

China Economy

Trade surplus to narrow

Export growth moderated sharply in Mar after the surge in 2M26, likely reflecting a much higher base last year due to export front-loading. Overall, 1Q26 exports continued to pick up as semiconductors and electronic devices remained resilient thanks to the global tech cycle. Imports accelerated markedly in Mar driven by stronger purchases of integrated circuits, copper ore and iron ore, suggesting resilient demand for tech and raw-material inputs rather than a broad-based recovery in domestic consumption. Rising energy prices may gradually lift import values while eroding global consumer confidence and weighing on exports. As a result, the trade surplus may narrow in the coming quarters, reducing support for GDP growth, in our view. Looking forward, we expect China's goods export growth may moderate from 5.2% in 2025 to around 4.0% in 2026, while imports may rebound from -0.5% to around 8%. We estimate USD/RMB may stay firm around 6.8 in 2Q26 before edging back toward 6.9 by year-end.

■ **Exports moderated sharply due to a higher base.** Exports moderated to 2.5% (all on a YoY basis unless specified) in Mar compared to 21.8% in 2M26, lower than market expectations at 3.9%, as front-loading ahead of reciprocal tariffs last year created a much higher base. Overall, 1Q26 exports rose by 14.7% compared to 3.8% in 4Q25. By destination, exports to the US dropped sharply by 26.5% in Mar. Exports to other destinations including ASEAN, the EU, Africa and Japan all notably moderated in Mar, while exports to Latin America and Canada fell to YoY contraction. Trade surplus narrowed to US\$51.1bn in Mar from US\$101.9bn a year earlier. 1Q26 surplus dipped by 6.3% to US\$264.3bn, the first contraction since 2023, weighing on the magnitude of the apparent rebound of Q1 GDP.

■ **Exports remained led by tech cycle and transport equipment.** Integrated circuit exports markedly surged 84.9% in Mar and 77.3% in 1Q26, extending the semiconductor upcycle, while personal computers and cellphones picked up to 37.1% and 2.4% in Mar. Exports of automobiles and ships stayed robust at 43.9% and 35.8% in Mar. On the other hand, low-value added products including textile, garment and toys notably dropped 28.5%, 29.4% and 41.9% in Mar while their Q1 exports rebounded compared to 4Q25. Housing-related products including furniture, lamps and home appliances also improved modestly in Q1 but notably dipped in Mar.

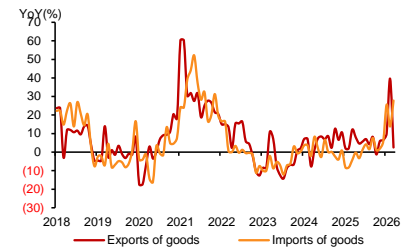
■ **Imports surged due to tech inputs and commodity restocking.** China's imports of goods sharply rose 27.8% in Mar, notably higher than market expectations at 5.6%. Imports in 1Q26 accelerated to 22.7%, up from 2.9% in 1Q25. AI-related inputs remained firm, as import volumes of copper ore and integrated circuits rose 10% and 14.3% in Mar, while their import prices notably surged 51.5% and 34.4%, respectively. Iron ore also rose by 11.5% in volume as infrastructure investment rebounded. For energy products, crude oil import volume dropped 2.8% in Mar, with price dropping 1.6%, as supply tensions has shown in imports due to the shipping lags. For intermediate goods, import volumes of unwrought copper and primary plastics remained weak at -11.6% and -4.8% while steel products, rubber and machine tools rose 2.4%, 3.6% and 14.2%. Imports volumes of grain and soybean both picked up to 37.4% and 14.8% in Mar, up from 2.9% and -7.8% in 2M26. Overall, the import rebound looks more like restocking of raw materials and tech components than a clear turn in broad domestic demand, in our view.

■ **We expect trade surplus to narrow in 2026.** We believe the AI capex upcycle supporting semiconductors, together with energy-security demand driving new energy exports such as NEVs, photovoltaic products and lithium batteries, should underpin the resilience of China's exports in 2026. But

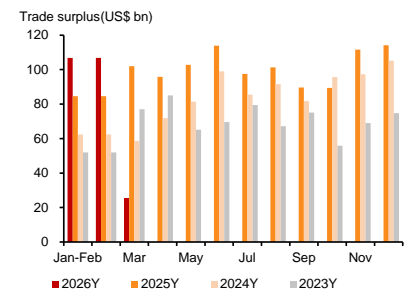
Frank Liu

(852) 3761 8957

frankliu@cmbi.com.hk



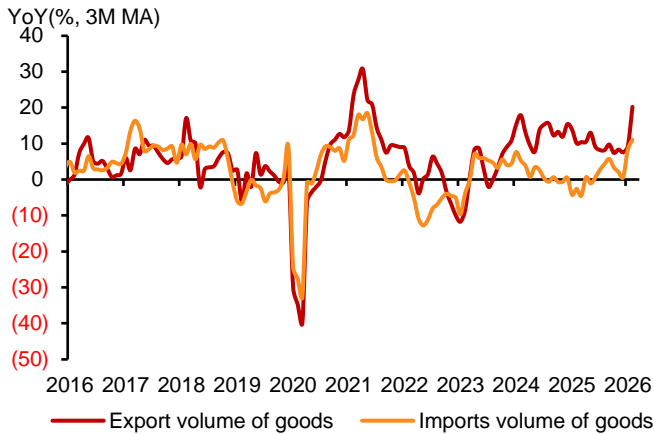
Source: Wind, CMBIGM



Source: Wind, CMBIGM

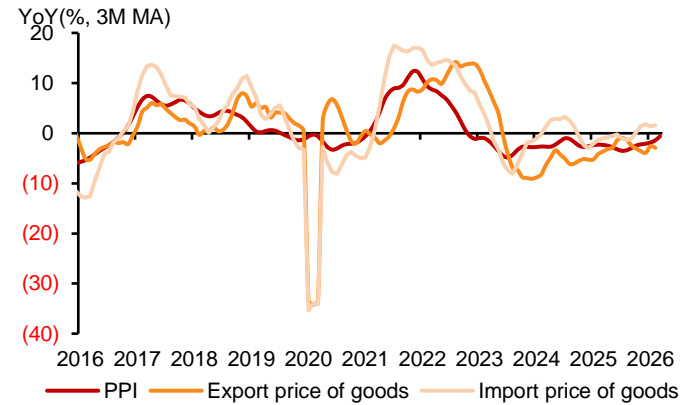
declining global consumer confidence, and rising energy and freight costs are likely to cap further upside, while surges in energy price might be gradually shown in imports. As a result, net exports may provide a smaller boost to growth in the upcoming quarters especially in 2Q26, prompting the need for policy support to bolster domestic demand in 2H26. Looking forward, we expect China's goods export growth may moderate from 5.2% in 2025 to around 4.0% in 2026, while imports may rebound from -0.5% to around 8%. USD/RMB may stay firm around 6.8 in 2Q26 before edging back toward 6.9 by year-end.

Figure 1: Growth of export and import volumes



Source: Wind, CMBIGM

Figure 2: Growth of export and import prices



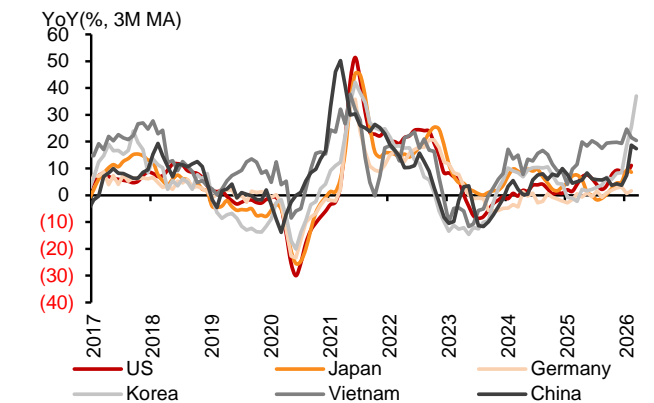
Source: Wind, CMBIGM

Figure 3: China exports by destination

	YoY Growth (%)										Share (%)					
	2022	2023	2024	2025	25Q3	25Q4	26Q1	2M26	Mar	2021	2022	2023	2024	2025	2026	
World	5.6	(4.7)	5.8	5.4	6.5	3.8	14.7	21.8	2.5	100	100	100	100	100	100	
ASEAN	17.7	(5.0)	12.0	13.4	18.2	10.1	20.2	29.4	6.9	14.4	16.0	15.5	16.4	17.6	18.0	
US	1.2	(13.1)	4.9	(20.0)	(27.3)	(28.0)	(16.4)	(11.0)	(26.5)	17.2	16.4	14.8	14.7	11.1	9.9	
EU	8.6	(10.2)	3.0	8.4	11.2	9.1	21.0	27.8	8.6	15.4	15.9	14.8	14.4	14.9	15.1	
Latin America	10.6	(2.4)	13.0	7.4	6.3	8.9	9.3	16.4	(3.7)	6.8	7.1	7.3	7.7	7.9	7.3	
Africa	11.2	7.5	3.5	25.8	41.4	20.1	32.1	49.9	3.1	4.4	4.6	5.1	5.0	6.0	6.2	
Japan	4.4	(8.4)	(3.5)	3.5	3.6	1.2	6.8	8.9	3.3	4.9	4.9	4.7	4.3	4.2	4.1	
South Korea	9.5	(7.2)	(1.8)	(1.1)	3.3	(3.8)	23.8	27.0	19.6	4.4	4.6	4.4	4.1	3.8	4.2	
India	21.7	0.8	2.4	12.8	11.0	12.4	17.5	20.0	12.7	2.9	3.3	3.5	3.4	3.6	3.8	
Russia	12.8	46.9	4.1	(10.4)	(15.9)	(8.0)	21.7	22.7	20.6	2.0	2.1	3.3	3.2	2.7	2.8	
UK	(6.1)	(3.4)	1.2	7.8	9.9	5.6	18.3	26.7	3.4	2.6	2.3	2.3	2.2	2.3	2.2	
Australia	19.0	(5.3)	(4.2)	7.9	11.8	18.1	23.1	29.4	11.9	2.0	2.2	2.2	2.0	2.0	2.0	
Canada	4.5	(14.9)	3.0	3.2	0.9	(2.4)	10.0	19.9	(7.3)	1.5	1.5	1.3	1.3	1.3	1.2	
Saudi Arabia	25.7	14.5	16.8	6.7	12.3	(7.7)	-	18.7	-	0.9	1.1	1.3	1.4	1.4	1.0	
HK China	(15.0)	(6.3)	6.2	15.5	16.0	23.6	39.0	38.7	41.0	10.4	8.4	8.1	8.1	8.9	10.1	
Chinese Taipei	4.2	(16.0)	9.8	11.2	16.0	11.3	31.1	28.7	35.2	2.3	2.3	2.0	2.1	2.2	2.4	

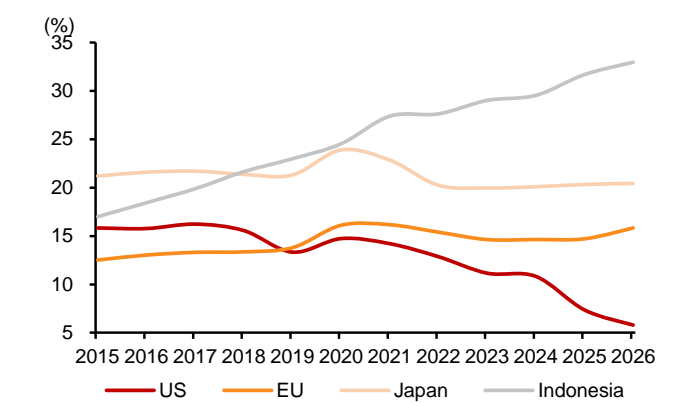
Source: Wind, CMBIGM

Figure 4: Export growth in major economies



Source: Wind, CMBIGM

Figure 5: China's market share in partners' trade



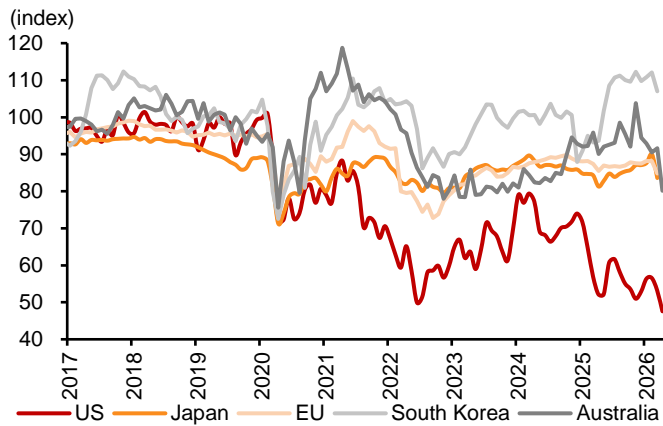
Source: Wind, CMBIGM

Figure 6: China's exports by product

	YoY(%)									Share (%)					
	2022	2023	2024	2025	25Q3	25Q4	26Q1	2M26	Mar	2021	2022	2023	2024	2025	2026
Textile Yarn & Related Products	2.0	(8.3)	5.7	0.5	2.7	(4.1)	2.8	20.5	(28.5)	4.3	4.2	4.0	4.0	3.8	3.5
Travel Goods & Bags	28.2	3.9	(3.2)	(13.5)	(12.4)	(19.1)	(1.1)	18.4	(34.5)	0.8	1.0	1.1	1.0	0.8	0.7
Garment & Accessories	3.2	(7.8)	0.3	(5.0)	(6.2)	(12.3)	(0.4)	14.8	(29.4)	5.1	4.9	4.7	4.5	4.0	3.4
Toy	5.6	(12.2)	(1.7)	(12.7)	(17.9)	(25.5)	(14.9)	1.5	(41.9)	1.4	1.4	1.2	1.1	0.9	0.7
Furniture & Parts Thereof	(5.3)	(5.2)	5.8	(6.1)	0.0	(9.9)	2.9	24.7	(33.5)	2.2	2.0	1.9	1.9	1.7	1.7
Lamps, Lighting Fixtures & Similar Products	(6.1)	(4.6)	(0.1)	(12.4)	(12.9)	(23.7)	(5.4)	16.7	(44.1)	1.5	1.3	1.2	1.2	1.0	0.8
Plastic Products	9.3	(3.9)	5.4	(1.3)	2.6	(5.1)	7.5	25.7	(21.8)	2.9	3.0	3.0	3.0	2.8	2.7
Steel Products	18.7	(8.3)	(1.1)	(1.3)	(0.1)	(1.3)	(10.8)	(9.0)	(13.7)	2.4	2.7	2.5	2.3	2.2	1.8
Unwrought Aluminum	33.7	(26.1)	15.2	(3.3)	(4.7)	(2.2)	16.7	20.8	9.3	0.6	0.7	0.6	0.6	0.6	0.6
Integrated Circuits	0.3	(10.1)	17.4	26.8	31.6	36.7	77.3	72.6	84.9	4.6	4.3	4.0	4.5	5.4	7.4
Ship	(0.4)	28.6	57.3	26.7	26.8	45.8	47.3	52.8	35.8	0.6	0.6	0.8	1.2	1.5	1.5
Motor Vehicles	74.7	69.0	15.5	21.4	15.4	52.4	58.4	67.1	43.9	1.0	1.7	3.0	3.3	3.8	4.2
Vehicles Parts	7.4	9.0	6.6	2.5	4.6	(3.5)	4.6	14.4	(12.2)	2.3	2.3	2.6	2.6	2.5	2.5
General Equipment	6.1	1.8	14.3	6.1	11.0	(0.1)	7.1	19.2	(15.0)	1.6	1.6	1.7	1.8	1.8	1.8
Automatic Data Processing Equipment	(7.5)	(20.4)	9.9	(1.4)	(4.4)	(3.6)	26.5	20.6	37.1	7.6	6.7	5.5	5.8	5.4	6.2
Fertilizer	(1.6)	(13.9)	(11.5)	57.9	96.8	53.8	22.6	12.9	41.8	0.3	0.3	0.3	0.2	0.4	0.2
Ceramic products	6.4	(15.4)	(15.6)	(3.2)	4.9	(13.6)	9.1	29.6	(24.3)	0.9	0.9	0.8	0.6	0.6	0.5
Rare earth	62.8	(28.3)	(36.0)	4.6	31.0	44.1	(8.9)	(15.9)	3.3	0.02	0.03	0.02	0.01	0.01	0.01
Cellphone	(2.5)	(2.7)	(3.1)	(9.4)	(12.0)	(8.6)	(4.9)	(8.3)	2.4	4.4	4.0	4.1	3.8	3.2	2.7
Home appliance	(13.3)	3.8	14.1	(3.9)	(6.7)	(8.9)	1.5	11.4	(15.2)	2.9	2.4	2.6	2.8	2.6	2.5
Medical equipment	(5.8)	(2.9)	7.1	6.0	9.0	3.6	11.5	20.8	(4.5)	0.6	0.5	0.5	0.6	0.6	0.5

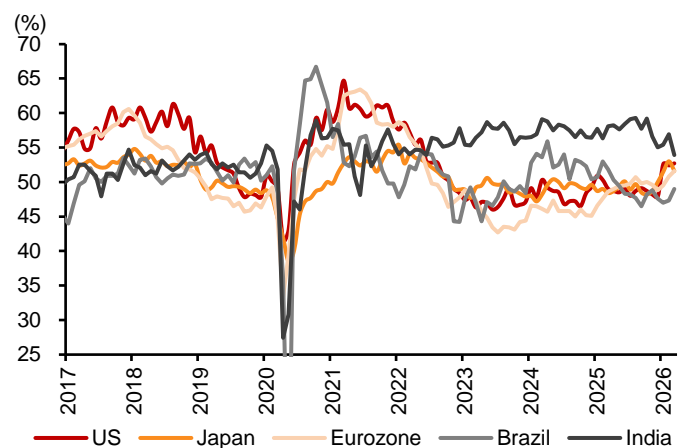
Source: Wind, CMBIGM

Figure 7: Consumer confidence in major economies



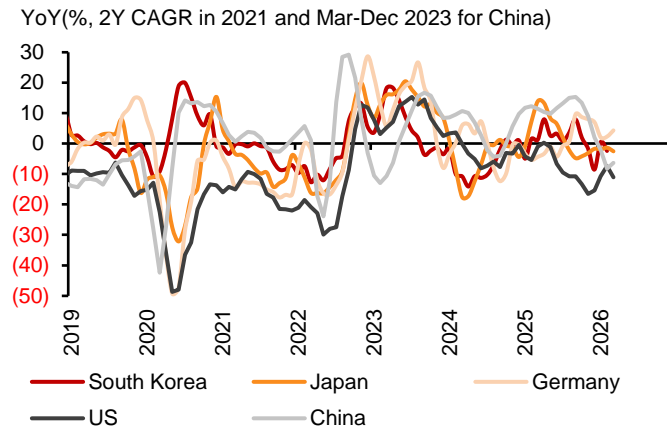
Source: Wind, CMBIGM

Figure 8: Manufacturing PMI in major economies



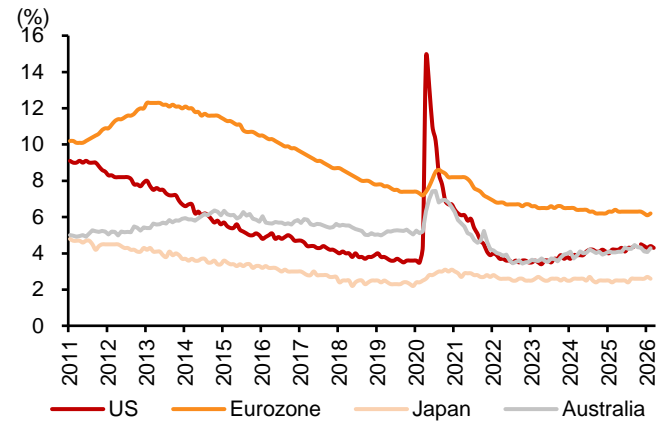
Source: Wind, CMBIGM

Figure 9: Auto sales in major economies



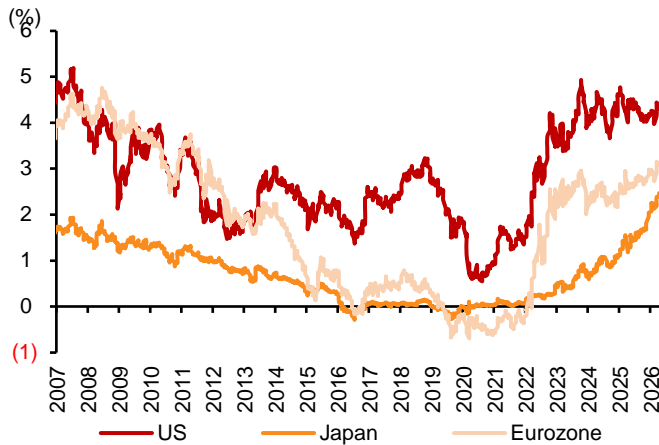
Source: Wind, CMBIGM

Figure 10: Unemployment rates in major economies



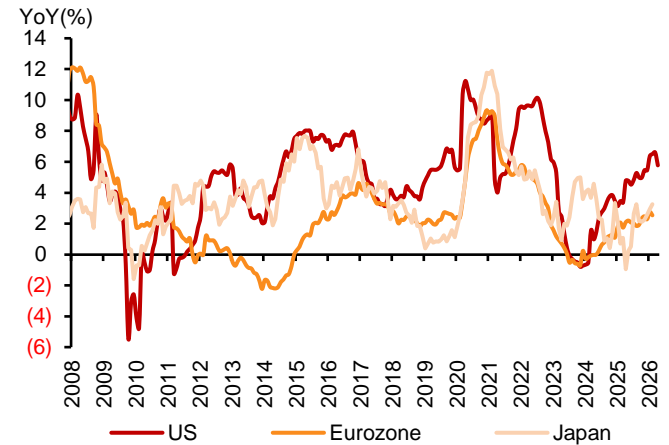
Source: Wind, CMBIGM

Figure 11: 10Y T-Bond rates in major economies



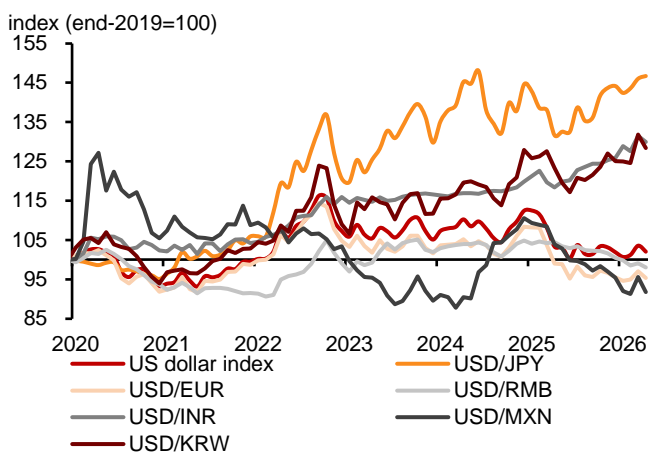
Source: Wind, CMBIGM

Figure 12: Banks' credit growth in major economies



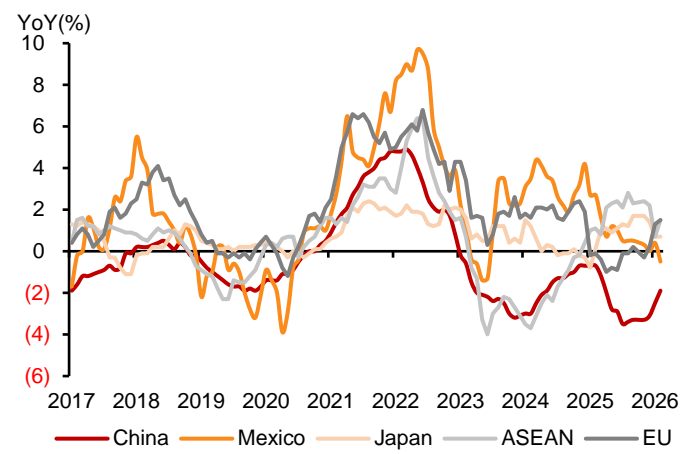
Source: Wind, CMBIGM

Figure 13: Exchange rates



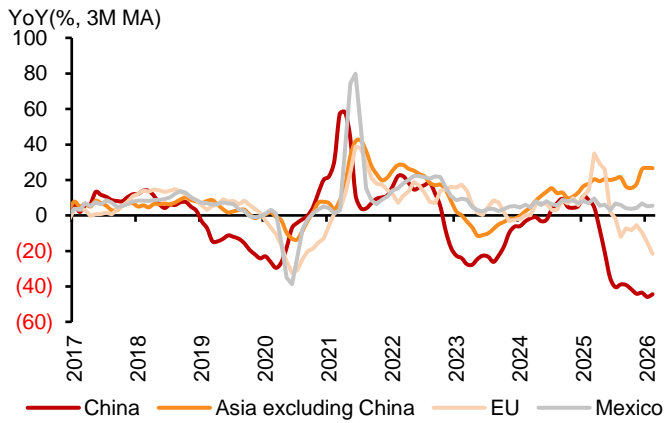
Source: Wind, CMBIGM

Figure 14: US import price growth by source



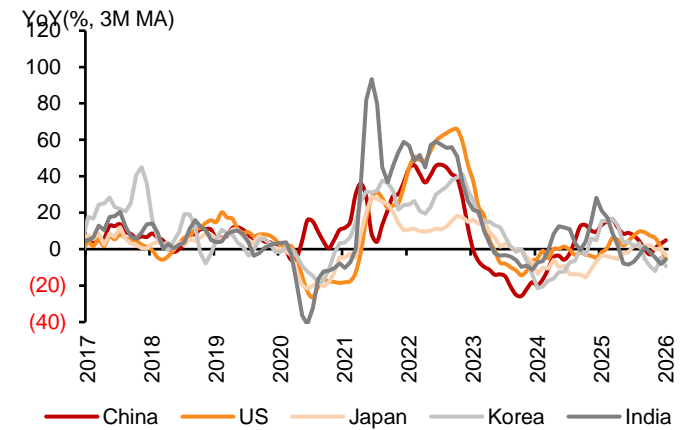
Source: Wind, CMBIGM

Figure 15: Growth of US imports by source



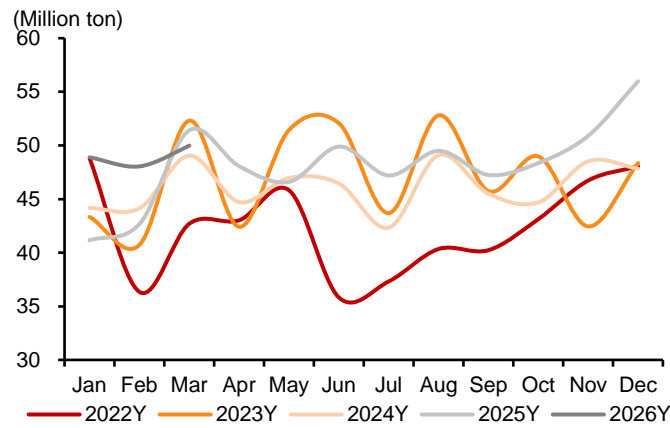
Source: Wind, CMBIGM

Figure 16: Growth of EU imports by source



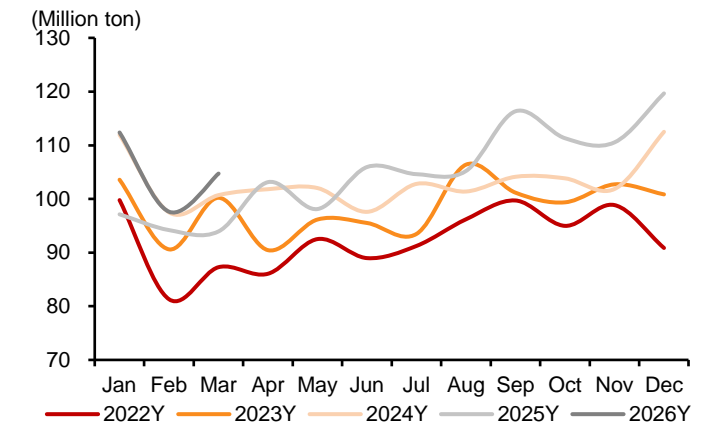
Source: Wind, CMBIGM

Figure 17: Import volume of crude oil



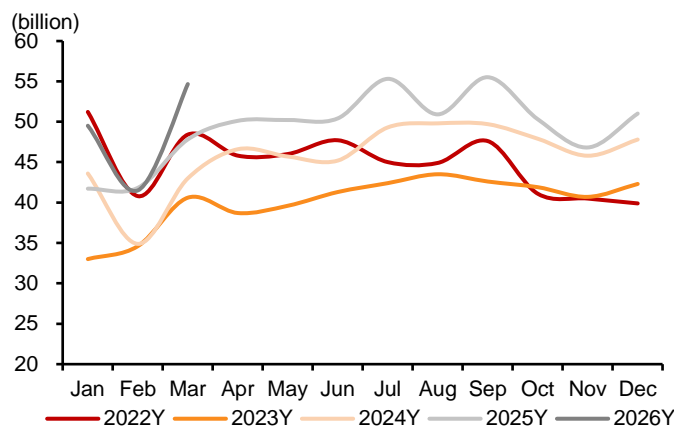
Source: Wind, CMBIGM

Figure 18: Import volume of iron ore



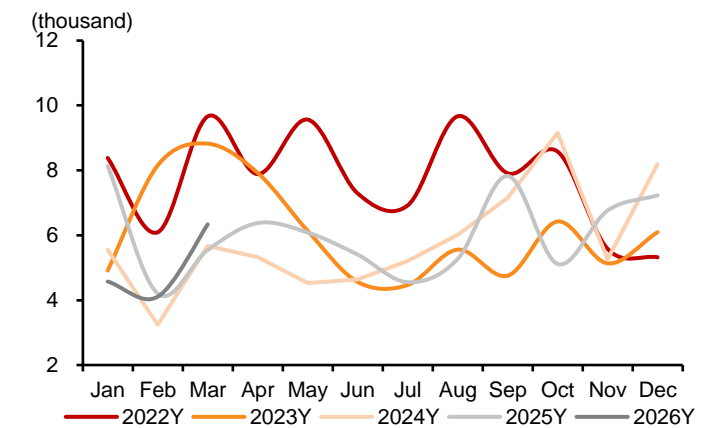
Source: Wind, CMBIGM

Figure 19: Import volume of integrated circuits



Source: Wind, CMBIGM

Figure 20: Import volume of machine tools



Source: Wind, CMBIGM

Figure 21: China's import volume & price by product

	Import volume YoY (%)										Import price YoY(%)								
	2022	2023	2024	2025	25Q3	25Q4	26Q1	2M26	Mar	2022	2023	2024	2025	3Q25	4Q25	1Q26	2M26	Mar	
Grain	(10.7)	11.7	(2.3)	(39.5)	2.2	11.0	11.1	2.9	37.4	23.7	(9.6)	(13.6)	(3.0)	(5.5)	(2.9)	(1.2)	0.6	(4.3)	
Soybean	(5.6)	11.4	6.5	(7.4)	10.4	10.6	(3.2)	(7.8)	14.8	21.2	(10.7)	(16.3)	(10.4)	(10.3)	(2.5)	4.8	5.1	4.4	
Iron ore	(1.5)	6.6	4.9	0.9	5.8	7.3	10.3	10.0	11.5	(28.6)	(1.6)	(7.1)	(8.7)	(7.3)	6.3	1.6	0.6	1.1	
Copper ore	8.0	9.1	2.1	8.4	10.2	8.6	6.5	4.9	10.0	(8.5)	(1.6)	10.8	14.3	10.0	22.2	41.5	30.8	51.5	
Coal	(9.2)	61.8	14.4	(25.0)	(10.9)	(6.0)	1.2	1.5	0.8	29.7	(23.3)	(14.2)	(23.2)	(29.7)	(16.2)	(7.7)	(11.7)	2.2	
Crude oil	(0.9)	11.0	(1.9)	3.6	5.1	10.0	8.6	15.8	(2.8)	42.7	(16.8)	(2.0)	(12.6)	(14.6)	(9.9)	(12.2)	(18.1)	(1.6)	
Natural gas	(9.9)	9.9	9.9	(39.7)	(3.1)	6.9	(4.3)	(1.1)	(10.7)	39.5	(16.4)	(7.9)	(10.5)	(9.9)	(15.2)	(12.3)	(11.7)	(12.8)	
Steel products	(25.9)	(27.6)	(10.9)	(22.3)	(3.8)	(6.7)	(13.4)	(21.7)	2.4	23.1	2.5	1.9	0.4	(2.6)	(3.6)	5.1	6.8	0.5	
Copper products	6.2	(6.3)	3.4	29.6	4.5	(18.1)	(14.8)	(16.1)	(11.6)	(2.5)	(6.2)	9.8	6.9	3.5	13.7	35.7	33.7	36.7	
Plastics in primary form	(10.0)	(3.2)	(2.1)	(3.6)	(13.2)	(8.9)	(9.8)	(12.0)	(4.8)	2.0	(16.7)	(1.1)	(2.1)	(0.0)	(4.3)	(2.8)	(4.9)	0.4	
Rubber	8.7	8.0	(8.2)	26.8	10.3	11.1	0.3	(1.4)	3.6	(1.7)	(16.4)	19.8	5.7	(0.2)	(8.4)	(8.7)	(9.9)	(6.8)	
Integrated circuits	(15.3)	(10.8)	14.6	(47.5)	8.7	4.7	10.9	9.0	14.3	13.5	(5.2)	(3.7)	2.1	2.9	8.6	30.6	28.3	34.4	
Machine tool	(14.4)	(20.5)	(4.1)	(28.1)	(3.9)	(15.5)	(16.0)	(28.6)	14.2	1.5	14.8	(6.5)	(3.0)	7.7	14.1	15.9	34.6	(13.0)	
Auto	(6.5)	(8.9)	(11.7)	(13.6)	(33.3)	(35.3)	(2.4)	24.7	(31.0)	5.7	(3.0)	(5.7)	(10.8)	(15.4)	(4.7)	(8.0)	(12.8)	(12.4)	
Airplane	(27.3)	12.2	8.2	(84.0)	52.5	13.3	(60.3)	(44.7)	(80.0)	13.5	(4.0)	3.1	12.1	7.4	0.5	(25.7)	(27.8)	(9.6)	
Medicine	28.8	23.6	4.7	54.5	(19.5)	(11.4)	(17.4)	(9.4)	(28.1)	(25.7)	(12.8)	(4.8)	5.5	25.9	9.6	26.9	13.9	49.1	
Beauty cosmetics	(11.8)	(14.2)	(9.4)	(28.8)	12.1	(0.4)	2.8	(0.3)	8.1	1.8	(6.1)	0.4	(7.6)	(8.9)	(4.6)	4.0	4.4	3.4	

Source: Wind, CMBIGM

Disclosures & Disclaimers

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BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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