Hong Kong

January 2021

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since September 2020 · Sources: Atradius, Oxford Economics

Automotive/Transport

Remains Poor

Due to lower consumer sentiment, sales of passenger cars have decreased. Automotive value added is expected to contract by almost 12% in 2020 and to rebound by 9% in 2021. Import and export activities have been adversely impacted by worldwide lockdown policies. Therefore, transport value added is expected to decline by almost 8% in 2020, followed by a 5% growth in 2021.

Chemicals/Pharmaceuticals

Remains Fair

Local demand for pharmaceutical products is increasing due to rising health awareness and related expenses. However, without demand from visitors from the mainland, pharmaceuticals value added is expected to grow only 0.2% in 2020.

Construction/ Construction Materials

Remains Poor

Due to sharply increasing property prices, the Hong Kong government has adopted various measures to control prices and expand land supply. Social unrest as of mid-2019 has caused rising resident outflow and decreasing inflow. The inflow decreases accelerated due to the lockdown, which in turn has lowered demand for flats. Additionally, construction slowed down due to social distancing measures. Following a 6% decrease of value added in 2019, construction is forecast to record a consecutive decline of about 8.5% in 2020. Anticipating an ease of the epidemic, resident inflow increasing, and construction projects resuming in 2021, value added is forecast to rebound by more than 8%.

Consumer Durables

Remains Bleak

Due to the lockdown policy as of February 2020, tourists from the mainland (who used to be a main revenue source for the sector), and other countries are banned from entering Hong Kong. Businesses have suffered from mounting cashflow issues and loss of revenue, which has led to rising closures and insolvencies of local shops. Decreased consumer sentiment and rising unemployment hamper a rebound in the short-term. After an expected 20% decline in 2020 retail value added is forecast to rebound only 12% in 2021.

Electronics/ICT

Remains Fair

Hong Kong is mainly a re-export hub for electronic components sold to/by Chinese factories, as well as an ICT services provider. Supply chains resumed normal in H2 of 2020 after disruptions in H1. However, due to the ongoing US-China trade war and US sanctions on Chinese ICT businesses, Hong Kong electronics/ICT manufacturers with Chinese factories are expected to suffer demand and revenue losses in the short-term. In the mid- and long-term, manufacturers will resort to relocating their factories to Southeast Asia (e.g., Vietnam and Malaysia) in order to avoid US tariffs. Local demand for electronic products is growing thanks to increased remote working.

Financial Services

Remains Good

The financial sector is of major importance to the Hong Kong economy. Over the past decade, the sector has benefited from active cross-border financial and fund-raising activities. However, 2020 has been a volatile year so far for the industry amid the coronavirus pandemic. The stock market plunged in February and March due to immerse uncertainty but started to recover in April and stayed stable since then, thanks to quantitative easing by the US Federal Reserve. Due to listing restrictions on Chinese companies by the US, some mainland Chinese companies, such as Alibaba and JD.com, resort to raising funds in Hong Kong.

The pandemic has impacted cash flow and liquidity of local companies, which could lead to more loan defaults and tighter lending conditions. However, provisions of guarantee by the Hong Kong government were established to aid SMEs in seeking adequate bank loans. Finance sector value added is forecast to grow by about 2.5% in 2021.

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Food

Remains Fair

With the coronavirus pandemic, dining at home has become more frequent, which has increased consumers´ purchases at supermarkets/wet markets. At the same time, almost all restaurants have been severely impacted, facing many restrictions due to social distancing measures. Food sector value added is forecast to increase by about 1% in 2021 after a 0.8% contraction in 2020.

Machines/Engineering

Remain Fair

Local machines/engineering companies have set up their factories mainly in China and Southeast Asia, and Hong Kong serves as a middleman between mainland Chinese factories and overseas end-buyers. Since Q2 of 2020 production has resumed, after in Q1 a nationwide lockdown in the mainland delayed production schedules and disrupted the supply chain. However, due to the still subdued global economic outlook, factories receive less orders and have reduced their production scale. The re-export volume from Hong Kong is expected to rebound somewhat in 2021, with sector value added forecast to grow by more than 5%.

Metals/Steel

Remains Poor

Metal and steel factories are rarely found in Hong Kong, with local businesses in this sector mainly serving as traders. Metals and steel demand has been negatively affected by lower demand from end-sectors, such as construction, automotive and shipbuilding. Trading volume of the sector is forecast to rebound modestly in the coming months.

Paper

Remains Poor

The paper industry is of minor relevance in Hong Kong compared to other sectors. Due to the economic slump and decreasing advertisement revenues, some magazines and newspapers have left the market. Given increased remote working, demand for office paper has decreased, but it is expected to increase again as people return to the office. Paper value added is expected to grow 2% in 2021 after a 2.5% contraction in 2020.

Services

Remains Poor

The services sector is one of the most important industries in Hong Kong. In 2019 revenues were already negatively affected by social unrest and a slight decline in the number of tourists. This has been worsened by the coronavirus pandemic. Due to the lockdown policy, the monthly number of tourists has decreased by 90% year-on-year since February 2020.

To counter the local outbreak, the Hong Kong government temporarily banned the operation of entertainment businesses, beauty salons, fitness centres, etc. Night-time dine-in services were also prohibited for restaurants. Suffering from high rents and loss of revenue, many local service providers started to face cashflow issues and have chosen to cease business. Hotel and catering value added is expected to decline by more than 50% in 2020, but to rebound by 40% in 2021.

Textiles

Remains Poor

Local textile companies have set up their factories mainly in China and Southeast Asia, and Hong Kong serves as a middleman between mainland Chinese factories and overseas end-buyers. Manufactures have started to relocate their factories to Southeast Asia in order to avoid US tariffs.

In the domestic market, wholesalers and retailers are facing lower demand due to social distancing measures and decreased footfall, while online sales have increased.