

China Economy

Front-loading effect supports exports with uncertainties ahead

China posted another record-high trade surplus exceeding US\$100bn in Mar, as exports rebounded markedly across trading partners driven by the frontloading effect in anticipation of higher tariffs in the future. Imports moderately recovered from its early-year trough, yet remained subdued due to soft domestic demand. Trump's aggressive tariffs might slow China's economic growth by over 0.5ppts by reducing exports, hurting business investment and undermining consumer confidence. China would enhance trade and investment ties with non-US economies and reorient its growth model toward a more consumption-driven structure. China might launch additional fiscal stimulus measures especially those targeting consumption, including expanding consumer trade-in schemes, providing child-birth subsidies, and strengthening social benefit net. The PBOC might cut RRR and LPRs moderately in 2Q25 to boost stock and housing markets. 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 7.40 at end-2025 from 7.35 at end-2024.

- **Exports accelerated markedly across major trading partners.** Exports rebounded to 12.4% (all on a YoY basis unless specified) in Mar after rising 2.3% in 2M25, notably beating market expectation of 3.5%. Exports to the US escalated from 2.3% in 2M25 to 9.1% in Mar, even though 20% tariff rate had been implemented. Exports to other major trading partners, including ASEAN and the EU, also picked up from 5.7% and 0.6% in 2M25 to 11.6% and 10.3% in Mar. Exports to emerging markets including Latin America, Africa and India notably rebounded, as well as exports to developed markets including Japan, the UK and Canada. Trade surplus reached US\$102.6bn in Mar, as three of the past four months since last Dec have posted record-high trade surpluses of exceeding US\$100bn.
- **Housing-related and low-value-added products surged.** Tech-related products including integrated circuits and personal computer moderated in Mar but remained robust overall, while cellphone recovered to 7.7% in Mar from -3.3% in 2M25. Housing-related products including furniture and lamps & lighting products saw notable rebound from -15.5% and -21.7% in 2M25 to 7.2% and 22.7%. Ships and motor vehicles slowed down in Mar, while general equipment picked up. Low value-added exports including textile yam, garment and toy also surged in Mar ahead of the tariff hikes.
- **Imports narrowed its contraction.** China's imports of goods moderately recovered to -4.3% in Mar after dipping 8.4% in 2M25, in line with market expectations. Import volume of crops notably declined as grain and soybean dropped by 54.1% and 36.8% in Mar compared to -34% and -1.8% in 2M25. For energy products, import volume of coal and natural gas dropped 6.4% and 14.9% in Mar, while crude oil rebounded 4.7%. For raw materials, import volume of iron ore and rubber rose to -6.7% and 16.9% in Mar from -13% and 6.9%, while import volume of copper ore moderated from 3.2% in 2M25 to 2.7%. Import volume of finished goods saw notable growth, with airplanes and integrated circuits rising 76.5% and 11.1%.
- **Trade war might prompt China to reorient its growth model toward a more consumption-driven structure.** China's share of the global trade surplus has quickly expanded from little over 30% in 2020 to over 40% in 2024, with momentum continuing in early 2025. While the global trade war initiated by the US might prompt China to deepen economic engagement with non-US economies, other economies may find it increasingly difficult to absorb the export spillover from a single country accounting for possibly almost 50% of the global trade surplus in the future. Therefore, China has to

Frank Liu

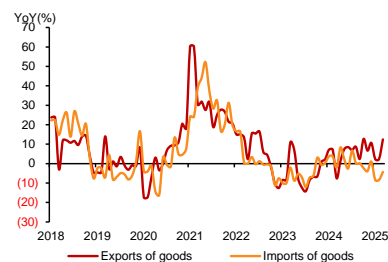
(852) 3761 8957

frankliu@cmbi.com.hk

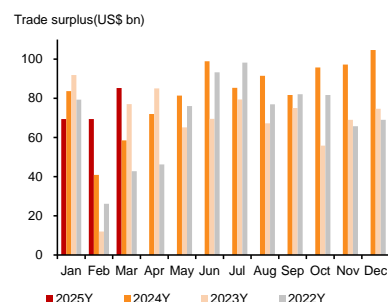
Bingnan YE, Ph.D

(852) 3761 8967

yebingnan@cmbi.com.hk

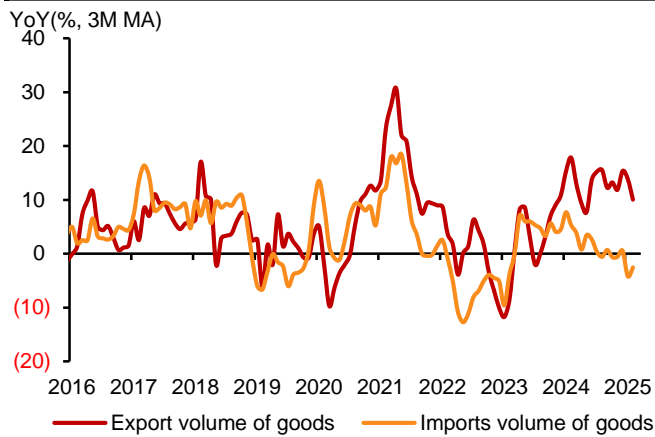


Source: Wind, CMBIGM

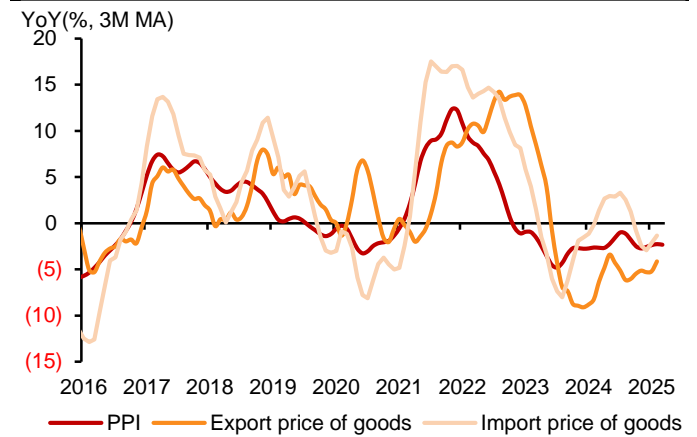


Source: Wind, CMBIGM

transition toward a more consumption-driven economy in order to absorb its gigantic production level. The PBOC may cut RRR and LPRs in 2Q25 by 50bps and 20bps respectively. China might launch additional fiscal stimulus measures especially those targeting consumption, including expanding consumer trade-in schemes, providing child-birth subsidies and strengthening social benefit net. 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 7.40 at end-2025 from 7.35 at end-2024.

Figure 1: Growth of export and import volume

Source: Wind, CMBIGM

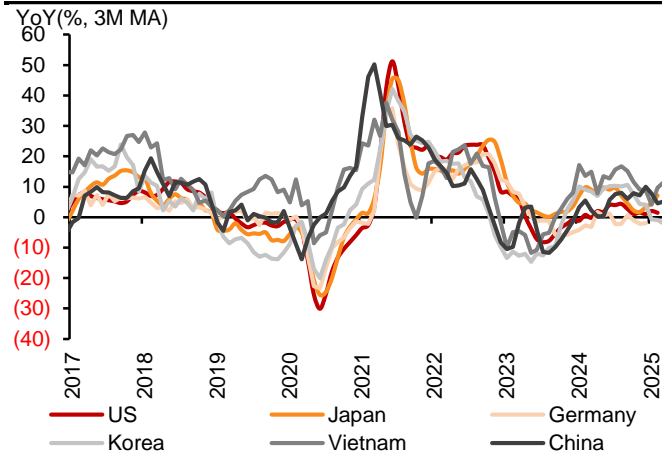
Figure 2: Growth of export and import prices

Source: Wind, CMBIGM

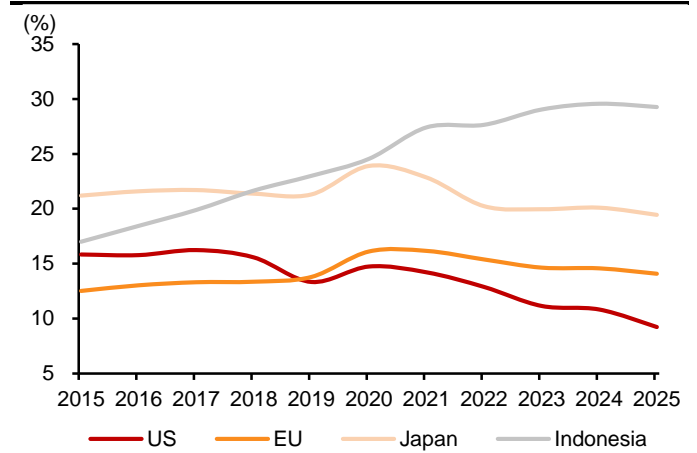
Figure 3: China exports by destination

	YoY Growth (%)										Share (%)					
	2020	2021	2022	2023	2024	24Q4	25Q1	2M25	Mar		2020	2021	2022	2023	2024	2025
World	3.6	29.6	5.6	(4.7)	5.9	9.9	5.7	2.3	12.4		100	100	100	100	100	100
ASEAN	6.7	26.1	17.7	(5.0)	12.0	16.6	7.8	5.7	11.6		14.8	14.4	16.0	15.5	16.4	17.1
US	7.9	27.5	1.2	(13.1)	4.9	10.5	5.0	2.3	9.1		17.4	17.2	16.4	14.8	14.7	13.5
EU	6.7	32.6	8.6	(10.2)	3.0	9.6	4.1	0.6	10.3		15.1	15.4	15.9	14.8	14.4	14.3
Latin America	(0.8)	52.0	10.6	(2.4)	13.0	16.8	9.7	3.2	23.5		5.8	6.8	7.1	7.3	7.7	7.7
Africa	0.9	29.9	11.2	7.5	3.5	18.8	10.8	(0.2)	37.0		4.4	4.4	4.6	5.1	5.0	5.4
Japan	(0.4)	16.3	4.4	(8.4)	(3.5)	3.0	2.8	0.7	6.7		5.5	4.9	4.9	4.7	4.2	4.4
South Korea	1.4	32.4	9.5	(7.2)	(1.8)	2.1	(2.0)	(2.6)	(0.9)		4.3	4.4	4.6	4.4	4.1	3.9
India	(10.8)	46.2	21.7	0.8	2.4	1.9	13.6	7.9	27.3		2.6	2.9	3.3	3.5	3.4	3.7
Russia	1.7	33.8	12.8	46.9	4.1	8.9	(7.0)	(10.9)	1.9		2.0	2.0	2.1	3.3	3.2	2.7
UK	16.3	19.9	(6.1)	(3.4)	1.2	3.6	6.8	1.5	16.3		2.8	2.6	2.3	2.3	2.2	2.2
Australia	10.9	24.2	19.0	(5.3)	(4.2)	(3.2)	(4.5)	(4.8)	(4.2)		2.1	2.0	2.2	2.2	2.0	1.9
Canada	14.0	22.4	4.5	(14.9)	3.0	4.5	2.6	(2.6)	12.9		1.6	1.5	1.5	1.3	1.3	1.3
Saudi Arabia	17.7	7.9	25.7	14.5	16.8	27.6	-	6.7	-		1.1	0.9	1.1	1.3	1.4	1.0
HK China	(2.3)	28.6	(15.0)	(6.3)	6.2	(3.0)	7.3	7.7	7.8		10.5	10.4	8.4	8.1	8.1	8.3
Chinese Taipei	9.1	30.4	4.2	(16.0)	9.8	7.8	8.1	8.4	7.9		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

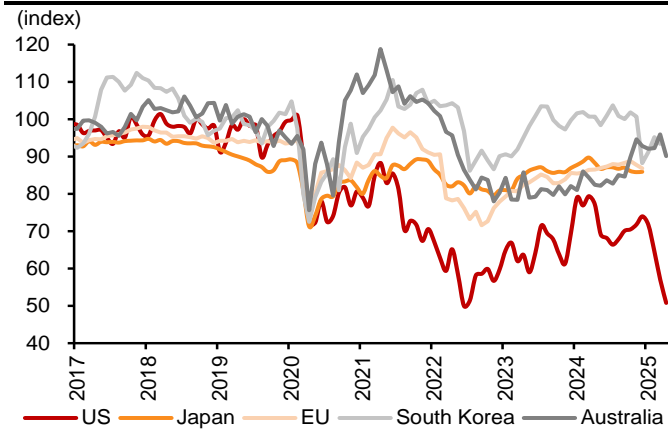
Figure 5: China's market share in partners' trade

Source: Wind, CMBIGM

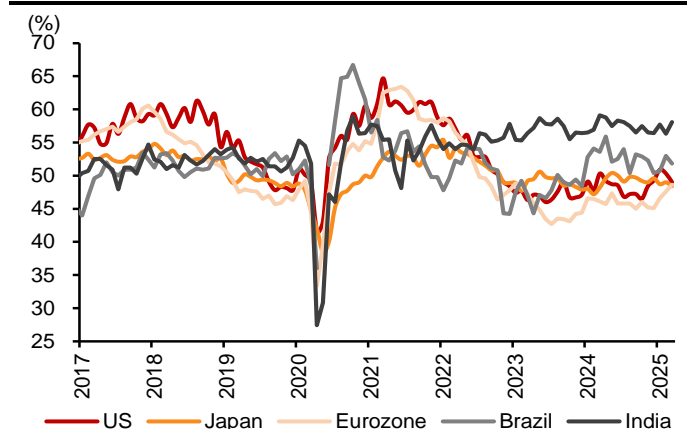
Figure 6: China's exports by product

	YoY(%)										Share (%)					
	2020	2021	2022	2023	2024	24Q4	25Q1	2M25	Mar		2020	2021	2022	2023	2024	2025
Textile Yarn & Related Products	29.2	(5.6)	2.0	(8.3)	5.7	14.0	3.7	(2.0)	16.1		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)	(3.6)	(15.0)	(20.2)	(2.7)		0.8	0.8	1.0	1.1	1.0	0.8
Garment & Accessories	(6.4)	24.0	3.2	(7.8)	0.3	5.6	(2.4)	(6.9)	8.8		5.3	5.1	4.9	4.7	4.4	3.9
Toy	7.5	37.7	5.6	(12.2)	(1.7)	1.4	(6.3)	(11.1)	5.1		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	1.0	(8.8)	(15.5)	7.2		2.3	2.2	2.0	1.9	1.9	1.9
Lamps, Lighting Fixtures & Similar Products	14.3	31.2	(6.1)	(4.6)	(0.1)	1.4	(10.7)	(21.7)	22.7		1.5	1.5	1.3	1.2	1.2	1.0
Plastic Products	19.6	29.1	9.3	(3.9)	5.4	5.2	(3.3)	(8.3)	7.3		3.3	2.9	3.0	3.0	3.0	2.9
Steel Products	(15.4)	80.2	18.7	(8.3)	(1.1)	12.8	(4.9)	(3.9)	(6.4)		1.8	2.4	2.7	2.5	2.3	2.3
Unwrought Aluminum	(14.1)	48.7	33.7	(26.1)	15.2	26.0	(1.9)	(5.5)	4.9		0.5	0.6	0.7	0.6	0.6	0.6
Integrated Circuits	14.8	32.0	0.3	(10.1)	17.4	10.9	9.8	11.9	7.9		4.5	4.6	4.3	4.0	4.5	4.8
Ship	(15.3)	26.2	(0.4)	28.6	57.3	9.8	2.2	2.2	1.9		0.7	0.6	0.6	0.8	1.2	1.2
Motor Vehicles	(3.6)	119.2	74.7	69.0	15.5	2.5	2.2	2.5	1.6		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	11.9	4.4	0.6	12.5		2.2	2.3	2.3	2.6	2.6	2.7
General Equipment	7.5	26.4	6.1	1.8	14.3	24.2	5.9	(2.0)	24.9		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	13.7	6.5	10.5	0.8		8.1	7.6	6.7	5.5	5.8	5.6
Fertilizer	(8.3)	73.2	(1.6)	(13.9)	(11.5)	(5.4)	42.5	52.6	26.5		0.3	0.3	0.3	0.3	0.2	0.2
Ceramic products	0.0	22.3	6.4	(15.4)	(15.6)	(15.3)	(20.8)	(30.4)	6.9		1.0	0.9	0.9	0.8	0.6	0.6
Rare earth	(21.9)	90.0	62.8	(28.3)	(36.0)	(16.1)	(10.8)	(0.4)	(24.8)		0.01	0.02	0.03	0.02	0.01	0.01
Cellphone	0.9	16.6	(2.5)	(2.7)	(3.1)	(4.8)	(0.1)	(3.3)	7.7		4.8	4.4	4.0	4.1	3.8	3.3
Home appliance	23.5	22.3	(13.3)	3.8	14.1	15.6	8.3	6.3	12.5		2.6	2.9	2.4	2.6	2.8	2.8
Medical equipment	40.5	11.9	(5.8)	(2.9)	7.1	14.9	6.1	4.4	9.7		0.7	0.6	0.5	0.5	0.6	0.5

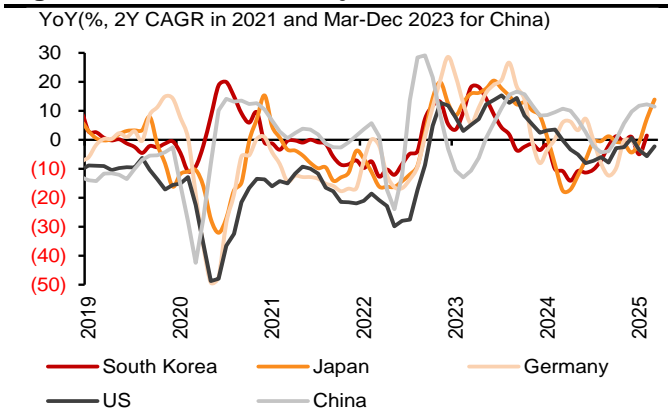
Source: Wind, CMBIGM

Figure 7: Consumer confidence in major economies

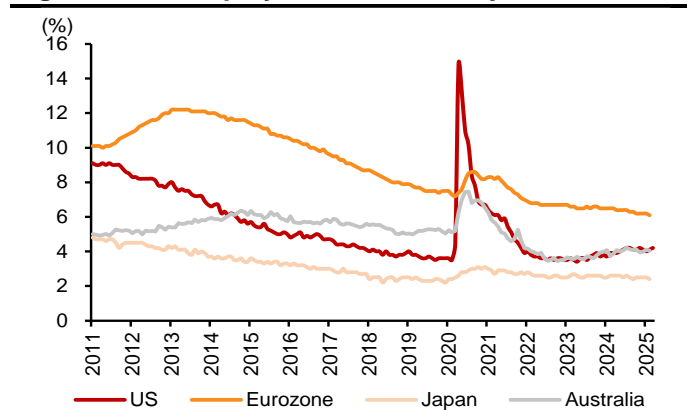
Source: Wind, CMBIGM

Figure 8: Manufacturing PMI in major economies

Source: Wind, CMBIGM

Figure 9: Auto sales in major economies

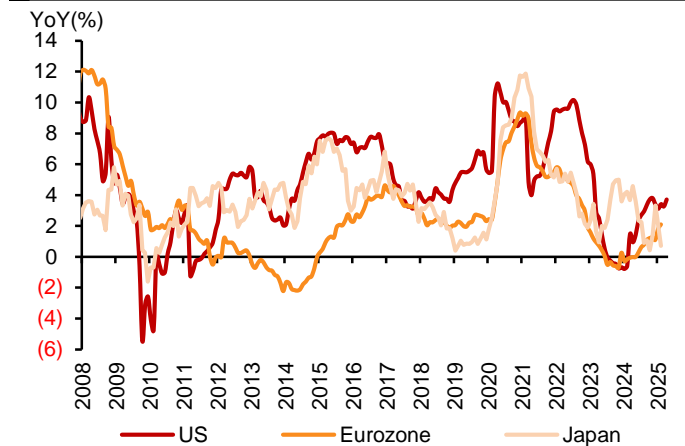
Source: Wind, CMBIGM

Figure 10: Unemployment rates in major economies

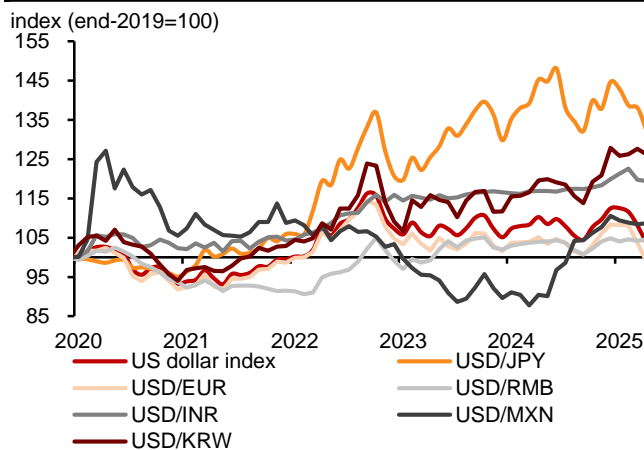
Source: Wind, CMBIGM

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

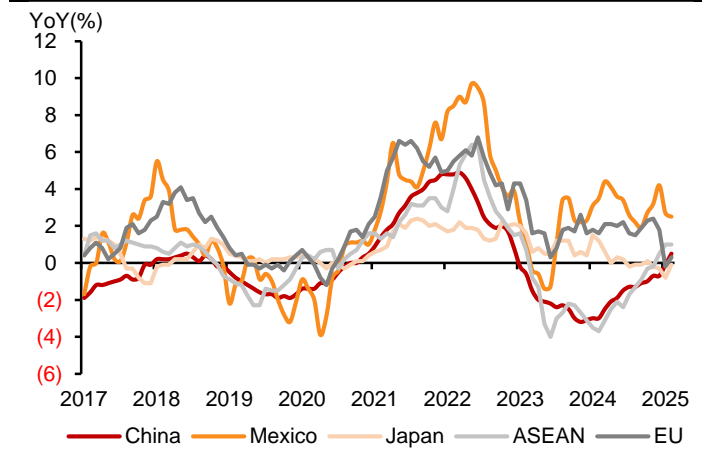
Source: Wind, CMBIGM

Figure 12: Banks' credit growth in major economies

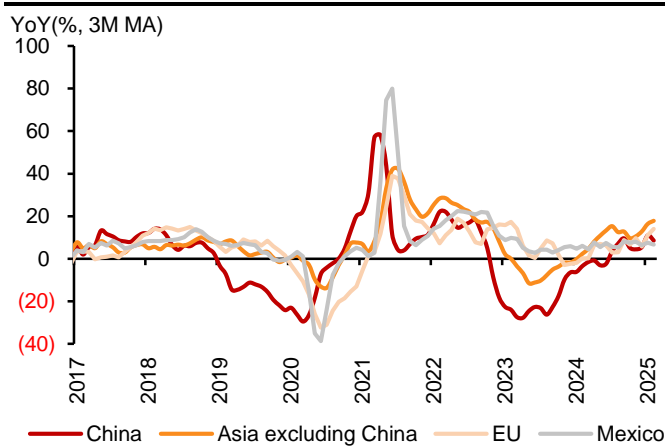
Source: Wind, CMBIGM

Figure 13: Exchange rates

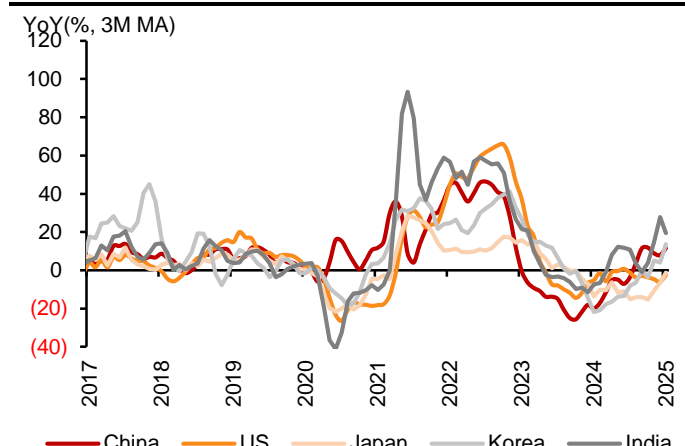
Source: Wind, CMBIGM

Figure 14: US import price growth by source

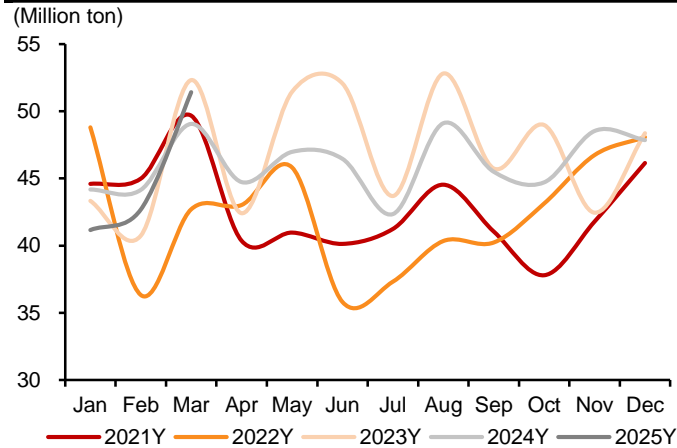
Source: Wind, CMBIGM

Figure 15: Growth of US imports by source

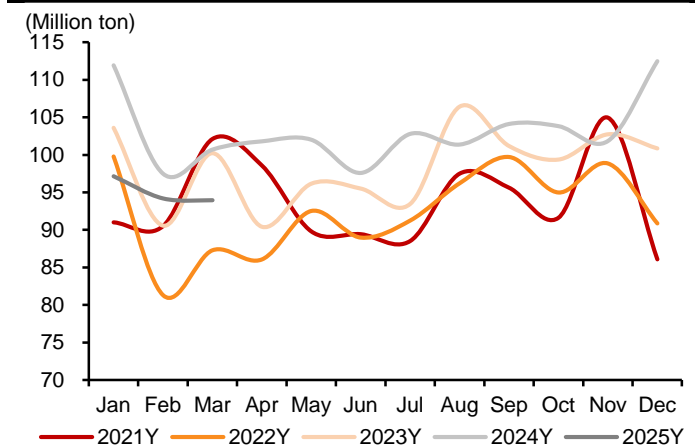
Source: Wind, CMBIGM

Figure 16: Growth of EU imports by source

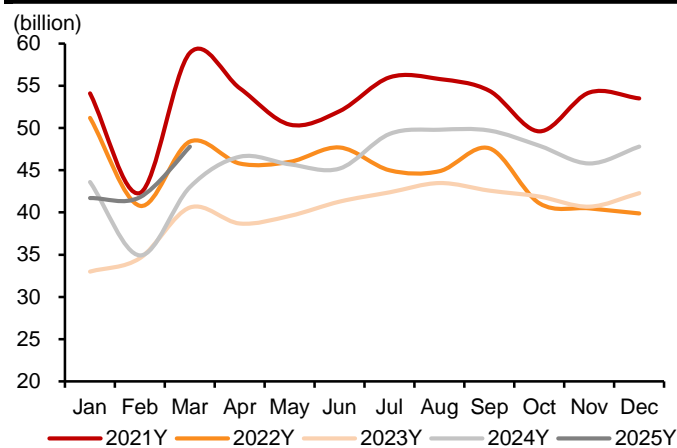
Source: Wind, CMBIGM

Figure 17: Import volume of crude oil

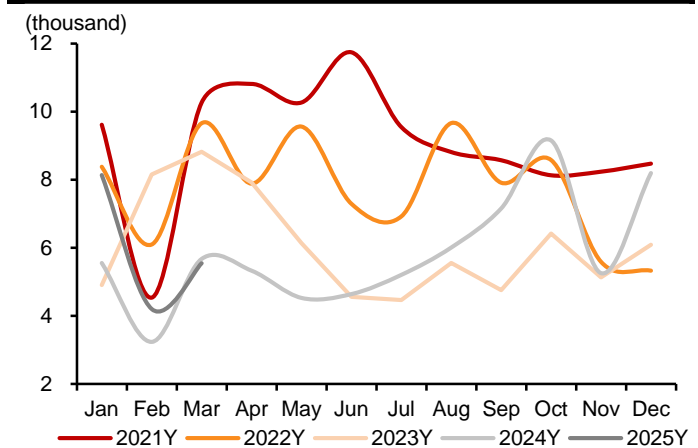
Source: Wind, CMBIGM

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	24Q4	25Q1	2M25	Mar	2020	2021	2022	2023	2024	4Q24	1Q25	2M25	Mar
Grain	28.0	18.1	(10.7)	11.7	(2.3)	(29.6)	(40.9)	(34.0)	(54.1)	(5.4)	26.3	23.7	(9.6)	(13.6)	(2.5)	(0.8)	(0.6)	(1.3)
Soy bean	13.3	(3.8)	(5.6)	11.4	6.5	1.2	(7.9)	(1.8)	(36.8)	(1.3)	40.7	21.2	(10.7)	(16.3)	(16.1)	(17.8)	(18.4)	(15.5)
Iron ore	9.5	(3.9)	(1.5)	6.6	4.9	5.0	(8.0)	(13.0)	(6.7)	7.2	55.4	(28.6)	(1.6)	(7.1)	(19.3)	(23.4)	(23.6)	(21.8)
Copper ore	(1.0)	7.6	8.0	9.1	2.1	(2.2)	1.6	3.2	2.7	2.1	44.6	(8.5)	(1.6)	10.8	11.8	11.2	4.2	9.1
Coal	1.5	6.6	(9.2)	61.8	14.4	21.1	(0.9)	2.4	(6.4)	(14.8)	65.9	29.7	(23.3)	(14.2)	(15.0)	(21.6)	(20.2)	(25.6)
Crude oil	7.3	(5.4)	(0.9)	11.0	(1.9)	0.9	(1.5)	(6.8)	4.8	(32.2)	52.4	42.7	(16.8)	(2.0)	(15.6)	(5.8)	(5.8)	(8.1)
Natural gas	5.3	19.9	(9.9)	9.9	9.9	1.6	(10.3)	(6.2)	(14.9)	(23.8)	39.8	39.5	(16.4)	(7.9)	(6.6)	(6.3)	(6.6)	(7.0)
Steel products	64.4	(29.5)	(25.9)	(27.6)	(10.9)	(16.0)	(11.9)	(17.5)	(19.2)	(27.5)	57.9	23.1	2.5	1.9	10.2	1.6	(0.8)	4.9
Copper products	34.1	(17.2)	6.2	(6.3)	3.4	6.0	(4.6)	(19.5)	(0.6)	(0.9)	45.5	(2.5)	(6.2)	9.8	13.3	8.8	8.3	9.4
Plastics in primary form	10.1	(16.4)	(10.0)	(3.2)	(2.1)	(4.7)	(1.9)	(10.4)	(10.7)	(10.6)	39.4	2.0	(16.7)	(1.1)	1.0	(0.6)	(1.1)	1.0
Rubber	13.6	(9.4)	8.7	8.0	(8.2)	6.9	21.1	6.9	16.9	(7.2)	26.4	(1.7)	(16.4)	19.8	30.2	26.0	27.9	23.3
Integrated circuits	22.1	16.9	(15.3)	(10.8)	14.6	13.3	8.1	(4.4)	11.1	(6.1)	5.7	13.5	(5.2)	(3.7)	(4.8)	(4.9)	(3.4)	(6.8)
Machine tool	18.8	(0.7)	(14.4)	(20.5)	(4.1)	28.1	23.6	46.5	(2.3)	(30.8)	25.8	1.5	14.8	(6.5)	(26.0)	(24.7)	(35.9)	0.8
Auto	(11.4)	0.6	(6.5)	(8.9)	(11.7)	(29.2)	(38.1)	(64.0)	(22.0)	8.1	14.7	5.7	(3.0)	(5.7)	(8.3)	(10.4)	(8.3)	(13.3)
Airplane	(35.4)	29.4	(27.3)	12.2	8.2	15.4	88.9	200.0	76.5	(30.0)	12.3	13.5	(4.0)	3.1	48.1	35.2	11.3	50.7
Medicine	(0.6)	3.1	28.8	23.6	4.7	(7.0)	(7.4)	(27.3)	1.2	4.1	16.5	(25.7)	(12.8)	(4.8)	13.8	0.6	1.1	(1.6)
Beauty cosmetics	3.7	5.2	(11.8)	(14.2)	(9.4)	(2.1)	7.7	(0.1)	(1.4)	24.8	17.0	1.8	(6.1)	0.4	(1.5)	(10.0)	(10.6)	(8.9)

Source: Wind, CMBIGM

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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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