouding over the global economic prospects. We will remain vigilant in monitoring the potential impact of such external development on our local economy and labour market.'*

It was somewhat anomalous that Mr Matthew Cheung Kin Chung omitted to mention the deteriorating trade situation in the European Union.

Perhaps, he had not been apprised of the situation?

Getting back to the statistics and trade forecasts, compiled by the European Commission, **TARGET** notes that the present trade forecast was the second downward revision for growth in 2014.

In the month of May, the growth in The Eurozone was put at about 1.20 percent, Year-On-Year, a fall of

about 14.29 percentile points, compared with an earlier forecast.

Now, there is a revised forecast that is another fall of about 8.33 percentile points,

While trade in The Eurozone would be flat for the coming year, the unemployment rate was likely to remain at the 11.10-percent level, the European Commission stated. It, also, said that it expected any improvement in unemployment to be gradual, at best.

That must mean no improvement, at all.

It is worthy of note that the Directorate-General for Trade at the European Commission, in respect of the 2011 calendar year, recorded that trade with the HKSAR represented about 1.30 percent of total European Trade.

The value of that 1.30 percent was €40,321.50 million.

This would suggest, definitively, that between 2011 and 2013, there has been, if anything, a downward trend with regard to the HKSAR's trade with this important trading partner, taking into account such little matters as inflationary tendencies, foreign-exchange translations, etc.

This seems to confirm the statements of the chairman of an electronics manufacturer whose factory is located in Guangdong, a manufacturer that employs upwards of 400 workers, that if his company had not been able to obtain orders from completely new customers, outside of the European Union, his company's profits would be hit, as he put it: *'Very badly'*.

Lastly, the HKSAR's Government's statistics in respect of September 2013, compared with the like month in 2012, indicated, among other things, that total exports in Asia grew by about 1.70 percent.

The increases/(decreases) by value were:

- Korea, plus 26.90 percent
- Vietnam, plus 20.90 percent
- India, plus 11.80 percent
- The PRC, being separate and distinct from the HKSAR, plus 1.90 percent
- The Philippines, minus 12.60 percent
- Japan, minus 12.00 percent
- Malaysia, minus 10.30 percent
- Germany, minus 5.80 percent
- The United Kingdom, minus 3.20 percent
- The United States of America, minus 0.20 percent

The writing appears to be on the wall.

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