

Economic QuickView

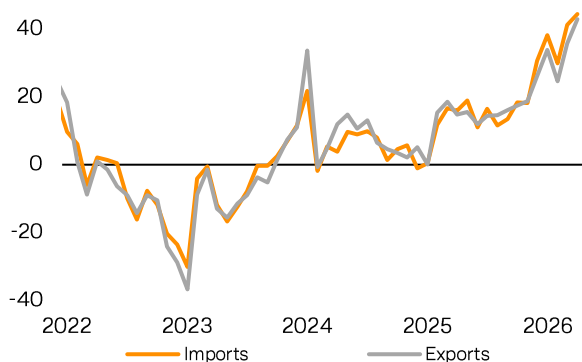


Hong Kong Exports Surged on Strong AI Demand

- External trade skyrocketed in April, with merchandise exports and imports rising by 42.9% and 44.4% YoY, respectively.
- The stellar export performance was broad-based across major markets, driven by buoyant demand for AI-related electronics products.
- The near-term trade outlook remains sanguine, supported by the ongoing tailwinds of the AI Supercycle.

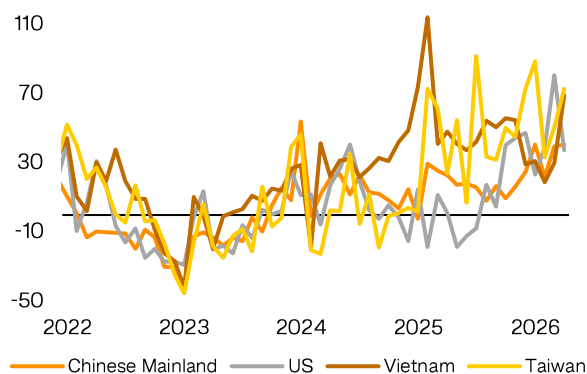
Export growth accelerated to a 5-year high. Hong Kong's merchandise exports rose by 42.9% year-on-year (YoY) in April, accelerating from 35.8% in March and marking the fastest growth since January 2021. Meanwhile, import growth surged to 44.4% YoY, up from 41.2%. While this rapid growth resulted in a widening trade deficit of HKD 29.5 billion, compared to HKD 16.0 billion a year ago, the underlying momentum in trade will provide a strong boost to a wide range of professional services and logistics activities.

Imports and Exports (%YoY)



Source: CEIC

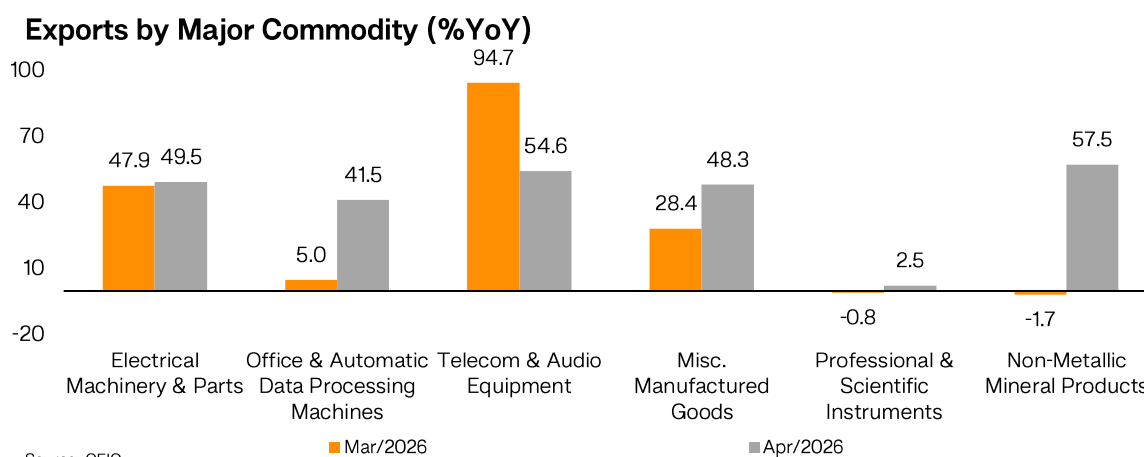
Exports to Major Markets (%YoY)



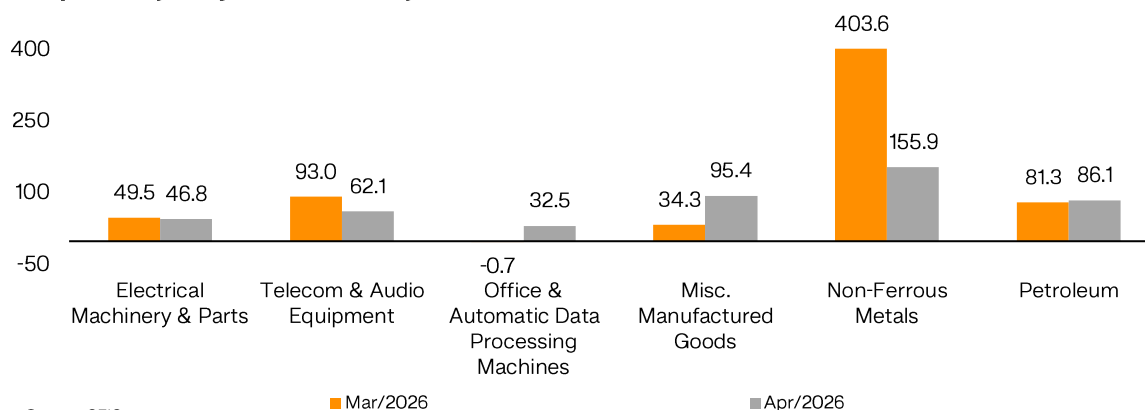
Source: CEIC

The stellar export performance was broad-based across major markets. In April, Hong Kong's top 10 export destinations all recorded double-digit YoY growth. Notably, shipments to the Chinese Mainland rose by 40.7% YoY, compared to 39.5% in March. Exports to ASEAN remained firm, with pronounced growth in member states such as Singapore (+126.3% YoY), Vietnam (+69.3%) and Malaysia (+45.0%). Meanwhile, exports to India and Japan soared by 12.3% and 14.9%, respectively. The increases were equally impressive elsewhere, with shipments to the US and the UAE rising by 37.5% and 45.3% YoY, respectively.

Buoyant demand for AI-related electronics products continues to serve as the primary growth driver. Riding the momentum of the ongoing AI Supercycle, tech-related shipments continued to lead overall headline growth. In April, exports of electrical machinery & parts, automatic data processing machines and telecommunications equipment surged by 49.5%, 41.5% and 54.6%, respectively. Together, these product categories accounted for nearly 85% of total export growth during the month. Outside of the main AI beneficiaries, miscellaneous manufactured goods, which mainly consist of jewellery, gold and silver products, also surged by 48.3% in April, largely reflecting the rally in global precious metal prices.



Elevated imports underscored solid underlying trade momentum. Mirroring the strong export trends, imports of electrical machinery & parts, telecommunications equipment and automatic data processing machines recorded substantial growth, at 46.8%, 62.1% and 32.5% YoY, respectively. While a portion of these imports is likely to be driven by domestic capital investment, this data suggests that robust trade in AI-related electronics products is likely to be sustained, given Hong Kong's role as a regional re-export hub. Additionally, petroleum imports surged further to 86.1% YoY in April, up from 81.3% in March, driven by higher energy prices stemming from the Middle East conflict.

Imports by Major Commodity (%YoY)


Source: CEIC

The near-term trade outlook remains sanguine. Looking ahead, Hong Kong's merchandise exports are expected to remain strong, supported by the ongoing tailwinds of the AI Supercycle. The latest Purchasing Managers' Indices (PMIs) across major Asian economies remain in expansionary territory. Furthermore, South Korea's export data for the first 20 days in May surged by 64.8% YoY, indicating that the AI boom remains intact. On the geopolitical front, the Middle East conflict has shown tentative signs of easing as the economic toll of a prolonged standstill in the Strait of Hormuz mounts, prompting a recent retreat in global oil prices. Nevertheless, the situation remains highly fluid and warrants close monitoring, given the significant uncertainties over the ongoing negotiations and the lingering impacts of recent supply chain disruptions.

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