

China Economy

Implications of strong exports

China's exports of goods came in above market expectation dramatically thanks to overseas demand improvement and China's value chain upgrading, continuous deflation as well as closer ties with emerging markets. Imports of goods also improved though at a lower magnitude as demand and price in the domestic market were weaker than in overseas markets. Looking forward, exports and imports of goods may continue to improve with their growth expected to rise from -4.6% and -5.5% in 2023 to 3.6% and 3.3% in 2024. China's strong exports may indicate an improvement of overseas demand as both consumer confidence and producer sentiment have rebounded in advanced economies. In line with the resilient economy in the US, the US Fed may postpone its rate cut to June or even later. The better-than-expected trade data may also lower the possibility of strong policy stimulus in China in the near term. The overcapacity and deflation pressure with a lack of strong demand-side stimulus will continue to press Chinese enterprises to increase exports and outward investment to the overseas. As China strengthens its position in manufacturing supply chain and overseas inflation gradually declines, we estimate China's trade tensions with the US and EU may further increase.

■ **EMs became the major driver for China's exports.** China's exports of goods came in above market expectation dramatically, picking up 7.1% YoY (all on a YoY basis unless specified) in Jan-Feb after rising 2.3% in Dec 2023. While exports to most economies all improved, China's trade relation further strengthened with most emerging markets and developing countries. Latin America, Africa, India and Russia were the primary drivers of the upside surprise of China's exports, increasing 19%, 15.5%, 11% and 11.8% in 2M24 respectively after growth of 6.8%, 4%, 6.2% and 21.6% in Dec 2023. ASEAN saw a mild rebound from dropping 6.1% in Dec 2023 to 0.1% growth in 2M24. Exports to broad western countries, on the other hand, were lacklustre as exports to the EU, Japan, Australia and South Korea continued to decline, dropping 2.3%, 10.4%, 12.1% and 11.9% in 2M24 after falling 1.9%, 7.3%, 12.4% and 3.1% in Dec 2023, while the US and UK saw moderate 2.6% and 2.9% growth in 2M24. The year 2023 witnessed a significant pivot in China's export structure when ASEAN became the largest trading partner surpassing the US and EU, as China ramped up trade connections with emerging economies amid global geopolitical realignment. The shift towards prioritizing quantity over quality due to the growing exports to emerging economies resulted in the recent trend marked by higher volumes and lower prices.

■ **Exports recovered across major products with China's continued supply-side upgrading.** The deflation pressure with tough competition has accelerated the supply-side upgrading in China's manufacturing sector. Exports of computers and integrated circuits recorded a good start of 3% and 21.4% growth in 2M24 after dropping 20.4% and 10.1% in 2023. Motor vehicles moderated to 12.3% in 2M24 from 52% in Dec 2023 due to a higher base while cellphones notably declined by 18.3% in 2M24 from a 0.4% drop in Dec. Thanks to an improvement in overseas demand especially for travel services, exports of light manufacturing products including garment, travel goods & bags and textile increased 7.9%, 15.5% and 13.3% in 2M24 after growing -1.6%, 2.5% and 1.9% in Dec. Property-related products like furniture, home appliances and lamps & lighting fixtures also saw strong growth of 28.7%, 17.6% and 19.2% in 2M24 from 12.4%, 14.7% and 1.1% in Dec, probably indicating some improvement in overseas housing market.

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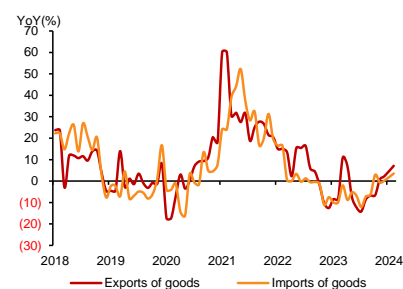
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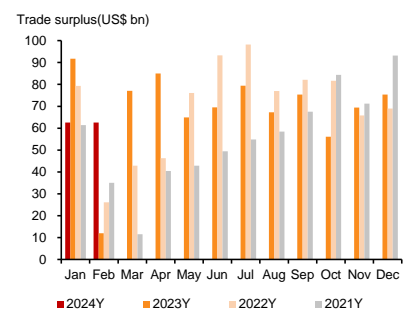
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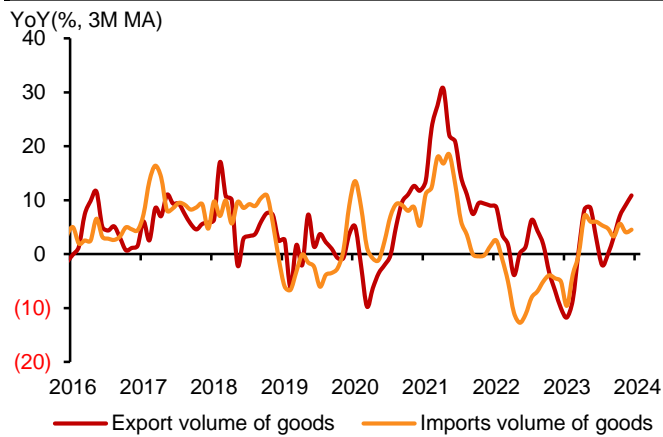
Source: Wind, CMBIGM



Source: Wind, CMBIGM

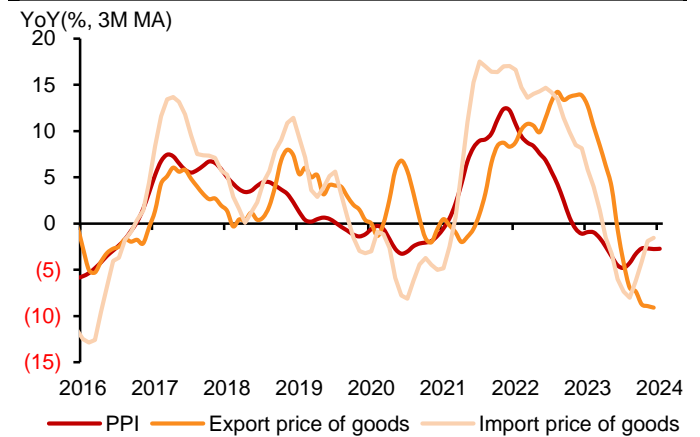
- **Imports of goods recovered thanks to rebound in raw materials and integrated circuits.** China's imports of goods increased 3.5% in 2M24 after rising 0.2% in Dec 2023, above market expectations. Import volume of energy goods including coal, crude oil and natural gas continued to expand by 22.9%, 5.1% and 23.6% in 2M24 from 53%, 0.6% and 23.1% in Dec. Intermediate goods for further processing including steel products, plastics and rubber remained soft as their import volume growth dwindled from -5.7%, 2.8% and -5.3% to -8.1%, -3.7% and -12.6%. Imports of raw materials including iron ore continued to increase in terms of volume and price by 8.1% and 13.6% respectively. For integrated circuits, the import volume continued to rebound by 16.8% in 2M24 after reporting 6% growth in Dec, while their import price fell by 1.3% after dropping 8.9% in Dec. For agriculture products, the import volume of grain grew by 7.7% while soybean dropped 8.8%. Meanwhile, the beauty cosmetics continued with YoY declines in volume and price.
- **Exports and imports of goods are expected to increase 3.6% and 3.3% in 2024 after decreasing 4.6% and 5.5% in 2023.** In our view, global trade of goods may moderately improve in 2024 thanks to the base effect, an end of the de-stocking cycle as well as a stabilization of commodity prices. Forecast from the IMF and WTO showed the global trade volume might increase by 3.2% in 2024. China's exports and imports of goods may continue to improve from the YoY perspective. We expect China's exports and imports of goods to respectively increase 3.6% and 3.3% in 2024 after dropping 4.6% and 5.5% in 2023.
- **Implications of China's trade data.** Firstly, it may indicate an improvement of overseas demand and major central banks may cut their policy rates later. Both consumer confidence index and PMI has rebounded in advanced economies in recent few months. Secondly, it may also lower the possibility of strong demand-side policy stimulus in China in the near term. Thirdly, China's trade tensions with the US and EU may increase as the country continues to strengthen its position in global manufacturing supply chain and inflation further declines in its two trade partners.

Figure 1: Growth of export and import volume



Source: Wind, CMBIGM

Figure 2: Growth of export and import prices



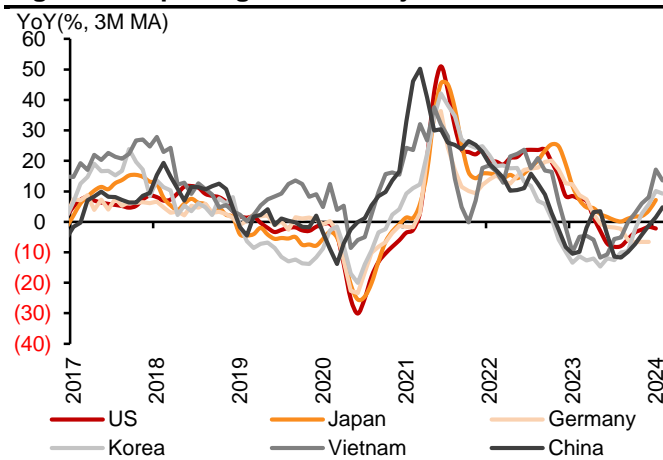
Source: Wind, CMBIGM

Figure 3: China exports by destination

	YoY Growth (%)								Share (%)						
	2018	2019	2020	2021	2022	2023	Dec 23	2M24	2018	2019	2020	2021	2022	2023	2M24
World	9.9	0.5	3.6	29.6	5.6	(4.6)	2.3	7.1	100	100	100	100	100	100	100
US	11.3	(12.5)	7.9	27.5	1.2	(13.1)	(6.9)	2.6	19.2	16.8	17.4	17.2	16.4	14.8	13.9
EU	9.8	4.9	6.7	32.6	8.6	(10.2)	(1.9)	(2.3)	16.4	17.2	15.1	15.4	15.9	14.8	14.8
Japan	7.2	(2.6)	(0.4)	16.3	4.4	(8.4)	(7.3)	(10.4)	5.9	5.7	5.5	4.9	4.9	4.7	4.5
ASEAN	14.2	12.7	6.7	26.1	17.7	(5.0)	(6.1)	0.1	12.8	14.4	14.8	14.4	16.0	15.5	15.7
India	12.7	(2.4)	(10.8)	46.2	21.7	0.8	6.2	11.0	3.1	3.0	2.6	2.9	3.3	3.5	3.7
Africa	10.8	7.9	0.9	29.9	11.2	7.5	4.0	15.5	4.2	4.5	4.4	4.4	4.6	5.1	5.5
Latin America	13.7	2.1	(0.8)	52.0	10.6	(2.4)	6.8	19.0	6.0	6.1	5.8	6.8	7.1	7.3	7.8
Russia	12.0	3.7	1.7	33.8	12.8	46.9	21.6	11.8	1.9	2.0	2.0	2.0	2.1	3.3	3.2
Australia	14.2	1.8	10.9	24.2	19.0	(5.3)	(12.4)	(12.1)	1.9	1.9	2.1	2.0	2.2	2.2	2.1
UK	(0.3)	10.4	16.3	19.9	(6.1)	(3.4)	7.8	2.9	2.3	2.5	2.8	2.6	2.3	2.3	2.2
Canada	12.1	5.0	14.0	22.4	4.5	(14.9)	(0.1)	10.0	1.4	1.5	1.6	1.5	1.5	1.3	1.4
South Korea	5.9	2.1	1.4	32.4	9.5	(7.2)	(3.1)	(11.9)	4.4	4.4	4.3	4.4	4.6	4.4	4.0
Saudi Arabia	(5.1)	36.9	17.7	7.9	25.7	14.5	12.9	-	0.7	1.0	1.1	0.9	1.1	1.3	-
HK China	8.2	(7.6)	(2.3)	28.6	(15.0)	(6.3)	(1.1)	13.1	12.1	11.2	10.5	10.4	8.4	8.1	7.7
Chinese Taipei	10.6	13.2	9.1	30.4	4.2	(16.0)	(3.0)	4.2	2.0	2.2	2.3	2.3	2.3	2.0	2.0

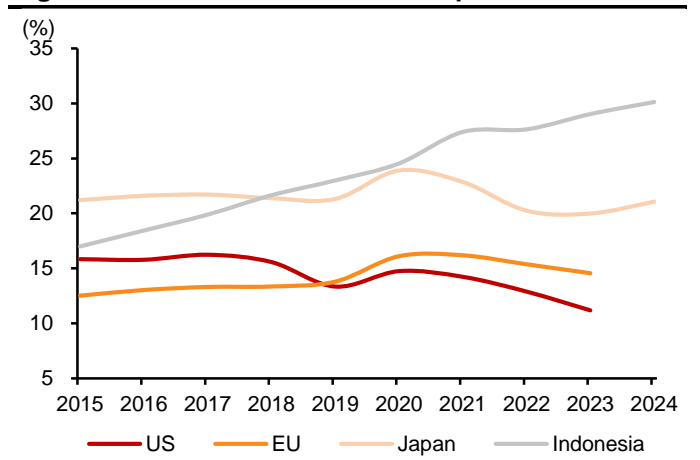
Source: Wind, CMBIGM

Figure 4: Exports growth in major economies



Source: Wind, CMBIGM

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



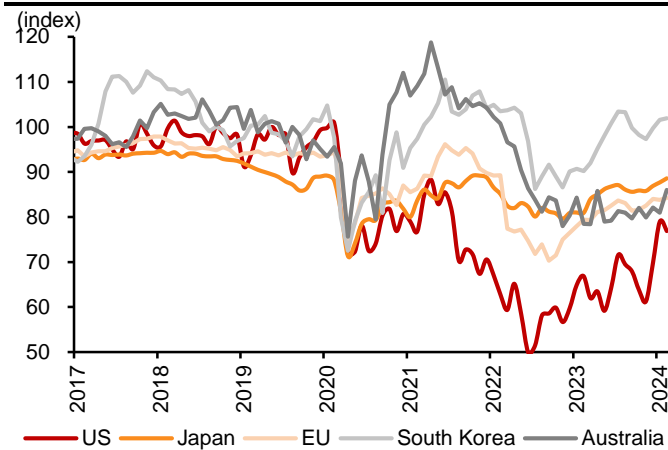
Source: Wind, CMBIGM

Figure 6: China exports by product

	YoY(%)								Share (%)							
	2018	2019	2020	2021	2022	2023	Dec 23	2M24	2018	2019	2020	2021	2022	2023	2M24	
Textile Yarn & Related Products	8.1	0.9	29.2	(5.6)	2.0	(8.3)	1.9	13.3	4.8	4.8	5.9	4.3	4.2	4.0	4.1	
Travel Goods & Bags	1.8	0.5	(24.2)	35.1	28.2	3.9	2.5	15.5	1.1	1.1	0.8	0.8	1.0	1.1	1.1	
Garment & Accessories	0.3	(4.0)	(6.4)	24.0	3.2	(7.8)	(1.6)	7.9	6.3	6.1	5.3	5.1	4.9	4.7	4.4	
Toy	4.5	24.2	7.5	37.7	5.6	(12.2)	(8.9)	4.3	1.0	1.2	1.3	1.4	1.4	1.2	1.1	
Furniture & Parts Thereof	7.6	0.8	11.8	26.4	(5.3)	(5.2)	12.4	28.7	2.2	2.2	2.3	2.2	2.0	1.9	2.3	
Lamps, Lighting Fixtures & Similar Products	5.6	9.6	14.3	31.2	(6.1)	(4.6)	1.1	19.2	1.2	1.3	1.5	1.5	1.3	1.2	1.4	
Plastic Products	12.2	11.2	19.6	29.1	9.3	(3.9)	4.2	15.8	1.7	1.9	3.3	2.9	3.0	3.0	3.2	
Steel Products	11.2	(11.3)	(15.4)	80.2	18.7	(8.3)	(13.4)	(15.9)	2.4	2.2	1.8	2.4	2.7	2.5	2.4	
Unwrought Aluminum	25.8	(7.4)	(14.1)	48.7	33.7	(26.1)	(4.2)	0.2	0.7	0.6	0.5	0.6	0.7	0.6	0.6	
Integrated Circuits	26.6	20.0	14.8	32.0	0.3	(10.1)	2.6	21.4	3.4	4.1	4.5	4.6	4.3	4.0	4.3	
Ship	4.6	(6.3)	(15.3)	26.2	(0.4)	28.6	28.6	173.1	0.9	0.8	0.7	0.6	0.6	0.8	1.3	
Motor Vehicles	12.3	4.1	(3.6)	119.2	74.7	69.0	52.0	12.3	0.6	0.6	0.6	1.0	1.7	3.0	3.0	
Auto Parts & Accessories	10.8	(3.6)	(6.2)	33.7	7.4	9.0	7.1	14.0	2.2	2.1	2.2	2.3	2.3	2.6	2.8	
General Equipment			7.5	26.4	6.1	1.8	4.7	29.9			1.6	1.6	1.6	1.7	2.1	
Automatic Data Processing Equipment			11.6	21.0	(7.5)	(20.4)	(3.1)	3.0			8.1	7.6	6.7	5.5	5.2	
Fertilizer	16.2	2.7	(8.3)	73.2	(1.6)	(13.9)	(27.3)	(55.0)	0.3	0.3	0.3	0.3	0.3	0.3	0.1	
Ceramic products	11.7	16.5	0.0	22.3	6.4	(15.4)	(15.2)	11.8	0.9	1.0	1.0	0.9	0.9	0.8	0.8	
Rare earth	23.7	(14.4)	(21.9)	90.0	62.8	(28.3)	(25.7)	(44.0)	0.02	0.02	0.01	0.02	0.03	0.02	0.02	
Cellphone			0.9	16.6	(2.5)	(2.7)	(0.4)	(18.3)			4.8	4.4	4.0	4.1	3.7	
Home appliance			23.5	22.3	(13.3)	3.8	14.7	17.6			2.6	2.9	2.4	2.6	2.7	
Medical equipment	13.3	13.3	40.5	11.9	(5.8)	(2.9)	6.2	10.3	0.5	0.5	0.7	0.6	0.5	0.5	0.5	

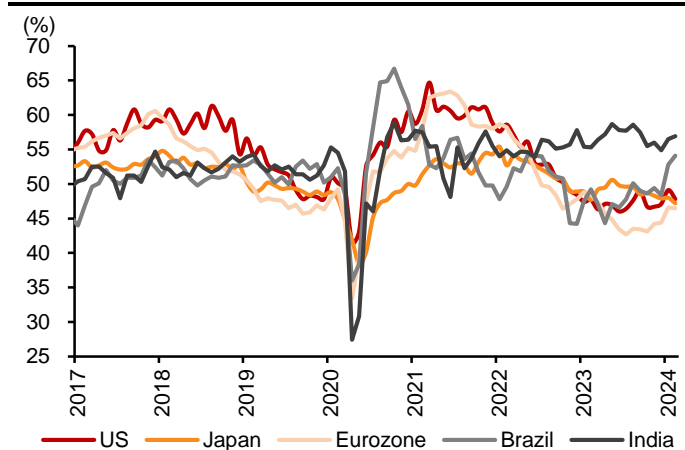
Source: Wind, CMBIGM

Figure 7: Consumer confidence in major economies



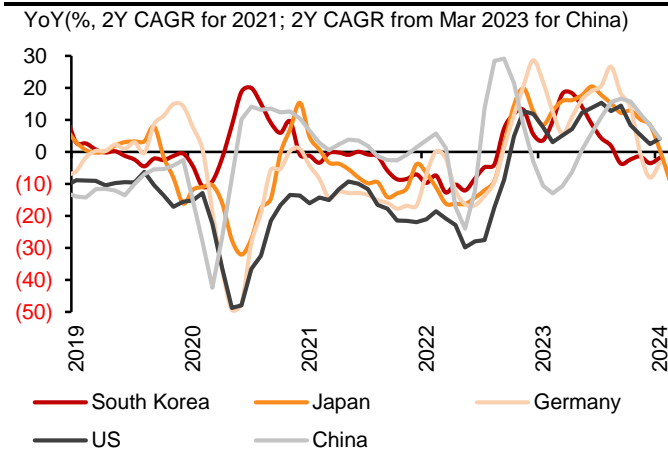
Source: Wind, CMBIGM

Figure 8: Manufacturing PMI in major economies



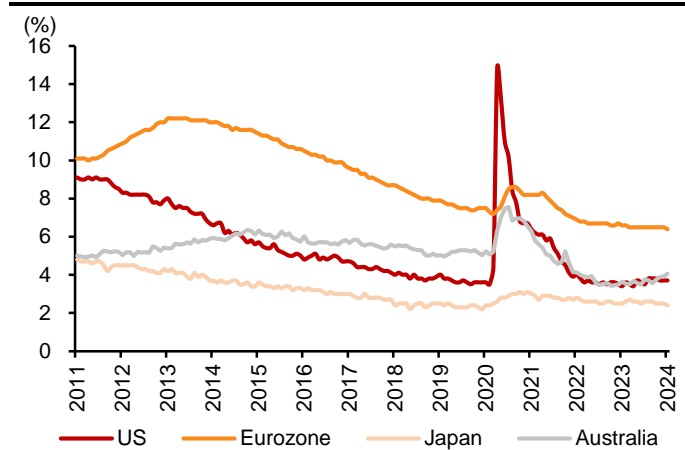
Source: Wind, CMBIGM

Figure 9: Auto sales in major economies



Source: Wind, CMBIGM

Figure 10: Unemployment rates in major economies



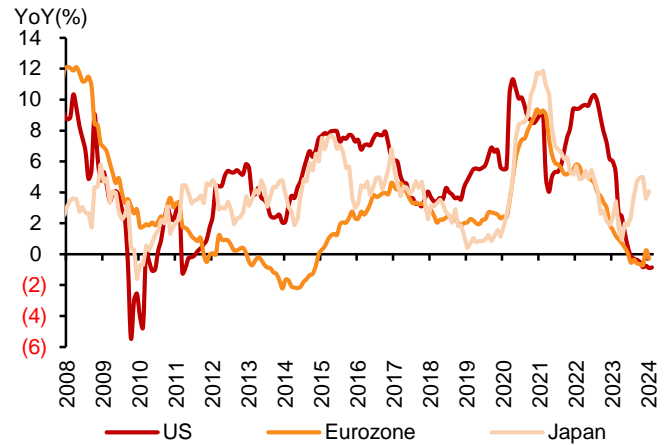
Source: Wind, CMBIGM

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



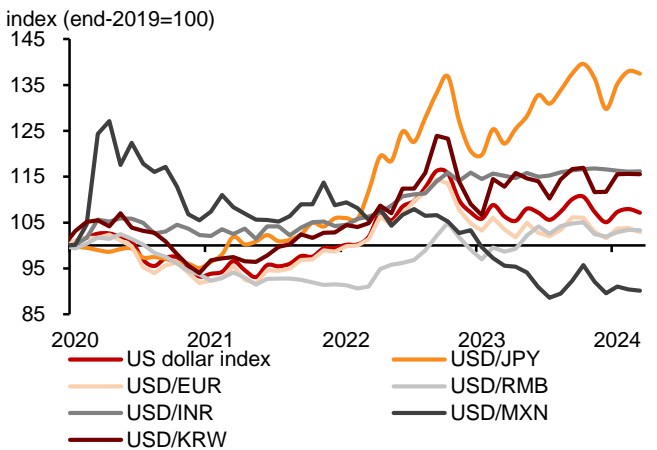
Source: Wind, CMBIGM

Figure 12: Banks' credit growth in major economies



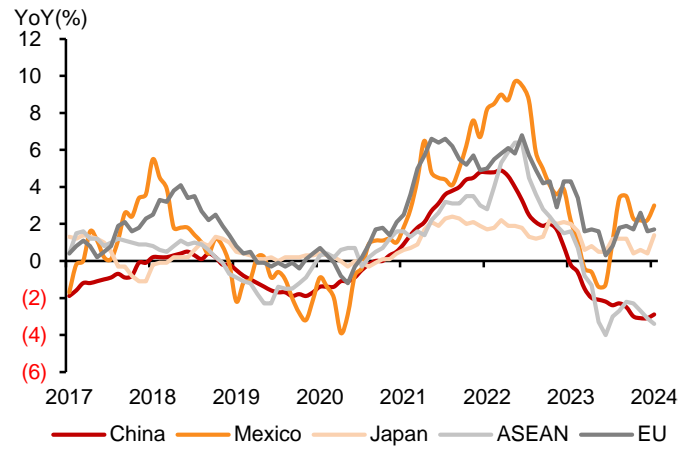
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Figure 13: Exchange rates



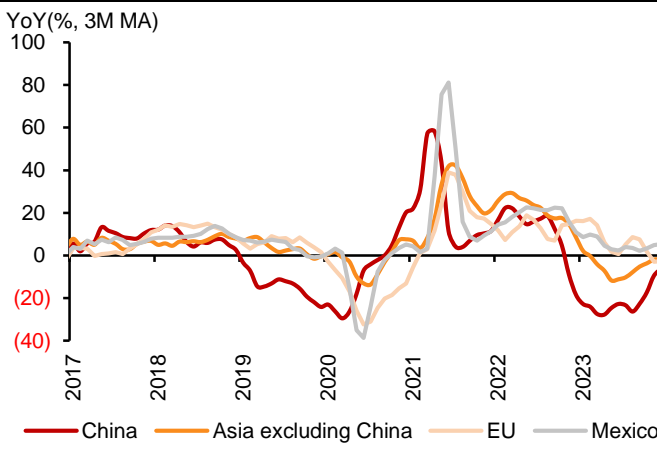
Source: Wind, CMBIGM

Figure 14: US import price growth by source



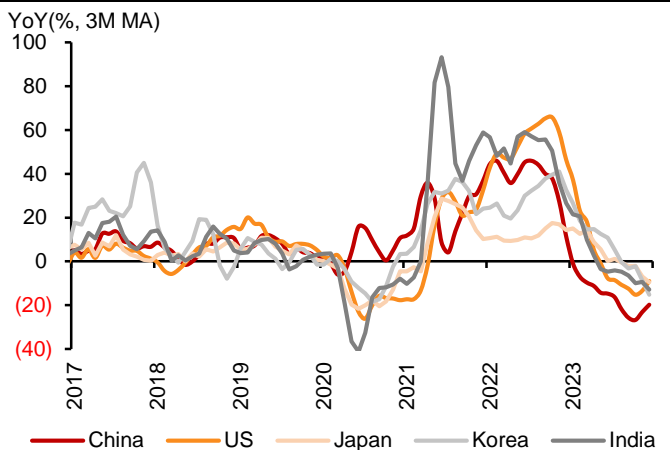
Source: Wind, CMBIGM

Figure 15: Growth of US imports by source

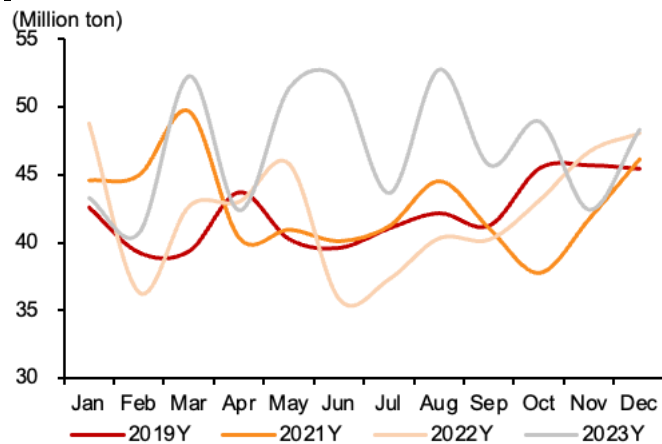


Source: Wind, CMBIGM

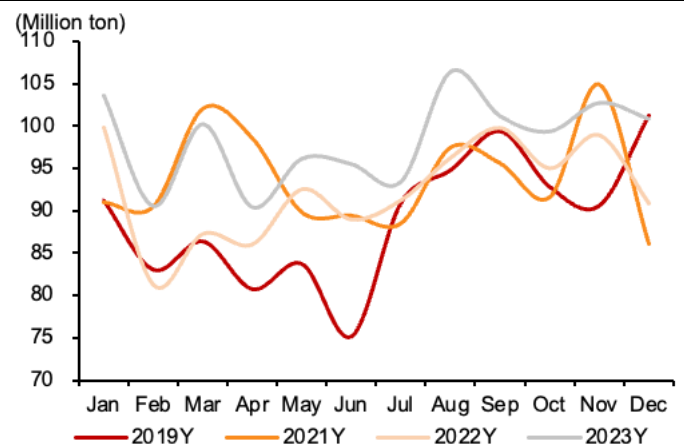
Figure 16: Growth of EU imports by source



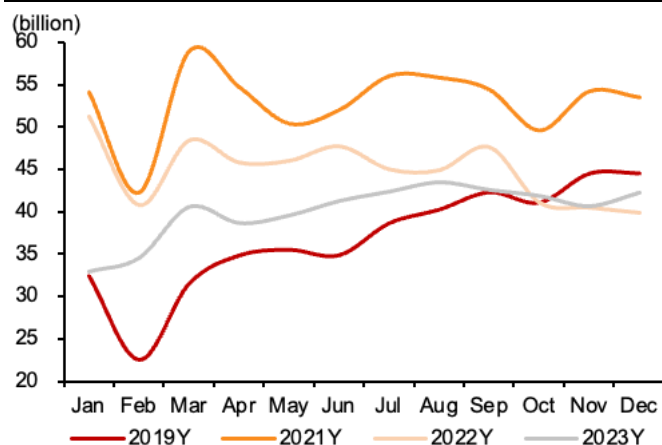
Source: Wind, CMBIGM

Figure 17: Import volume of crude oil

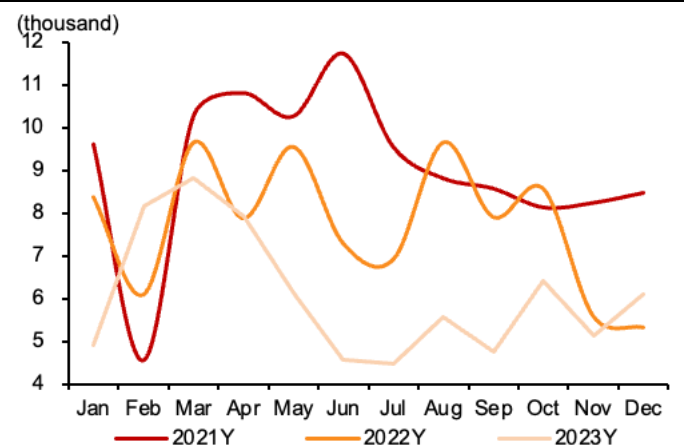
Source: Wind, CMBIGM

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(%)						
	2019	2020	2021	2022	2023	Dec 23	2M24	2019	2020	2021	2022	2023	Dec 23	2M24
Grain	(3.6)	28.0	18.1	(10.7)	11.7	33.4	7.7	(5.1)	(5.4)	26.3	23.7	(9.6)	(24.0)	(21.0)
Soybean	0.0	13.3	(3.8)	(5.6)	11.4	(6.9)	(8.8)	(7.2)	(1.3)	40.7	21.2	(10.7)	(13.0)	(14.7)
Iron ore	0.5	9.5	(3.9)	(1.5)	6.6	11.0	8.1	32.9	7.2	55.4	(28.6)	(1.6)	33.9	13.6
Copper ore	11.6	(1.0)	7.6	8.0	9.1	18.1	0.6	(4.8)	2.1	44.6	(8.5)	(1.6)	7.9	(3.3)
Coal	6.3	1.5	6.6	(9.2)	61.8	53.0	22.9	(11.1)	(14.8)	65.9	29.7	(23.3)	(19.4)	(22.8)
Crude oil	9.5	7.3	(5.4)	(0.9)	11.0	0.6	5.1	(8.3)	(32.2)	52.4	42.7	(16.8)	(5.1)	(2.2)
Natural gas	6.9	5.3	19.9	(9.9)	9.9	23.1	23.6	1.5	(23.8)	39.8	39.5	(16.4)	(20.4)	(23.5)
Steel products	(6.5)	64.4	(29.5)	(25.9)	(27.6)	(5.7)	(8.1)	(8.1)	(27.5)	57.9	23.1	2.5	(7.8)	(5.2)
Copper products	(6.0)	34.1	(17.2)	6.2	(6.3)	(10.6)	2.6	(7.8)	(0.9)	45.5	(2.5)	(6.2)	3.6	(2.3)
Plastics in primary form	12.4	10.1	(16.4)	(10.0)	(3.2)	2.8	(3.7)	(15.9)	(10.6)	39.4	2.0	(16.7)	(6.7)	(5.7)
Rubber	(6.2)	13.6	(9.4)	8.7	8.0	(5.3)	(12.6)	(4.5)	(7.2)	26.4	(1.7)	(16.4)	1.2	4.3
Integrated circuits	6.6	22.1	16.9	(15.3)	(10.8)	6.0	16.8	(8.2)	(6.1)	5.7	13.5	(5.2)	(8.9)	(1.3)
Machine tool	0.0	18.8	(0.7)	(14.4)	(20.5)	14.4	(32.7)	0.0	(30.8)	25.8	1.5	14.8	(7.6)	58.7
Auto	(6.6)	(11.4)	0.6	(6.5)	(8.9)	33.3	(2.8)	3.6	8.1	14.7	5.7	(3.0)	(7.9)	(11.7)
Airplane	(48.6)	(35.4)	29.4	(27.3)	12.2	(54.8)	(5.0)	12.5	(30.0)	12.3	13.5	(4.0)	(29.2)	(12.1)
Medicine	0.0	(0.6)	3.1	28.8	23.6	(9.1)	(0.7)	0.0	4.1	16.5	(25.7)	(12.8)	26.8	(14.5)
Beauty cosmetics	0.0	3.7	5.2	(11.8)	(14.2)	(19.2)	(14.7)	0.0	24.8	17.0	1.8	(6.1)	(2.3)	(5.6)

Source: Wind, CMBIGM

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