

Battered exports short of forecasts

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Hong Kong's exports slumped in September - battered by the continued strength of the US dollar, sluggish economic growth in Japan and Western Europe and changing trade patterns in North America.

"We had expected some kind of rebound in the latter months of the year, but apparently things only deteriorated further," Hang Seng Bank's manager of economic research Joanne Yim said.

Only the weakness of Hong Kong's own economy, which is thought to have constrained imports of consumer goods, prevented the territory's visible trade deficit from rising.

The September deficit was \$4.6 billion, equivalent to 3.5 per cent of the value of imports. This compared with \$4.3 billion, or 3.3 per cent of imports, a year earlier.

Domestic exports especially were hard-hit, with their value dropping 13.5 per cent to \$18.3 billion. Re-exports rose 2.2 per cent to \$107.8 billion.

Ms Yim said the strength of the US dollar, which was trading at a 3½-year high against the Japanese yen, was making the territory's exports less competitive.

Also, economic recovery in Japan and Western Europe had been slower than expected, dampening demand for the territory's goods in two of its largest markets.

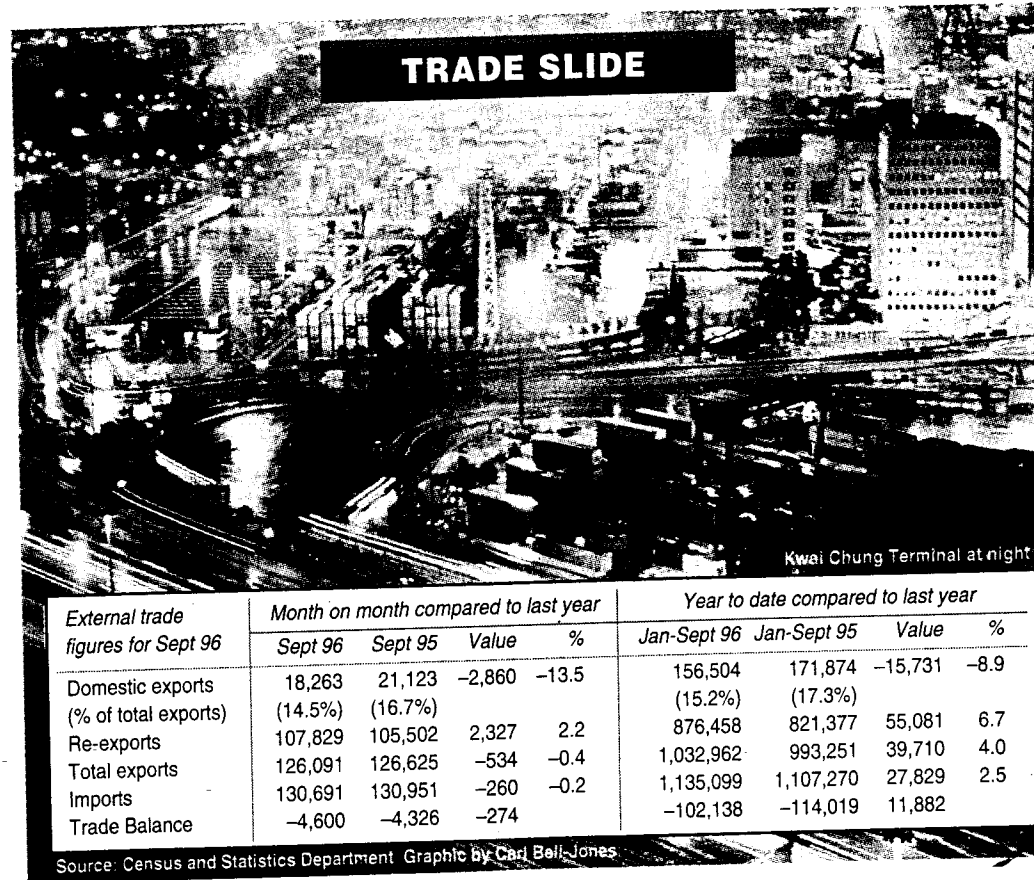
Demand was weakened further by a change in the pattern of US trade.

The North American Free Trade Agreement appears to be causing Hong Kong's second-largest trading partner to buy more of its imports from Canada and Mexico instead of Asia.

US imports from these two economies increased notably in the first seven months of the year, even as growth in US demand for imports slowed generally.

Hong Kong's trade with the US also was disrupted by US allegations of illegal textile transshipments from China.

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Exports fail to meet forecasts

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Officials from the US Customs Service recently investigated Hong Kong factories but have yet to report their findings.

"This has created a lot of uncertainty with US importers," Ms Yim said, noting that Hong Kong's manufacturing orders, a leading indicator for exports, dropped by 7 per cent in July compared with July last year.

On the other side of the ledger, the value of imports decreased marginally to \$130.7 billion in September, a 0.2 per cent drop from a year earlier.

Retained imports slumped 5.1 per cent.

Although a breakdown of retained imports was not yet available for September, consumer goods posted the biggest drop during the first half of the year, Ms Yim said.

This points to domestic economic weakness as the reason for slower imports.

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