

China Economy

Exports slowdown may prompt policy easing

China's exports in 2M25 came in notably below market expectation, as exports moderated across major trading partners. Export of electronic products remained robust while other consumer goods including bags, clothes, furniture and motor vehicles as well as intermediate products including plastic, steel and aluminum dipped. Imports dropped markedly dragged by energy related commodities including coal, crude oil and natural gas and iron & copper-related raw materials. The slowdown of broad-based export in 2M25 was beyond the mere payback effect from front-loading to the US, as it may be due to the spill-out effect of Trump's tariff policy to international trade. Rising export pressure could weigh on China's growth, potentially leading to an earlier round of policy easing from late 2Q25. Looking forward, we expect China's export growth to decelerate from 5.9% in 2024 to 3.3% in 2025 while import growth may mildly rise from 1.1% to 2.2%. We expect the USD/RMB rate to reach 7.4 at end-2025 from 7.35 at end-2024.

■ **Exports moderated notably across major trading partners.** Exports dropped to 2.3% (all on a YoY basis unless specified) in 2M25 after rising 10.7% in Dec, notably below market expectation of 5.1%. Not only the exports to the US have moderated markedly from 15.6% in Dec to 2.3% in 2M25, the exports to other major trading partners including ASEAN and the EU also slowed down from 18.9% and 8.8% to 5.7% and 0.6%, indicating that this is beyond the mere payback of the front-loading effect at the end of 2024. Exports to Latin America and Africa notably slowed down, while exports to Russia dropped to -10.9% in 2M25 from 5.5% in Dec. Exports to Japan, India and Hong Kong, on the other hand, rebounded in 2M25 while exports to Korea, Australia and Canada saw negative growth.

■ **Electronic products remained robust while others dipped.** Exports of integrated circuits and computers rebounded from 5.3% and 9.5% to 11.9% and 10.5% in 2M25, while cellphone recovered to -3.3% from -15.8%. However, other final consumer goods including textile yarn, travel goods & bags, garment and toy saw notable declines YoY, as well as intermediate products including plastic, steel and aluminum. Motor vehicles and ships also moderated from 12.1% and 10.5% in Dec to 2.5% and 2.2% in 2M25. We expect exports to face more headwinds in 2025 from a bottom-up approach, as momentum of tech and transportation products has started to fade since 4Q24. Growing restrictions on technology and "China+1" production strategy would weigh on electronic products. Demand for ships may decline due to excessive maritime shipping capacity while vehicle exports may continue to slow down amid a high base and tariff hikes. We expect export growth to moderate from 5.9% in 2024 to 3.3% in 2025.

■ **Imports dropped significantly amid weak domestic demand.** China's imports of goods dropped to -8.4% in 2M25 after 1% expansion in Dec, below market expectations of 1.3%. Import volume of energy-related products including coal, crude oil and natural gas dipped to 2.1%, -5% and -7.7% in 2M25 from 10.7%, -1.1% and -8.6%. Import volume of other commodities including iron & copper ore and steel & copper products were also subdued. Auto saw a notable 45.8% dip in volume in 2M25, while machine tool accelerated from 34.5% to 40.7%.

■ **We remain vigilant in monitoring upcoming export trends amid growing uncertainty over Trump's tariffs.** The broad-based export slowdown in 2M25 cannot be fully attributed to the payback effect from front-loading to the US, as it may be due to the spill-out effect on international trade from Trump's tariff policy. Upcoming export data will indicate whether a downward trend is emerging, as we anticipate Trump may gradually impose a 10% tariff on China in each quarter. Conversely, mounting export pressure could dampen China's growth, potentially prompting an earlier

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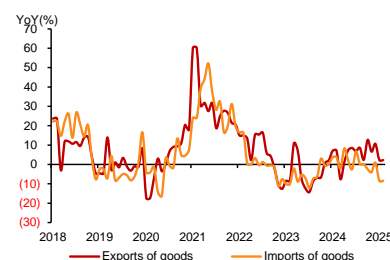
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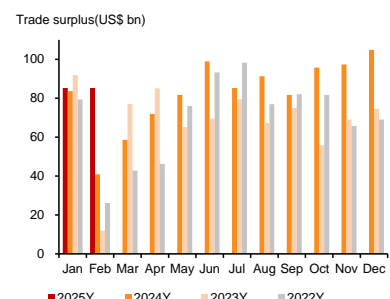
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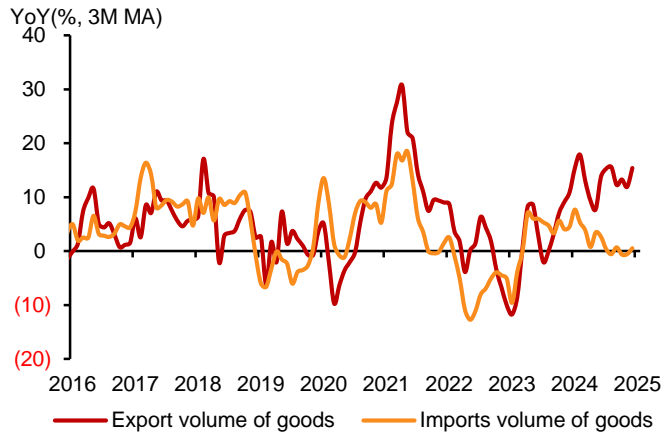


Source: Wind, CMBIGM

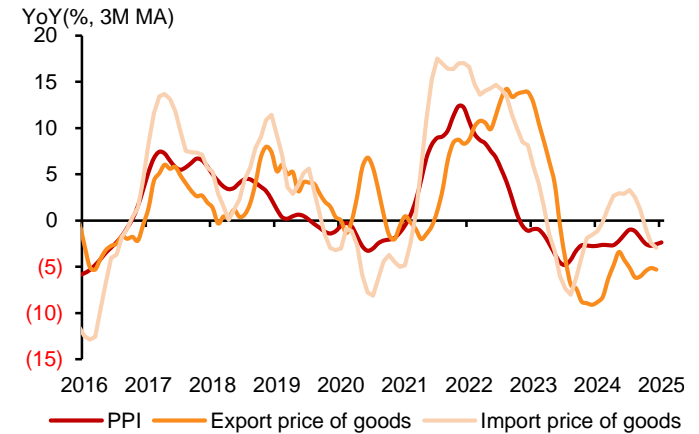


Source: Wind, CMBIGM

round of policy easing from late 2Q25. Looking forward, we expect China's export growth to decelerate from 5.9% in 2024 to 3.3% in 2025 while import growth may mildly rise from 1.1% to 2.2%. We expect the USD/RMB rate to reach 7.4 at end-2025 from 7.35 at end-2024.

Figure 1: Growth of export and import volume

Source: Wind, CMBIGM

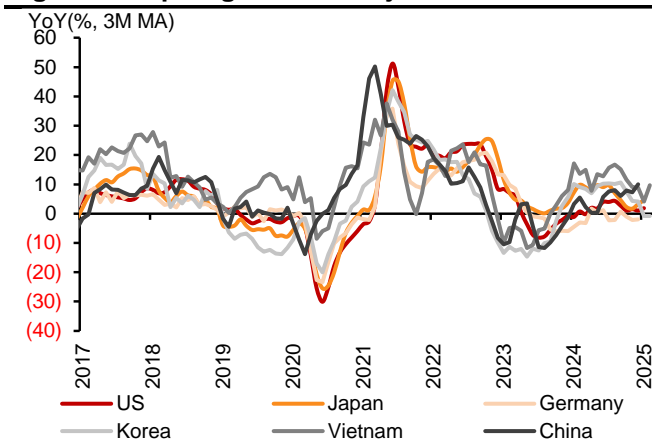
Figure 2: Growth of export and import prices

Source: Wind, CMBIGM

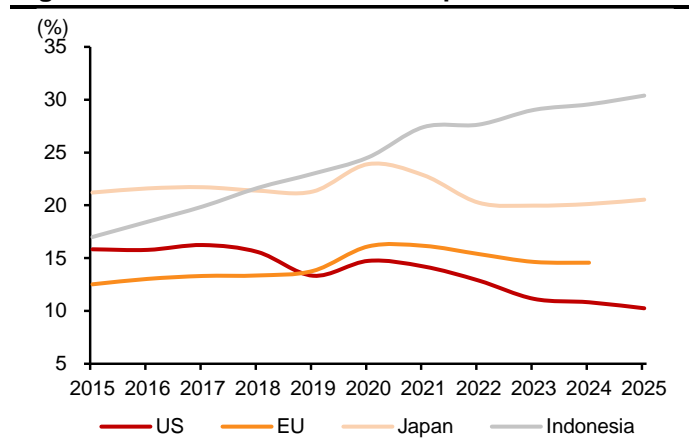
Figure 3: China exports by destination

	YoY Growth (%)										Share (%)					
	2020	2021	2022	2023	2024	24Q3	24Q4	Dec	2M25		2020	2021	2022	2023	2024	2025
World	3.6	29.6	5.6	(4.7)	5.9	5.9	9.9	10.7	2.3		100	100	100	100	100	100
ASEAN	6.7	26.1	17.7	(5.0)	12.0	8.8	16.6	18.9	5.7		14.8	14.4	16.0	15.5	16.4	16.1
US	7.9	27.5	1.2	(13.1)	4.9	5.0	10.5	15.6	2.3		17.4	17.2	16.4	14.8	14.7	14.0
EU	6.7	32.6	8.6	(10.2)	3.0	7.6	9.6	8.8	0.6		15.1	15.4	15.9	14.8	14.4	14.6
Latin America	(0.8)	52.0	10.6	(2.4)	13.0	12.4	16.8	16.9	3.2		5.8	6.8	7.1	7.3	7.7	7.8
Africa	0.9	29.9	11.2	7.5	3.5	(1.4)	18.8	24.8	(0.2)		4.4	4.4	4.6	5.1	5.0	5.3
Japan	(0.4)	16.3	4.4	(8.4)	(3.5)	(4.4)	3.0	(4.2)	0.7		5.5	4.9	4.9	4.7	4.2	4.5
South Korea	1.4	32.4	9.5	(7.2)	(1.8)	(1.8)	2.1	4.0	(2.6)		4.3	4.4	4.6	4.4	4.1	3.8
India	(10.8)	46.2	21.7	0.8	2.4	3.9	1.9	(0.0)	7.9		2.6	2.9	3.3	3.5	3.4	3.9
Russia	1.7	33.8	12.8	46.9	4.1	7.8	8.9	5.5	(10.9)		2.0	2.0	2.1	3.3	3.2	2.8
UK	16.3	19.9	(6.1)	(3.4)	1.2	(2.6)	3.6	3.1	1.5		2.8	2.6	2.3	2.3	2.2	2.2
Australia	10.9	24.2	19.0	(5.3)	(4.2)	(4.5)	(3.2)	(12.3)	(4.8)		2.1	2.0	2.2	2.2	2.0	1.9
Canada	14.0	22.4	4.5	(14.9)	3.0	1.1	4.5	(0.7)	(2.6)		1.6	1.5	1.5	1.3	1.3	1.3
Saudi Arabia	17.7	7.9	25.7	14.5	(1.8)	12.3	2.1	4.0	-		1.1	0.9	1.1	1.3	1.4	0.0
HK China	(2.3)	28.6	(15.0)	(6.3)	6.2	8.5	(3.0)	(7.6)	7.7		10.5	10.4	8.4	8.1	8.1	8.0
Chinese Taipei	9.1	30.4	4.2	(16.0)	9.8	8.8	7.8	14.1	8.4		2.3	2.3	2.3	2.0	2.1	2.1

Source: Wind, CMBIGM

Figure 4: Export growth in major economies

Source: Wind, CMBIGM

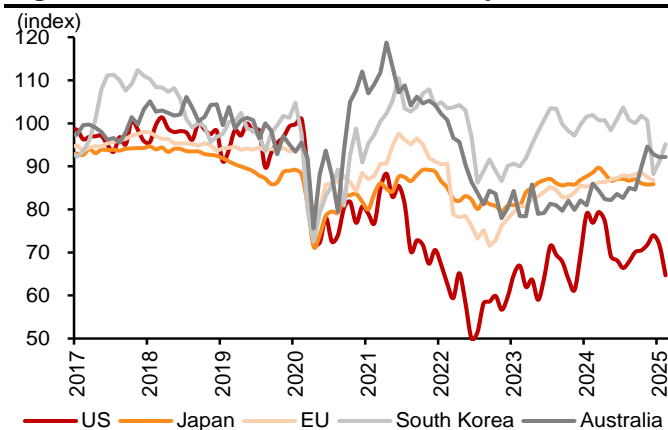
Figure 5: China's market share in partners' trade

Source: Wind, CMBIGM

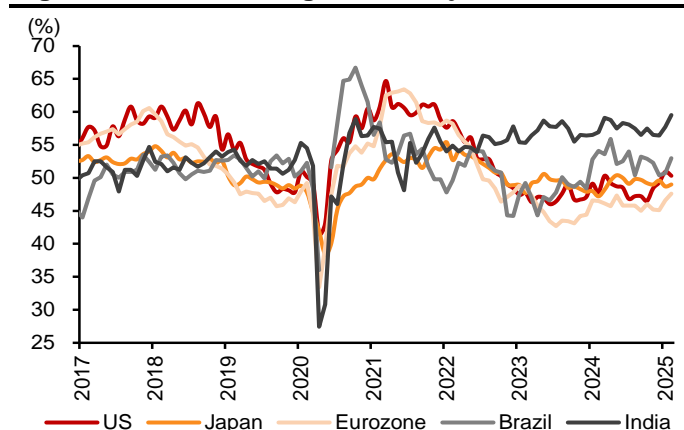
Figure 6: China's exports by product

	YoY(%)										Share (%)					
	2020	2021	2022	2023	2024	24Q3	24Q4	Dec	2M25		2020	2021	2022	2023	2024	2025
Textile Yarn & Related Products	29.2	(5.6)	2.0	(8.3)	5.7	1.5	14.0	17.2	(2.0)		5.9	4.3	4.2	4.0	4.0	3.9
Travel Goods & Bags	(24.2)	35.1	28.2	3.9	(3.2)	(12.7)	(3.6)	(7.1)	(20.2)		0.8	0.8	1.0	1.1	1.0	0.8
Garment & Accessories	(6.4)	24.0	3.2	(7.8)	0.3	(4.6)	5.6	6.2	(6.9)		5.3	5.1	4.9	4.7	4.4	4.0
Toy	7.5	37.7	5.6	(12.2)	(1.7)	(6.9)	1.4	(2.9)	(11.1)		1.3	1.4	1.4	1.2	1.1	0.9
Furniture & Parts Thereof	11.8	26.4	(5.3)	(5.2)	5.8	(7.5)	1.0	3.1	(15.5)		2.3	2.2	2.0	1.9	1.9	1.8
Lamps, Lighting Fixtures & Similar Products	14.3	31.2	(6.1)	(4.6)	(0.1)	(9.0)	1.4	3.8	(21.7)		1.5	1.5	1.3	1.2	1.2	1.0
Plastic Products	19.6	29.1	9.3	(3.9)	5.4	(1.9)	5.2	4.2	(8.3)		3.3	2.9	3.0	3.0	3.0	2.8
Steel Products	(15.4)	80.2	18.7	(8.3)	(1.1)	5.3	12.8	11.8	(3.9)		1.8	2.4	2.7	2.5	2.3	2.2
Unwrought Aluminum	(14.1)	48.7	33.7	(26.1)	15.2	21.6	26.0	7.2	(5.5)		0.5	0.6	0.7	0.6	0.6	0.6
Integrated Circuits	14.8	32.0	0.3	(10.1)	17.4	16.6	10.9	5.3	11.9		4.5	4.6	4.3	4.0	4.5	4.6
Ship	(15.3)	26.2	(0.4)	28.6	57.3	74.8	9.8	10.5	2.2		0.7	0.6	0.6	0.8	1.2	1.3
Motor Vehicles	(3.6)	119.2	74.7	69.0	15.5	23.9	2.5	12.1	2.5		0.6	1.0	1.7	3.0	3.3	3.0
Auto Parts & Accessories	(6.2)	33.7	7.4	9.0	6.6	3.3	11.9	15.6	0.6		2.2	2.3	2.3	2.6	2.6	2.7
General Equipment	7.5	26.4	6.1	1.8	14.3	9.7	24.2	29.0	(2.0)		1.6	1.6	1.6	1.7	1.8	2.0
Automatic Data Processing Equipment	11.6	21.0	(7.5)	(20.4)	9.9	11.2	13.7	9.5	10.5		8.1	7.6	6.7	5.5	5.8	5.6
Fertilizer	(8.3)	73.2	(1.6)	(13.9)	(11.5)	8.8	(5.4)	(1.1)	52.6		0.3	0.3	0.3	0.3	0.2	0.2
Ceramic products	0.0	22.3	6.4	(15.4)	(15.6)	(27.5)	(15.3)	(11.3)	(30.4)		1.0	0.9	0.9	0.8	0.6	0.5
Rare earth	(21.9)	90.0	62.8	(28.3)	(36.0)	(33.0)	(16.1)	(11.9)	(0.4)		0.01	0.02	0.03	0.02	0.01	0.02
Cellphone	0.9	16.6	(2.5)	(2.7)	(3.1)	2.6	(4.8)	(15.8)	(3.3)		4.8	4.4	4.0	4.1	3.8	3.5
Home appliance	23.5	22.3	(13.3)	3.8	14.1	11.0	15.6	14.1	6.3		2.6	2.9	2.4	2.6	2.8	2.8
Medical equipment	40.5	11.9	(5.8)	(2.9)	7.1	3.6	14.9	16.3	4.4		0.7	0.6	0.5	0.5	0.6	0.5

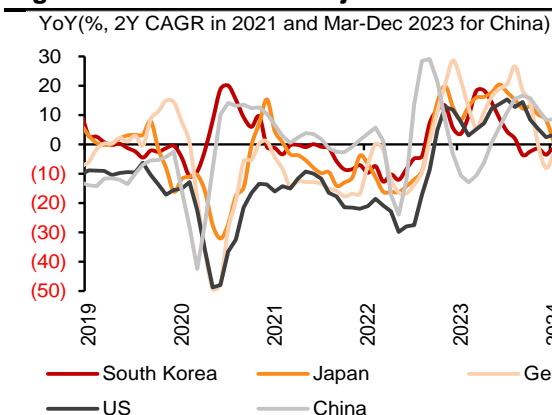
Source: Wind, CMBIGM

Figure 7: Consumer confidence in major economies

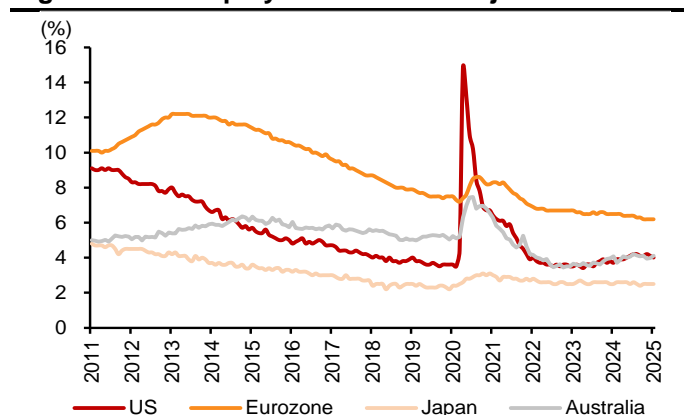
Source: Wind, CMBIGM

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

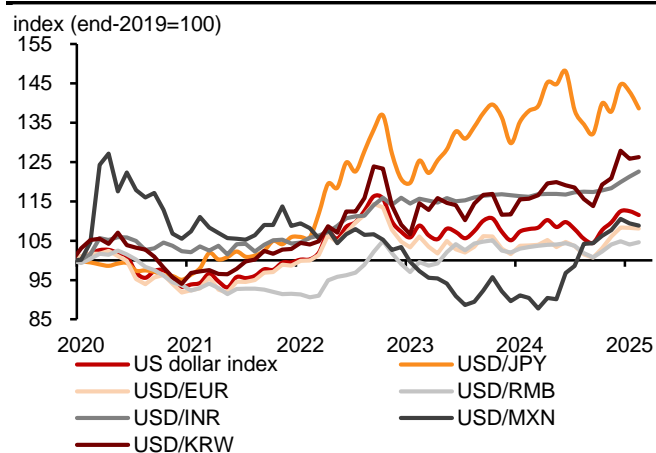
Source: Wind, CMBIGM

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

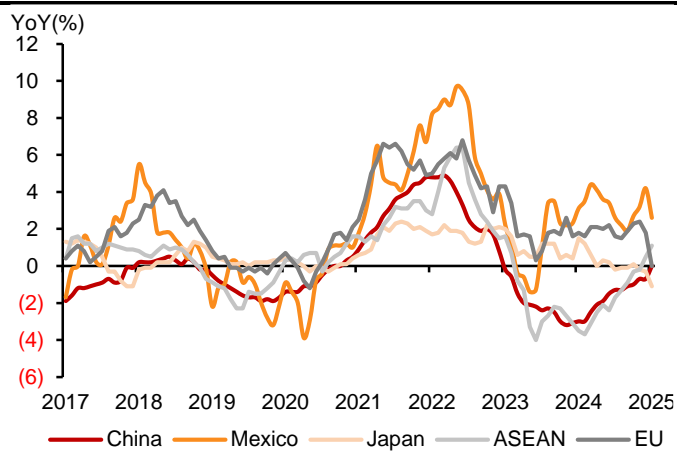
Source: Wind, CMBIGM

Figure 12: Banks' credit growth in major economies

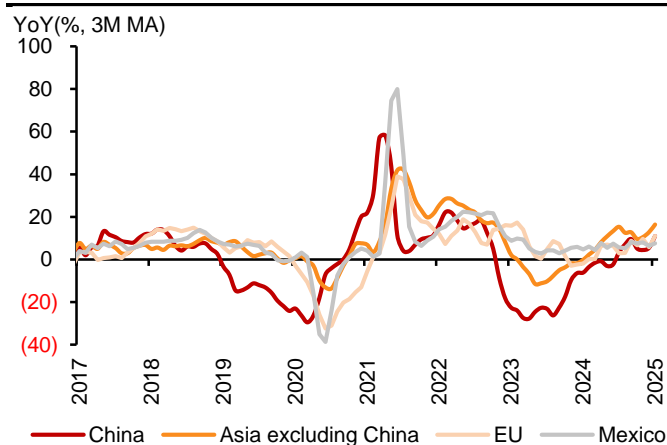
Source: Wind, CMBIGM

Figure 13: Exchange rates

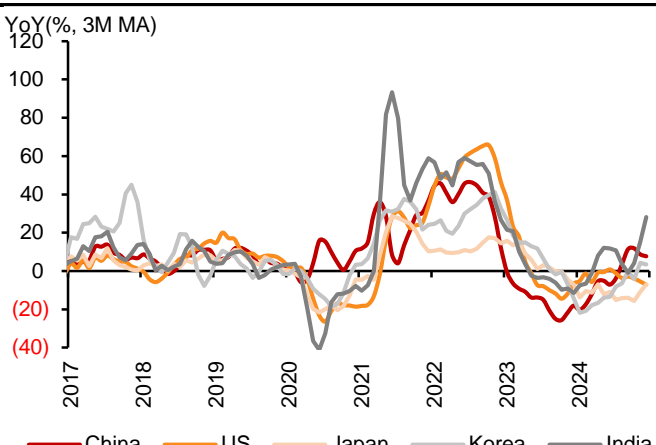
Source: Wind, CMBIGM

Figure 14: US import price growth by source

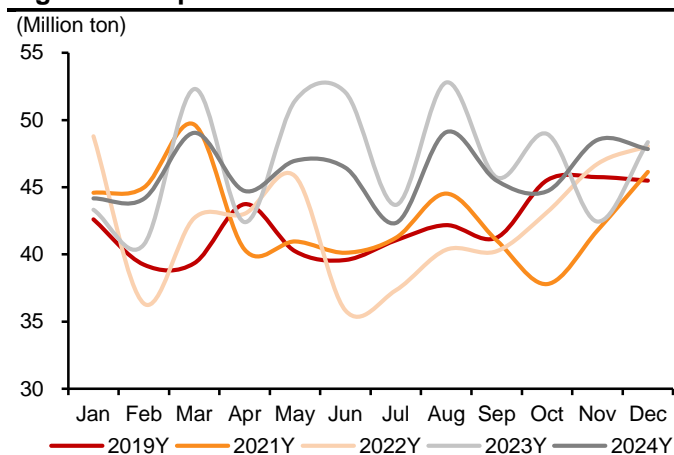
Source: Wind, CMBIGM

Figure 15: Growth of US imports by source

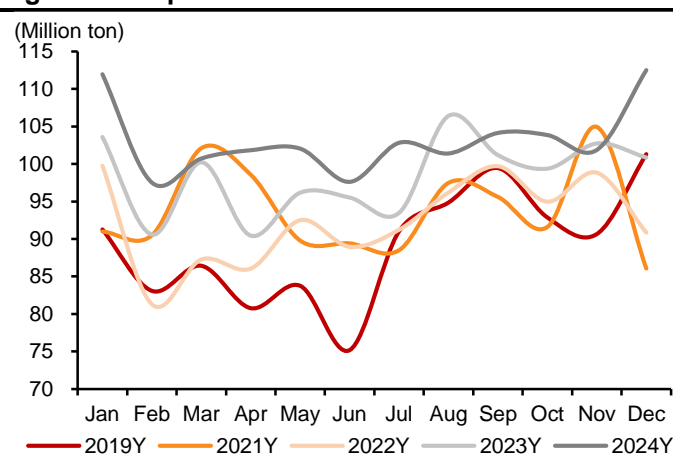
Source: Wind, CMBIGM

Figure 16: Growth of EU imports by source

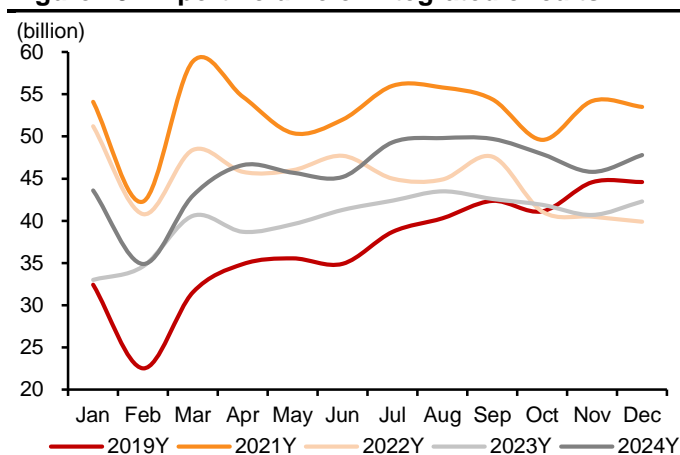
Source: Wind, CMBIGM

Figure 17: Import volume of crude oil

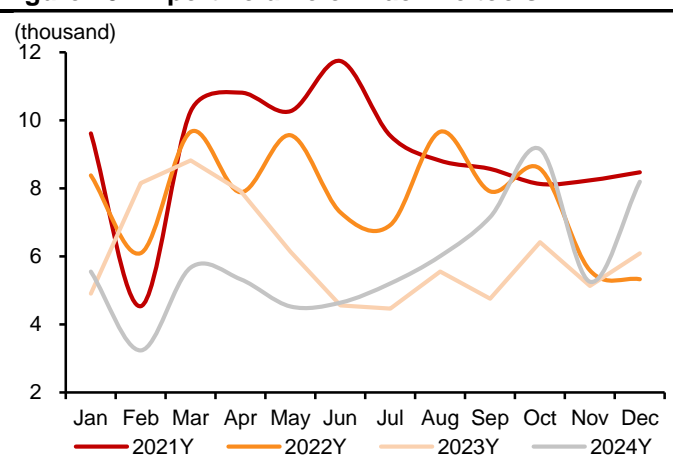
Source: Wind, CMBIGM

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(%)									
	2020	2021	2022	2023	2024	24Q3	24Q4	Dec	2M25	2020	2021	2022	2023	2024	3Q24	4Q24	Dec	2M25		
Grain	28.0	18.1	(10.7)	11.7	(2.3)	14.4	(29.6)	(43.9)	(35.2)	(5.4)	26.3	23.7	(9.6)	(13.6)	(9.9)	(2.5)	(3.2)	(0.6)		
Soybean	13.3	(3.8)	(5.6)	11.4	6.5	27.1	1.2	(19.1)	4.4	(1.3)	40.7	21.2	(10.7)	(16.3)	(12.1)	(16.1)	(18.5)	(18.4)		
Iron ore	9.5	(3.9)	(1.5)	6.6	4.9	2.4	5.0	11.5	(8.4)	7.2	55.4	(28.6)	(1.6)	(7.1)	(5.0)	(19.3)	(20.7)	(23.6)		
Copper ore	(1.0)	7.6	8.0	9.1	2.1	3.9	(2.2)	1.6	1.3	2.1	44.6	(8.5)	(1.6)	10.8	14.1	11.8	15.3	4.2		
Coal	1.5	6.6	(9.2)	61.8	14.4	11.1	21.1	10.7	2.1	(14.8)	65.9	29.7	(23.3)	(14.2)	0.1	(15.0)	(19.6)	(20.2)		
Crude oil	7.3	(5.4)	(0.9)	11.0	(1.9)	(3.7)	0.9	(1.1)	(5.0)	(32.2)	52.4	42.7	(16.8)	(2.0)	0.8	(15.6)	(12.4)	(5.8)		
Natural gas	5.3	19.9	(9.9)	9.9	9.9	10.5	1.6	(8.6)	(7.7)	(23.8)	39.8	39.5	(16.4)	(7.9)	3.0	(6.6)	(13.3)	(6.6)		
Steel products	64.4	(29.5)	(25.9)	(27.6)	(10.9)	(20.4)	(16.0)	(6.1)	(7.2)	(27.5)	57.9	23.1	2.5	1.9	6.2	10.2	4.1	(0.8)		
Copper products	34.1	(17.2)	6.2	(6.3)	3.4	(4.6)	6.0	21.9	(7.2)	(0.9)	45.5	(2.5)	(6.2)	9.8	12.7	13.3	9.7	8.3		
Plastics in primary form	10.1	(16.4)	(10.0)	(3.2)	(2.1)	(3.5)	(4.7)	1.5	2.9	(10.6)	39.4	2.0	(16.7)	(1.1)	2.5	1.0	1.3	(1.1)		
Rubber	13.6	(9.4)	8.7	8.0	(8.2)	(3.7)	6.9	11.1	23.3	(7.2)	26.4	(1.7)	(16.4)	19.8	24.7	30.2	31.2	27.9		
Integrated circuits	22.1	16.9	(15.3)	(10.8)	14.6	15.8	13.3	13.0	6.3	(6.1)	5.7	13.5	(5.2)	(3.7)	(3.0)	(4.8)	(3.0)	(3.4)		
Machine tool	18.8	(0.7)	(14.4)	(20.5)	(4.1)	24.3	28.1	34.5	40.7	(30.8)	25.8	1.5	14.8	(6.5)	(28.5)	(26.0)	(25.7)	(35.9)		
Auto	(11.4)	0.6	(6.5)	(8.9)	(11.7)	0.0	(29.2)	(12.5)	(45.8)	8.1	14.7	5.7	(3.0)	(5.7)	(1.2)	(8.3)	(18.1)	(8.3)		
Airplane	(35.4)	29.4	(27.3)	12.2	8.2	25.0	15.4	50.0	123.5	(30.0)	12.3	13.5	(4.0)	3.1	40.6	48.1	19.3	11.3		
Medicine	(0.6)	3.1	28.8	23.6	4.7	20.4	(7.0)	(13.1)	(11.8)	4.1	16.5	(25.7)	(12.8)	(4.8)	(14.0)	13.8	20.8	1.1		
Beauty cosmetics	3.7	5.2	(11.8)	(14.2)	(9.4)	(7.9)	(2.1)	20.3	14.1	24.8	17.0	1.8	(6.1)	0.4	1.1	(1.5)	(10.7)	(10.6)		

Source: Wind, CMBIGM

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