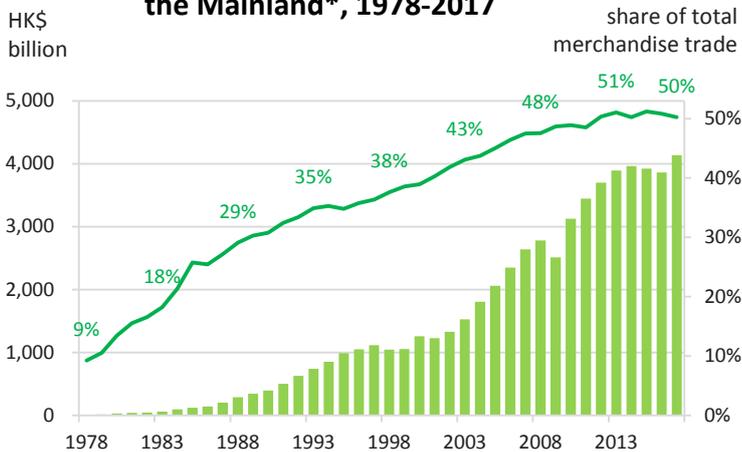




Trade relations between Hong Kong and the Mainland

ISSH25/17-18

Figure 1 – Hong Kong's merchandise trade with the Mainland*, 1978-2017



Note: (*) comprising goods imported from and exported to the Mainland.

Figure 2 – Hong Kong's merchandise exports to the Mainland, 1978-2017

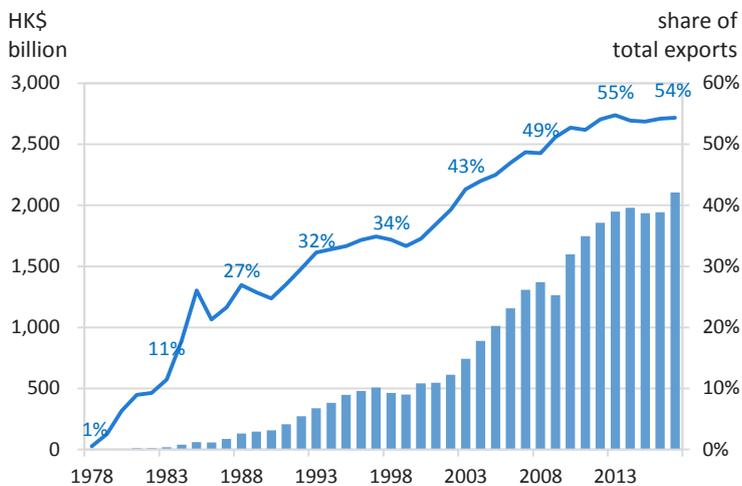
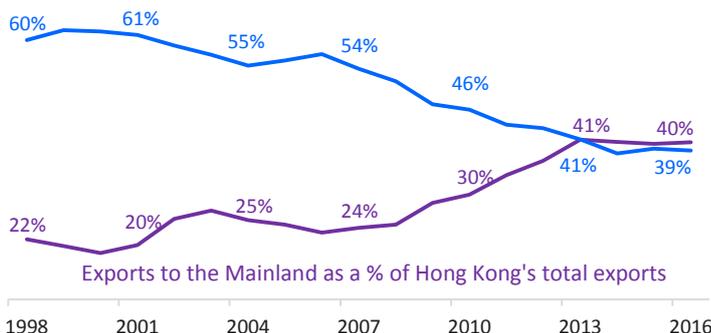


Figure 3 – Hong Kong's trade in services with the Mainland, 1998-2016

Imports from the Mainland as a % of Hong Kong's total imports



Highlights

- Hong Kong has maintained close trade relations with the Mainland since 1978 when the latter opened up itself to the world. The Mainland has been Hong Kong's largest trading partner since 1985, and Hong Kong was the Mainland's third largest trading partner in 2017. Yet, the recent years has seen the annual cross-boundary trade hovering around HK\$4,000 billion or half of Hong Kong's total trade, compared with the visibly rising trend observed earlier (**Figure 1**).
- The slowdown reflects, among other things, the recent easing trend of Hong Kong's merchandise exports to the Mainland amid slower industrial activity there (**Figure 2**). In recent years, many production lines moved away from the Mainland and relocated to lower-cost Southeast Asian countries amid rising production costs and appreciation of the Renminbi in the Mainland. This in turn affects Hong Kong's merchandise exports to the Mainland (the world's largest manufacturing base), of which about half are shipments of raw materials and semi-manufactures.
- For trade in services, the Mainland is Hong Kong's largest source of imports of services, accounting for 39% of the total in 2016. However, its share in Hong Kong's total imports of services has been on the decline in recent years (**Figure 3**), consequential to the decrease in manufacturing services imported by Hong Kong. Manufacturing services have been the largest component of imports of services from the Mainland, covering activities such as processing, assembly, labeling and packaging.
- Meanwhile, the Mainland is also the most important destination for Hong Kong's exports of services, accounting for 40% of the total in 2016. However, its share in Hong Kong's total services exports has remained stable in recent years (**Figure 3**).

Figure 4 – Visitor arrivals from the Mainland, 2003-2017



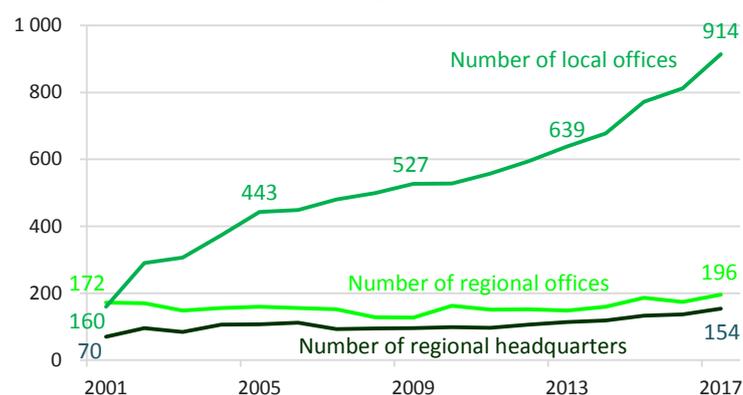
Note: (*) Individual Visit Scheme was introduced under CEPA in 2003. It allows Mainland residents to visit Hong Kong in their individual capacity, as opposed to visit under business visas or by joining group tours.

Figure 5 – Bilateral investment between Hong Kong and the Mainland, 1999-2016*



Note: (*) Year-end figures.

Figure 6 – Number of Mainland companies with business operation in Hong Kong, 2001-2017



Highlights

- The stable market share may reflect the decline in exports of travel services which accounts for about two-thirds of Hong Kong's exports of services to the Mainland. According to the latest statistics available, exports of travel services to the Mainland had declined for three consecutive years through 2016 amid the decline in visitor arrivals from the Mainland over the period (**Figure 4**).
- In terms of investment, Hong Kong is the Mainland's largest source of realized foreign direct investment (**Figure 5**). Hong Kong's investments in the Mainland in the early years were mainly industrial investment. Over the years, Hong Kong businessmen have extended the scope of their investment to other sectors such as retail, communications, financial services, real estate and hotels.
- Reciprocally, the Mainland is Hong Kong's second largest source of inward direct investment (Figure 5). The Mainland's investment in Hong Kong covers a wide range of economic activities, including financing and banking, real estate, import/export trade, wholesale and retail trade, and construction. Meanwhile, there were 154 companies from the Mainland with regional headquarters in Hong Kong in June 2017 (**Figure 6**).
- Looking ahead, a couple of factors should help sustain Hong Kong's trade relations with the Mainland. These include (a) the development of the Guangdong-Hong Kong-Macao Bay Area which facilitates the flow of people, services, goods and capital within the area; and (b) the completion of the Hong Kong-Zhuhai-Macao Bridge that would vastly facilitate cargo movement between Hong Kong and the western Pearl River Delta.

Data sources: Latest figures from Census and Statistics Department, Trade and Industry Department and Hong Kong Tourism Board.

Research Office
Information Services Division
Legislative Council Secretariat
21 May 2018
Tel: 2871 2146

Statistical Highlights are compiled for Members and Committees of the Legislative Council. They are not legal or other professional advice and shall not be relied on as such. Statistical Highlights are subject to copyright owned by The Legislative Council Commission (The Commission). The Commission permits accurate reproduction of Statistical Highlights for non-commercial use in a manner not adversely affecting the Legislative Council, provided that acknowledgement is made stating the Research Office of the Legislative Council Secretariat as the source and one copy of the reproduction is sent to the Legislative Council Library. The paper number of this issue of Statistical Highlights is ISSH25/17-18.