

China Economy

Exports bounced up ahead of softening in 2H

China's exports came in above market expectations as contraction of exports to the US narrowed. Exports of transportation equipment and chips remained robust while labor-intensive products and rare earth remained subdued. Imports rebounded thanks to robust AI-related demand, as imports volume of copper ore, copper products and integrated circuits picked up. The CN-US shipping prices have plunged by 60% shortly after the surge following the tariff truce, indicating that the front-loading demand may lose steam. Looking forward, we think US-China trade negotiations may shape China's policy direction. Under our baseline scenario, the US and China may reach consensus on partial trade issues and sign a phase-one agreement, in which China would gradually shift policy focus toward economic rebalancing, moderately widening the fiscal deficit. The broad fiscal deficit ratio (defined as official fiscal deficit + local government special bonds + special sovereign bonds) may rise from 8.4% in 2025 to 9.0% in 2026. Spending would increasingly shift from infrastructure and corporate subsidies toward household transfers, social security, and consumption subsidies, with further efforts to reduce industrial overcapacity and support a moderately stronger RMB. We expect China's export growth to decelerate from 5.9% in 2024 to 2% in 2025 while import growth may mildly slow down from 1.1% to 0.5%. The RMB may appreciate against the USD with the USD/RMB rate dropping from the current 7.15 to 7.1 by year end.

■ **Exports rebounded as contraction of exports to the US narrowed.** Exports bounced up to 5.8% (all on a YoY basis unless specified) in June from 4.8% in May, beating market expectation at 3.2%. Exports to the US recovered to -16.1% in June compared to -34.5% in May, as the tariffs truce since mid-May drove exports front-loading. Shipments to ASEAN and Africa picked up to 16.8% and 34.8% in June from 14.8% and 33.3%. Exports to the EU slowed down from 12% to 7.6% in June, as the ongoing EU-China trade tensions mounted. Exports to Latin America, South Korea and Russia declined in June, while those to India and UK moderated. Trade surplus expanded to US\$115bn in June, one of the largest months in history, which should boosted China's GDP growth in 2Q25.

■ **Transportation equipment and chips were the major drivers.** Ship and motor vehicles rose by 23.6% and 23.1% in June, compared to 43.7% and 13.7% in May, while integrated circuits remained robust at 24.2% YoY growth, moderating from 33.4%. Other tech products including cellphones and personal computers narrowed their contraction to -2.8% and -10.4%, up from -3.8% and -23.2% in May. Low value-added exports including textile yam, travel goods & bags and garment remained subdued, while housing-related products including furniture and lamps & lighting products rebounded from -9.7% and -7.5% to 0.6% and 1.2%. Rare earth remained in deep contraction at -46.9% in June compared to -48.3% in May, as its exports have become a key bargaining chip in tariff negotiations.

■ **Imports rebounded as AI-related demand remained robust.** China's imports of goods dipped from -3.4% in May to 1.1% in June, better than the market expectations of 0.2%. Imports from the US moderately edged up to -15.5% in June from -18.1%. AI-related demand was strong, as import volume of copper ore and copper products rose 1.7% and 5.5% in June compared to 6.2% and -15.7% in May, while integrated circuits, the largest import category, accelerated to 11.44%. For energy products, import volume of crude oil and natural gas rebounded by 7.4% and 1.1% while coal notably dropped 26% in June. Import volume of raw materials including iron ore rebounded, while intermediate goods showed a mixed picture. Steel products and plastics declined 17.5% and 10.5% in import volume while

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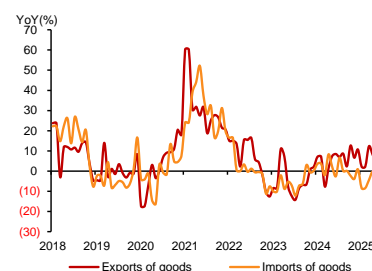
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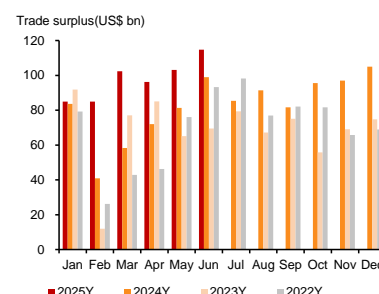
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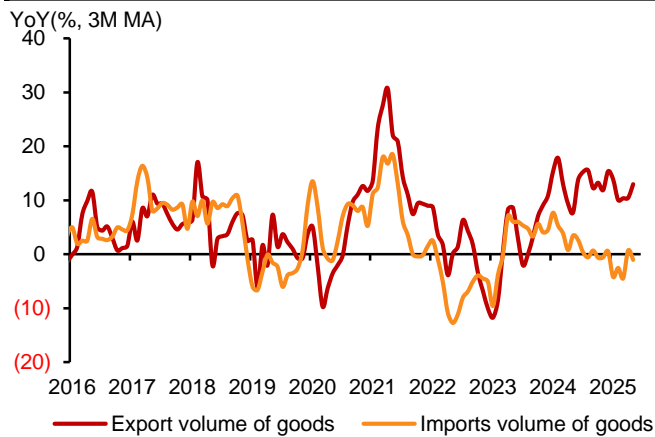
Source: Wind, CMBIGM



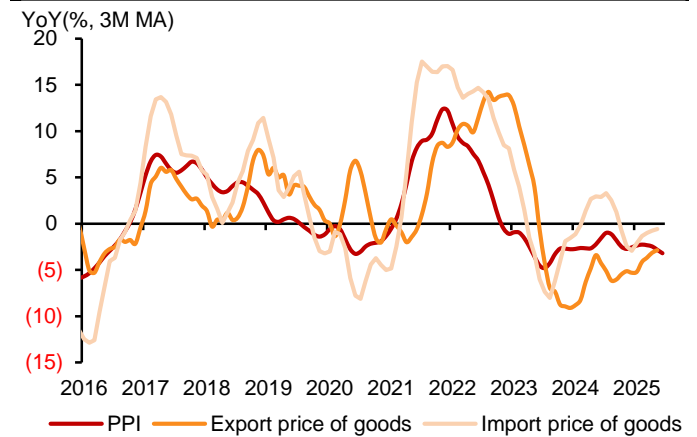
Source: Wind, CMBIGM

rubber rose by 27.4% in June. Import volume of crops moderated as grain and soybean eased to -6.1% and 10.4% in June from 4.5% and 36.2% in May.

- **US-China trade negotiations may shape China's policy direction.** The CN-US shipping prices have plunged by 60%, shortly after the demand surge following the tariff truce, indicating that the front-loading demand may lose steam in the coming months. Looking forward, under our baseline scenario, the US and China may reach consensus on partial trade issues and sign a phase-one agreement. US tariffs on Chinese goods may decline from the current 51% to 30-40%. China would gradually shift policy focus toward economic rebalancing, moderately widening the fiscal deficit. The broad fiscal deficit ratio (defined as official fiscal deficit + local government special bonds + special sovereign bonds) may rise from 8.4% in 2025 to 9.0% in 2026. Spending would increasingly shift from infrastructure and corporate subsidies toward household transfers, social security, and consumption subsidies, with further efforts to reduce industrial overcapacity and support a moderately stronger RMB. We expect China's export growth to decelerate from 5.9% in 2024 to 2% in 2025 while import growth may mildly slow down from 1.1% to 0.5%. The RMB may appreciate against the USD with the USD/RMB rate dropping from the current 7.15 to 7.1 by year end.

Figure 1: Growth of export and import volumes

Source: Wind, CMBIGM

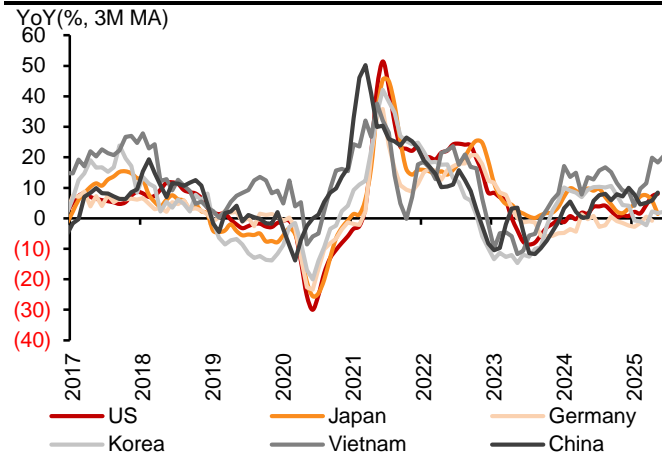
Figure 2: Growth of export and import prices

Source: Wind, CMBIGM

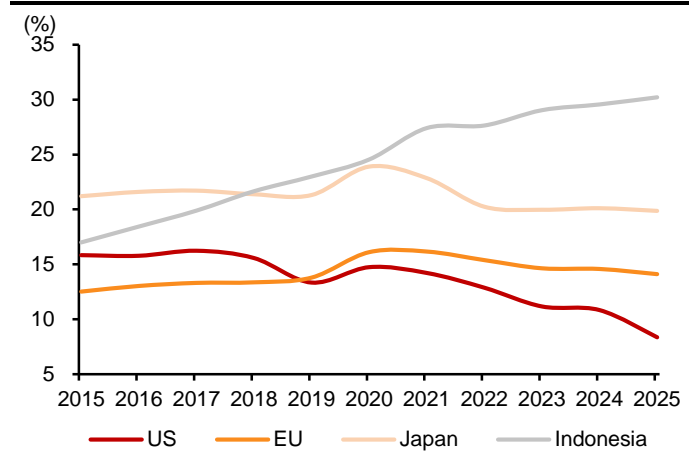
Figure 3: China exports by destination

	YoY Growth (%)										Share (%)					
	2020	2021	2022	2023	2024	25Q1	25Q2	May	June		2020	2021	2022	2023	2024	2025
World	3.6	29.6	5.6	(4.7)	5.8	5.7	6.2	4.8	5.8		100	100	100	100	100	100
ASEAN	6.7	26.1	17.7	(5.0)	12.0	7.8	17.5	14.8	16.8		14.8	14.4	16.0	15.5	16.4	17.8
US	7.9	27.5	1.2	(13.1)	4.9	5.0	(23.9)	(34.5)	(16.1)		17.4	17.2	16.4	14.8	14.7	11.9
EU	6.7	32.6	8.6	(10.2)	3.0	4.1	9.3	12.0	7.6		15.1	15.4	15.9	14.8	14.4	14.8
Latin America	(0.8)	52.0	10.6	(2.4)	13.0	9.7	5.2	2.3	(2.1)		5.8	6.8	7.1	7.3	7.7	7.8
Africa	0.9	29.9	11.2	7.5	3.5	10.8	31.2	33.3	34.8		4.4	4.4	4.6	5.1	5.0	5.7
Japan	(0.4)	16.3	4.4	(8.4)	(3.5)	2.8	6.8	6.2	6.6		5.5	4.9	4.9	4.7	4.3	4.3
South Korea	1.4	32.4	9.5	(7.2)	(1.8)	(2.0)	(2.7)	(1.2)	(6.7)		4.3	4.4	4.6	4.4	4.1	3.9
India	(10.8)	46.2	21.7	0.8	2.4	13.6	14.3	12.5	9.4		2.6	2.9	3.3	3.5	3.4	3.6
Russia	1.7	33.8	12.8	46.9	4.1	(7.0)	(10.3)	(10.8)	(16.2)		2.0	2.0	2.1	3.3	3.2	2.6
UK	16.3	19.9	(6.1)	(3.4)	1.2	6.8	9.6	15.6	10.8		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)	5.5	12.6	(1.2)		2.1	2.0	2.2	2.2	2.0	1.9
Canada	14.0	22.4	4.5	(14.9)	3.0	2.6	12.0	20.3	2.0		1.6	1.5	1.5	1.3	1.3	1.3
Saudi Arabia	17.7	7.9	25.7	14.5	16.8	7.3	-	28.6	-		1.1	0.9	1.1	1.3	1.4	1.2
HK China	(2.3)	28.6	(15.0)	(6.3)	6.2	7.3	12.3	11.4	16.7		10.5	10.4	8.4	8.1	8.1	8.3
Chinese Taipei	9.1	30.4	4.2	(16.0)	9.8	8.1	8.6	7.5	3.4		2.3	2.3	2.3	2.0	2.1	2.2

Source: Wind, CMBIGM

Figure 4: Export growth in major economies

Source: Wind, CMBIGM

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

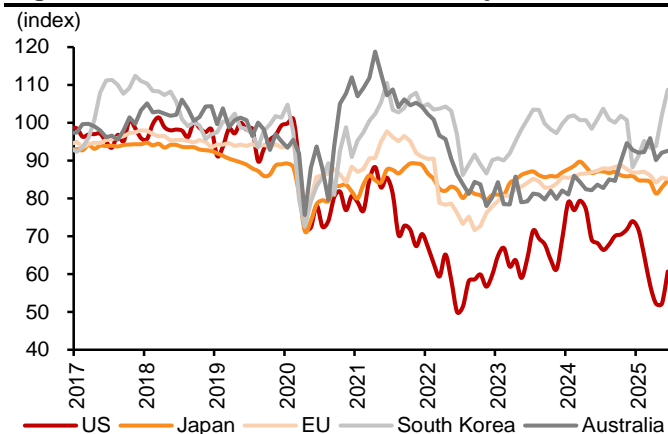
Source: Wind, CMBIGM

Figure 6: China's exports by product

	YoY(%)									Share (%)					
	2020	2021	2022	2023	2024	25Q1	25Q2	May	June	2020	2021	2022	2023	2024	2025
Textile Yarn & Related Products	29.2	(5.6)	2.0	(8.3)	5.7	3.7	(0.2)	(2.0)	(1.6)	5.9	4.3	4.2	4.0	4.0	3.2
Travel Goods & Bags	(24.2)	35.1	28.2	3.9	(3.2)	(15.0)	(8.8)	(10.3)	(7.1)	0.8	0.8	1.0	1.1	1.0	0.9
Garment & Accessories	(6.4)	24.0	3.2	(7.8)	0.3	(2.4)	0.8	2.5	0.8	5.3	5.1	4.9	4.7	4.4	3.2
Toy	7.5	37.7	5.6	(12.2)	(1.7)	(6.3)	0.4	(1.1)	8.1	1.3	1.4	1.4	1.2	1.1	0.8
Furniture & Parts Thereof	11.8	26.4	(5.3)	(5.2)	5.8	(8.8)	(5.9)	(9.7)	0.6	2.3	2.2	2.0	1.9	1.9	1.5
Lamps, Lighting Fixtures & Similar Products	14.3	31.2	(6.1)	(4.6)	(0.1)	(10.7)	(3.1)	(7.5)	1.2	1.5	1.5	1.3	1.2	1.2	0.9
Plastic Products	19.6	29.1	9.3	(3.9)	5.4	(3.3)	(0.3)	(2.0)	2.2	3.3	2.9	3.0	3.0	3.0	2.9
Steel Products	(15.4)	80.2	18.7	(8.3)	(1.1)	(4.9)	0.2	0.8	(1.6)	1.8	2.4	2.7	2.5	2.3	1.9
Unwrought Aluminum	(14.1)	48.7	33.7	(26.1)	15.2	(1.9)	(4.5)	(0.2)	(18.2)	0.5	0.6	0.7	0.6	0.6	0.5
Integrated Circuits	14.8	32.0	0.3	(10.1)	17.4	9.8	25.9	33.4	24.2	4.5	4.6	4.3	4.0	4.5	4.0
Ship	(15.3)	26.2	(0.4)	28.6	57.3	2.2	33.9	43.7	23.6	0.7	0.6	0.6	0.8	1.2	1.1
Motor Vehicles	(3.6)	119.2	74.7	69.0	15.5	2.2	13.1	13.7	23.1	0.6	1.0	1.7	3.0	3.3	2.7
Vehicles Parts	(6.2)	33.7	7.4	9.0	6.6	4.4	4.4	7.0	0.0	2.2	2.3	2.3	2.6	2.6	2.2
General Equipment	7.5	26.4	6.1	1.8	14.3	5.9	7.7	5.6	1.4	1.6	1.6	1.6	1.7	1.8	1.9
Automatic Data Processing Equipment	11.6	21.0	(7.5)	(20.4)	9.9	6.5	(2.8)	(3.8)	(2.8)	8.1	7.6	6.7	5.5	5.8	5.4
Fertilizer	(8.3)	73.2	(1.6)	(13.9)	(11.5)	42.5	18.2	(4.4)	59.3	0.3	0.3	0.3	0.3	0.2	0.1
Ceramic products	0.0	22.3	6.4	(15.4)	(15.6)	(20.8)	18.6	14.5	30.5	1.0	0.9	0.9	0.8	0.6	0.6
Rare earth	(21.9)	90.0	62.8	(28.3)	(36.0)	(10.9)	(43.7)	(48.3)	(46.9)	0.01	0.02	0.03	0.02	0.01	0.01
Cellphone	0.9	16.6	(2.5)	(2.7)	(3.1)	(0.1)	(18.6)	(23.2)	(10.4)	4.8	4.4	4.0	4.1	3.8	2.7
Home appliance	23.5	22.3	(13.3)	3.8	14.1	8.3	(6.9)	(8.9)	(9.0)	2.6	2.9	2.4	2.6	2.8	2.7
Medical equipment	40.5	11.9	(5.8)	(2.9)	7.1	6.1	5.2	2.3	5.0	0.7	0.6	0.5	0.5	0.6	0.4

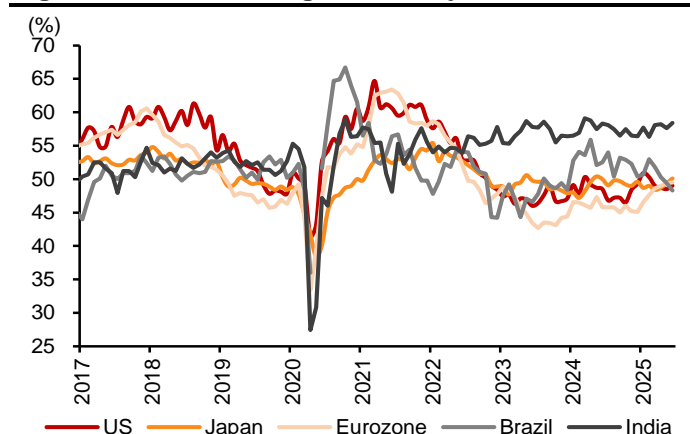
Source: Wind, CMBIGM

Figure 7: Consumer confidence in major economies



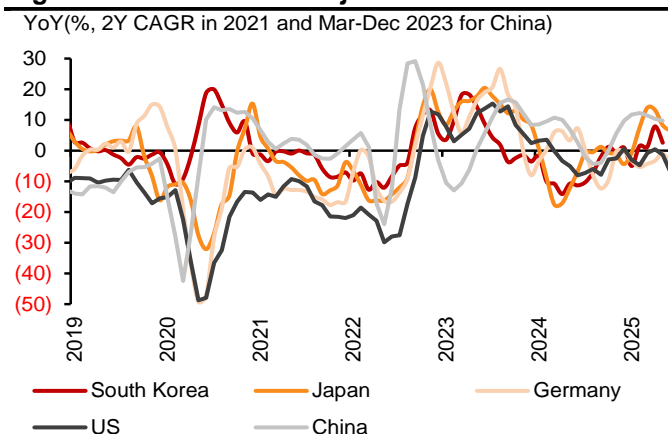
Source: Wind, CMBIGM

Figure 8: Manufacturing PMI in major economies



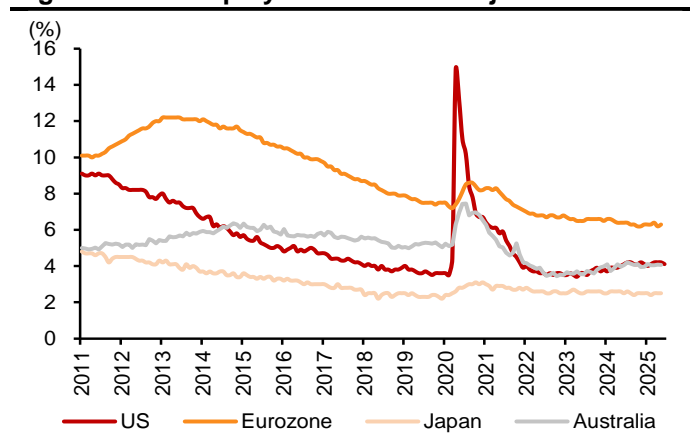
Source: Wind, CMBIGM

Figure 9: Auto sales in major economies

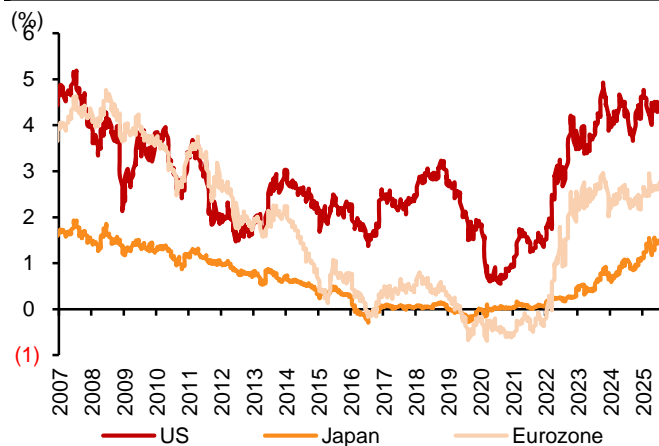


Source: Wind, CMBIGM

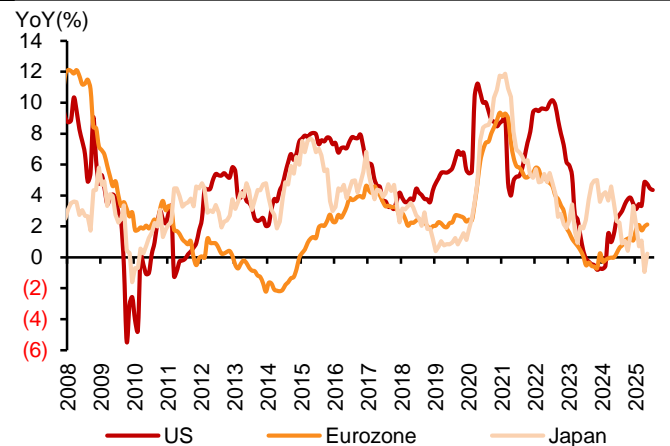
Figure 10: Unemployment rates in major economies



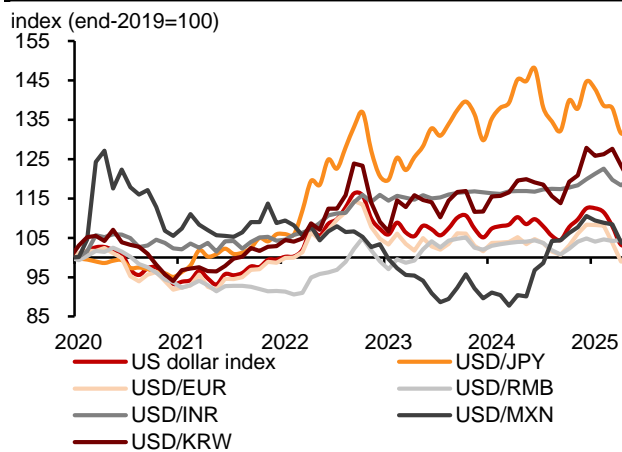
Source: Wind, CMBIGM

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

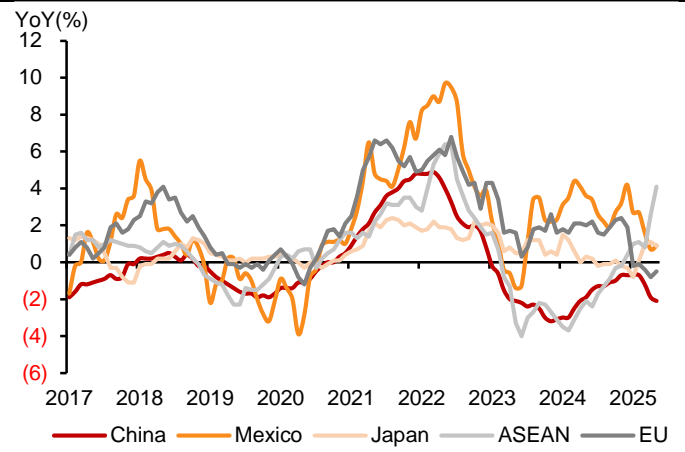
Source: Wind, CMBIGM

Figure 12: Banks' credit growth in major economies

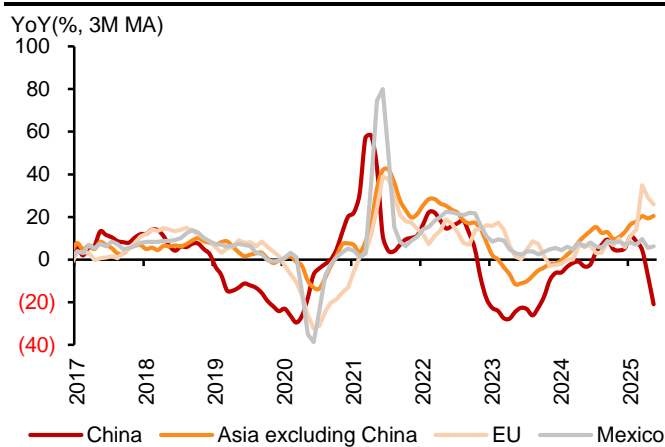
Source: Wind, CMBIGM

Figure 13: Exchange rates

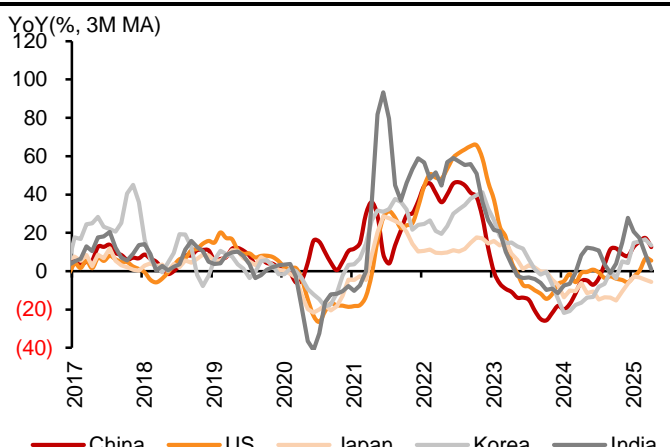
Source: Wind, CMBIGM

Figure 14: US import price growth by source

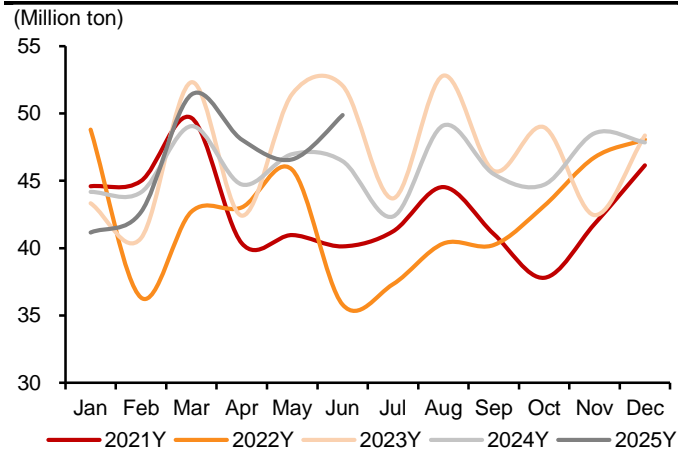
Source: Wind, CMBIGM

Figure 15: Growth of US imports by source

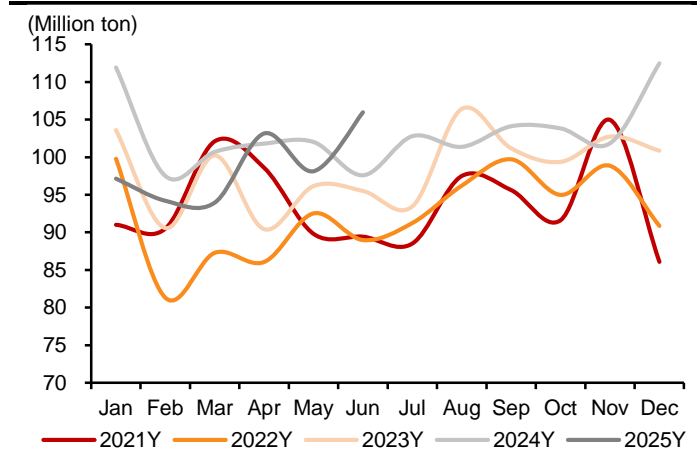
Source: Wind, CMBIGM

Figure 16: Growth of EU imports by source

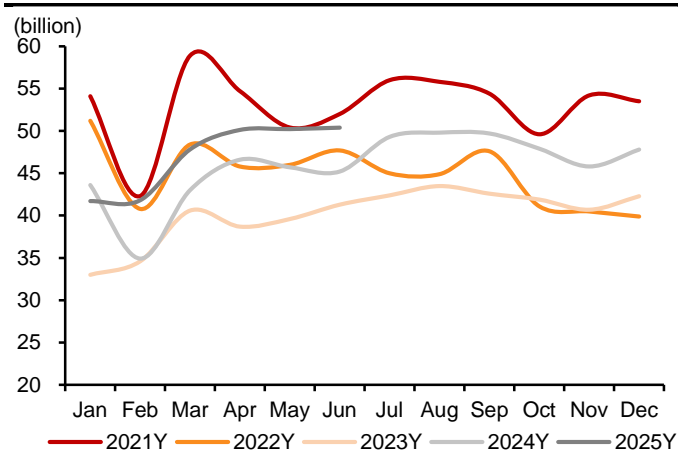
Source: Wind, CMBIGM

Figure 17: Import volume of crude oil

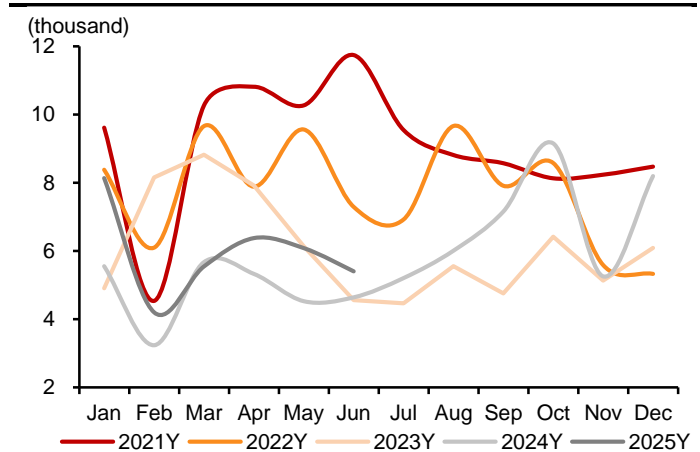
Source: Wind, CMBIGM

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	25Q1	25Q2	May	June	2020	2021	2022	2023	2024	1Q25	2Q25	May	June
Grain	28.0	18.1	(10.7)	11.7	(2.3)	(40.9)	(12.5)	4.5	(6.1)	(5.4)	26.3	23.7	(9.6)	(13.6)	(0.8)	(3.0)	(0.5)	(3.9)
Soybean	13.3	(3.8)	(5.6)	11.4	6.5	(7.9)	7.9	36.2	10.4	(1.3)	40.7	21.2	(10.7)	(16.3)	(17.8)	(11.5)	(10.1)	(11.1)
Iron ore	9.5	(3.9)	(1.5)	6.6	4.9	(8.0)	1.9	(3.8)	8.5	7.2	55.4	(28.6)	(1.6)	(7.1)	(23.4)	(12.0)	(9.0)	(13.5)
Copper ore	(1.0)	7.6	8.0	9.1	2.1	1.6	10.8	6.2	1.7	2.1	44.6	(8.5)	(1.6)	10.8	11.3	15.8	14.3	13.7
Coal	1.5	6.6	(9.2)	61.8	14.4	(0.9)	(20.0)	(17.8)	(25.9)	(14.8)	65.9	29.7	(23.3)	(14.2)	(21.6)	(25.9)	(25.4)	(25.2)
Crude oil	7.3	(5.4)	(0.9)	11.0	(1.9)	(1.5)	4.6	(0.8)	7.4	(32.2)	52.4	42.7	(16.8)	(2.0)	(5.8)	(19.2)	(21.5)	(20.2)
Natural gas	5.3	19.9	(9.9)	9.9	9.9	(10.3)	(5.4)	(10.8)	1.1	(23.8)	39.8	39.5	(16.4)	(7.9)	(6.3)	(8.6)	(10.2)	(7.2)
Steel products	64.4	(29.5)	(25.9)	(27.6)	(10.9)	(11.9)	(21.4)	(25.0)	(17.5)	(27.5)	57.9	23.1	2.5	1.9	1.7	3.7	6.7	5.4
Copper products	34.1	(17.2)	6.2	(6.3)	3.4	(4.4)	(4.0)	(15.7)	5.5	(0.9)	45.5	(2.5)	(6.2)	9.8	8.5	0.7	(1.4)	(2.3)
Plastics in primary form	10.1	(16.4)	(10.0)	(3.2)	(2.1)	(1.8)	(5.5)	(7.7)	(10.5)	(10.6)	39.4	2.0	(16.7)	(1.1)	(0.7)	(3.0)	(2.8)	(1.7)
Rubber	13.6	(9.4)	8.7	8.0	(8.2)	21.1	29.2	27.1	27.4	(7.2)	26.4	(1.7)	(16.4)	19.8	26.0	11.0	10.2	6.8
Integrated circuits	22.1	16.9	(15.3)	(10.8)	14.6	8.1	9.6	9.8	11.4	(6.1)	5.7	13.5	(5.2)	(3.7)	(4.9)	0.8	(0.9)	0.0
Machine tool	18.8	(0.7)	(14.4)	(20.5)	(4.1)	23.6	23.2	34.3	16.4	(30.8)	25.8	1.5	14.8	(6.5)	(24.7)	(12.1)	(28.8)	(11.9)
Auto	(11.4)	0.6	(6.5)	(8.9)	(11.7)	(37.5)	(21.8)	(16.7)	(28.3)	8.1	14.7	5.7	(3.0)	(5.7)	(11.3)	(12.8)	(15.1)	(11.2)
Airplane	(35.4)	29.4	(27.3)	12.2	8.2	88.9	(14.3)	(14.3)	18.8	(30.0)	12.3	13.5	(4.0)	3.1	35.2	25.0	(31.0)	25.0
Medicine	(0.6)	3.1	28.8	23.6	4.7	(7.4)	0.6	3.5	(2.1)	4.1	16.5	(25.7)	(12.8)	(4.8)	0.6	(9.6)	(2.3)	(14.7)
Beauty cosmetics	3.7	5.2	(11.8)	(14.2)	(9.4)	7.7	9.4	7.7	8.9	24.8	17.0	1.8	(6.1)	0.4	(10.0)	(6.7)	(12.9)	(3.7)

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
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