

# China Economy

## Exports & imports further slowed

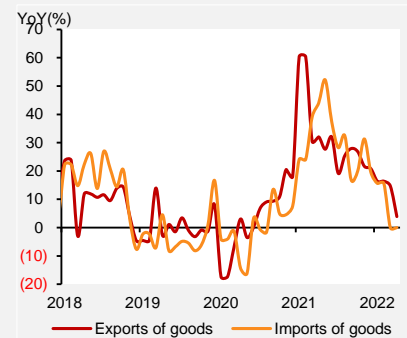
China's exports further slowed in April as the epidemic & lockdowns disrupted domestic supply and overseas demand started to soften. China's imports slowed more significantly as domestic demand & business confidence deteriorated dramatically. Trade surplus increased due to the "recession effect", implying further weakening of renminbi with more policy easing ahead. The foreign trade figures were in line with expectations, with limited impact on Chinese stock market. The Chinese stocks became attractive from the valuation perspective. But investor confidence remained weak as they are concerned about two uncertainties. One is when China could get out of the epidemic and start to focus on economic resumption. The other is when the US inflation could significantly decline and how the US policy tightening cycle will evolve.

- Exports further slowed as the epidemic & lockdowns disrupted domestic supply and overseas demand started to soften.** China's exports of goods rose 3.9% YoY in April, down from the YoY growth of 14.7% in March. While export price index should have maintained a growth above 10%, export volume may have dropped by over 6% in April. Breaking down items, exports of anti-virus products, medicines and home-economy-related products slowed due to base effect and demand slowdown amid economic reopening. As outings activity gradually returned to normal, exports of clothing and personal care goods picked up. Looking forward, China's exports should further slow as domestic supply chain continues to be restrained by the epidemic control and overseas demand gradually softens.
- Imports weakened more significantly as domestic demand & business expectation sharply deteriorated by the epidemic shock.** China's imports showed a zero YoY growth in April after slightly declining 0.1% YoY in March. With a significant commodity inflation, import volume should have dropped by over 10% YoY in April. Breaking down items, import volume of iron ore, steel products, plastics, integrated circuits, machine tool, airplane, auto and beauty cosmetics significantly declined amid weak demand. But import volume of soybean and crude oil noticeably picked up in April as the Ukraine crisis made China focus on grain and energy supply security.
- Foreign trade figures imply further weakening of renminbi with more policy easing ahead.** China's trade surplus increased by 25% YoY to US\$51.1bn in April as imports weakened more significantly than exports. This was in line with the shrinkage of Sino-US interest rate spreads, as domestic economy was weaker than overseas economy. The economic fundamental divergence definitely points to further weakening of renminbi and more policy easing ahead.
- Chinese stocks' valuation became attractive, but investor confidence remained weak in short term.** The valuation of A shares and HK stocks became attractive after sharp slumps. But investor confidence remained weak in the short term as they are concerned about two uncertainties. One is when China could get out of the epidemic and start to focus on economic resumption. The other is when the US inflation could significantly decline and how the US policy tightening cycle will evolve. We may need some time to see a decline of the two uncertainties in the market.

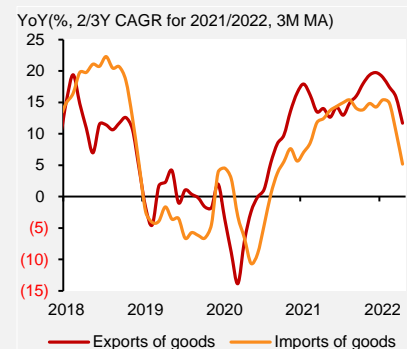
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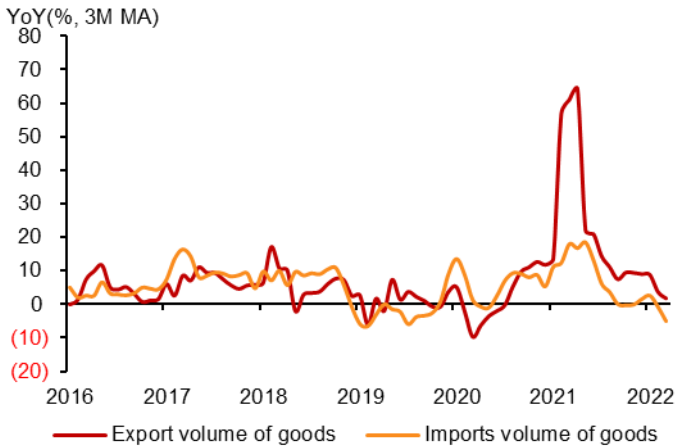


Source: Wind, CMBIGM



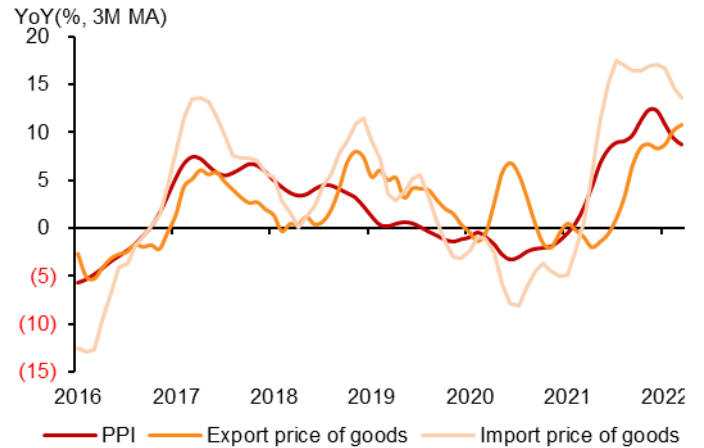
Source: Wind, CMBIGM

**Figure 1: Growth of Export and Import Volume**



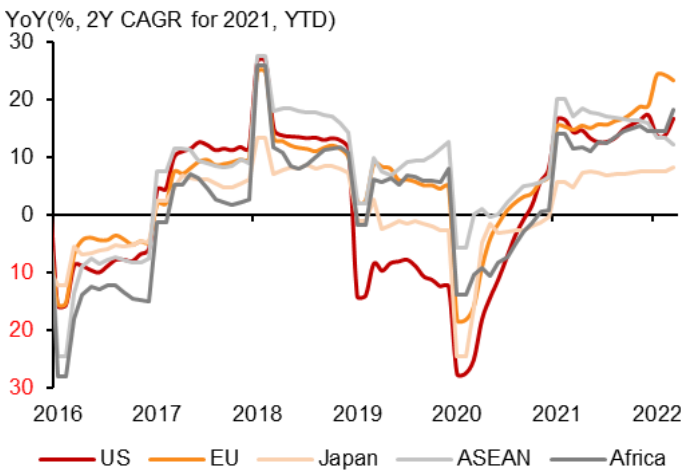
Source: Wind, CMBIGM

**Figure 2: Growth of Export and Import Prices**



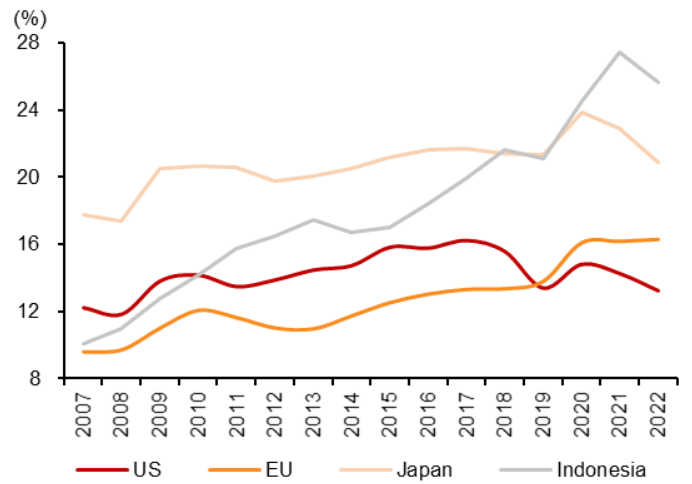
Source: Wind, CMBIGM

**Figure 3: Growth of Exports to Main Partners**



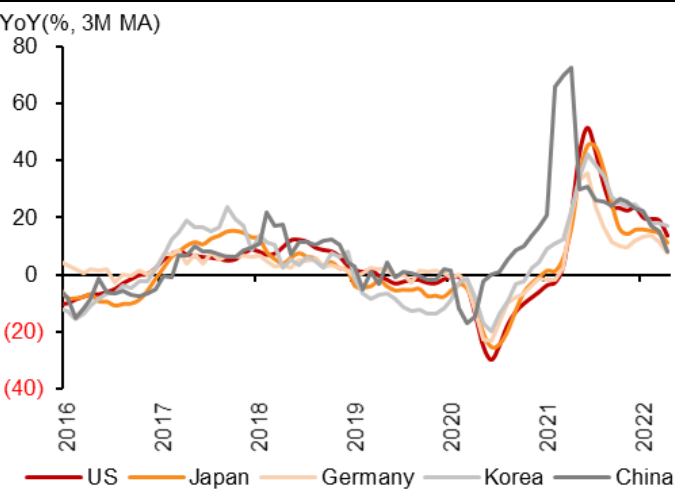
Source: Wind, CMBIGM

**Figure 4: China's Share in Partner's Foreign Trade**



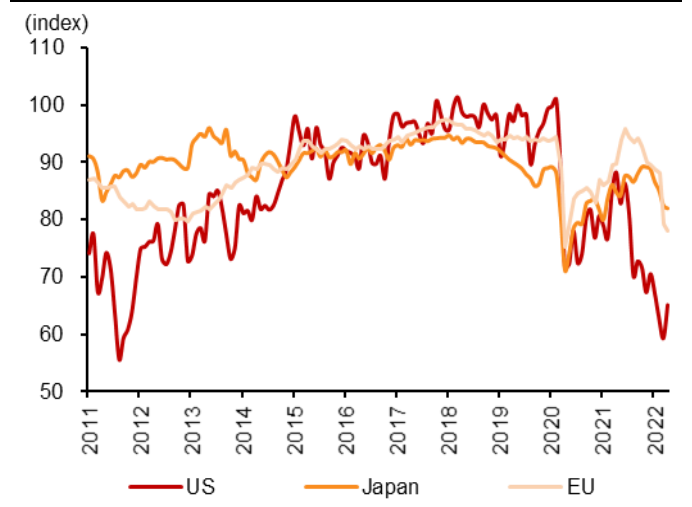
Source: Wind, CMBIGM

**Figure 5: Growth of Main Countries' Exports**



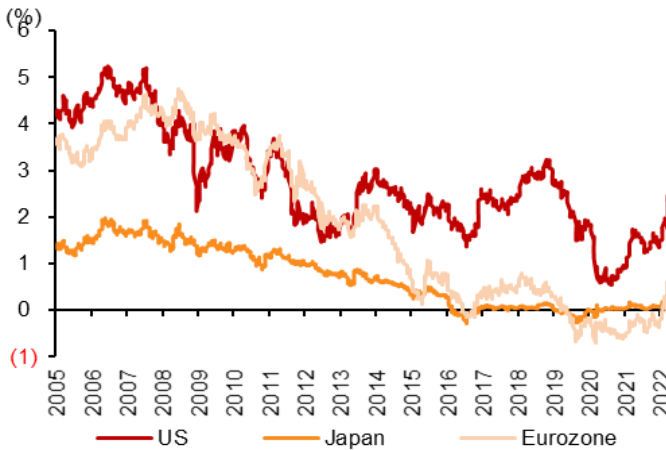
Source: Wind, CMBIGM

**Figure 6: Consumer Confidence Index**



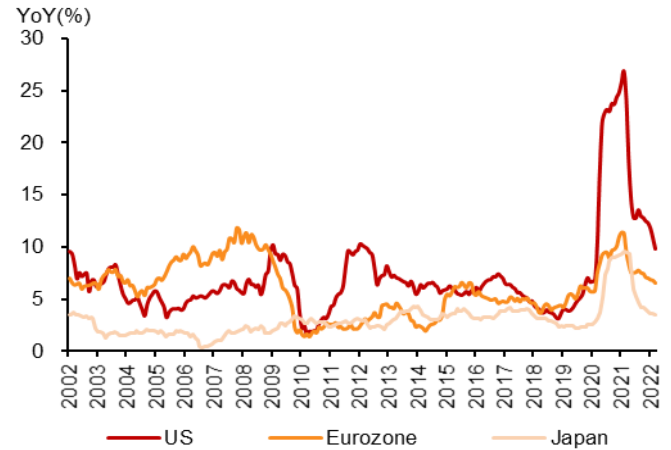
Source: Wind, CMBIGM

**Figure 7: 10Y Treasury Bond Rates**



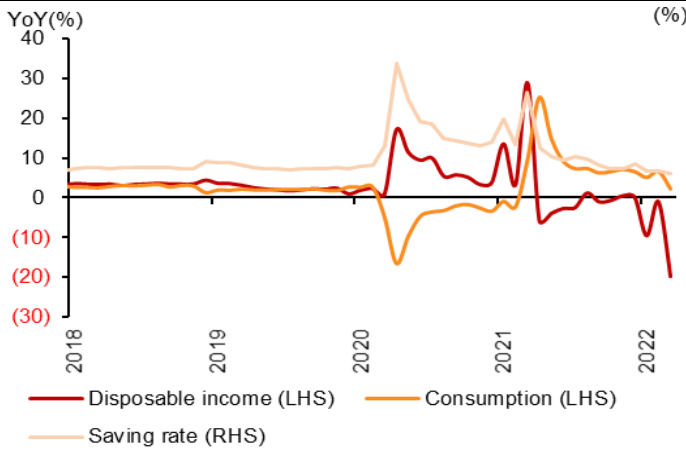
Source: Wind, CMBIGM

**Figure 8: Growth of M2 Supply**



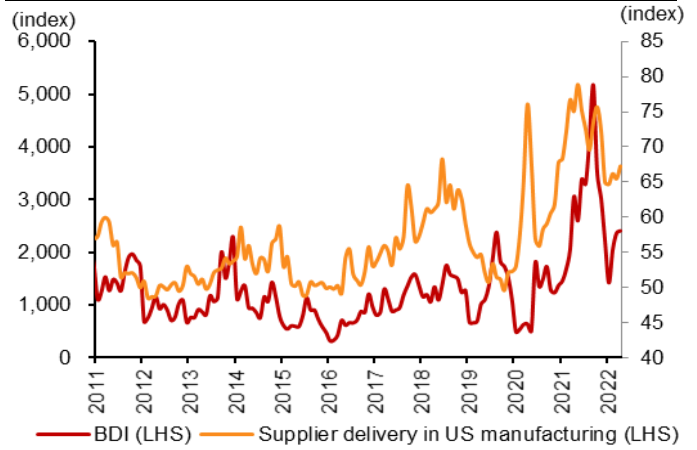
Source: Wind, CMBIGM

**Figure 9: US Household Income Growth & Saving Rates**



Source: Wind, CMBIGM

**Figure 10: Global Supply Chain Pressure**



Source: Wind, CMBIGM

**Figure 11: Growth of China Export Value by Main Products**

	YoY(%)						2/3 Y CAGR(%)			
	2018	2019	2020	2021	1Q22	4M22	2021	2M22	1Q22	4M22
Textile Yarn, Fabrics & Related Products	8.1	0.9	29.2	(5.6)	15.1	11.1	10.4	12.9	11.3	8.0
Travel Goods, Hand bags & Similar Articles	1.8	0.5	(24.2)	35.1	26.7	27.9	1.2	7.9	7.5	(2.3)
Garment & Accessories	0.3	(4.0)	(6.4)	24.0	7.4	6.2	7.7	8.3	8.0	(3.6)
Shoes & Boots	0.0	0.0	(21.2)	35.3	23.0	24.2	3.3	8.8	8.2	(2.9)
Toy	4.5	24.2	7.5	37.7	19.4	19.0	21.7	20.4	19.1	6.3
Furniture & Parts Thereof	7.6	0.8	11.8	26.4	3.9	2.0	18.9	12.4	12.6	(0.5)
Lamps, Lighting Fixtures & Similar Products	5.6	9.6	14.3	31.2	(2.1)	0.8	22.5	17.8	15.7	1.4
Plastic Products	12.2	11.2	19.6	29.1	16.9	14.9	24.3	20.6	19.7	10.7
Steel Products	11.2	(11.3)	(15.4)	80.2	22.8	14.1	23.5	11.6	11.4	2.4
Unwrought Aluminum	25.8	(7.4)	(14.1)	48.7	64.8	68.6	13.0	19.5	19.3	14.0
Integrated Circuits	26.6	20.0	14.8	32.0	23.2	17.4	23.1	22.0	21.1	15.5
Shipping	4.6	(6.3)	(15.3)	26.2	(2.2)	(10.2)	3.4	(2.1)	(2.5)	(11.3)
Motor Vehicles	12.3	4.1	(3.6)	119.2	87.1	64.4	45.4	60.6	50.5	28.5
Auto Parts & Accessories	10.8	(3.6)	(6.2)	33.7	5.9	4.4	12.0	11.4	10.2	1.4
General Machinery			7.5	26.4	18.1	13.8	16.6	16.1	15.8	9.8
Automatic Data Processing Equipment			11.6	21.0	9.7	6.0	16.2	12.9	12.1	3.0

Source: Wind, CMBIGM

**Figure 12: Growth of China Import Volume by Main Products**

	YoY(%)						2/3 Y CAGR(%)			
	2018	2019	2020	2021	1Q22	4M22	2021	2M22	1Q22	4M22
Grain	(11.5)	(3.6)	28.0	18.1	(1.5)	(0.3)	23.0	16.8	19.1	17.1
Soybean	0.0	0.0	13.3	(3.8)	(4.2)	(0.8)	4.4	5.7	6.6	5.2
Iron ore	(1.0)	0.5	9.5	(3.9)	(5.2)	(7.1)	2.6	1.4	1.2	1.5
Copper ore	13.7	11.6	(1.0)	7.6	6.7	4.5	3.2	3.1	4.6	4.6
Coal	3.9	6.3	1.5	6.6	(24.2)	(16.2)	4.0	(11.6)	(11.4)	(8.9)
Crude oil	10.1	9.5	7.3	(5.4)	(8.1)	(4.8)	0.8	1.4	1.9	1.2
Natural gas	31.9	6.9	5.3	19.9	(5.1)	(8.9)	12.4	4.9	4.9	4.2
Steel products	(1.0)	(6.5)	64.4	(29.5)	(13.4)	(14.7)	7.7	3.4	3.6	2.3
Copper products	12.9	(6.0)	34.1	(17.2)	2.6	0.9	5.4	7.1	7.7	7.0
Plastics in primary form	14.5	12.4	10.1	(16.4)	(14.9)	(15.1)	(4.1)	(3.6)	(2.8)	(4.5)
Rubber	(2.0)	(6.2)	13.6	(9.4)	3.9	1.3	1.5	6.4	5.8	4.1
Integrated circuits	10.8	6.6	22.1	16.9	(9.6)	(11.4)	19.5	17.9	17.0	15.0
Machine tool	0.0	0.0	18.8	(0.7)	3.1	(6.4)	8.6	4.4	6.7	5.1
Auto	(7.5)	(6.6)	(11.4)	0.6	(4.5)	(4.9)	(5.6)	(0.2)	(1.6)	(2.3)
Airplane	7.1	(48.6)	(35.4)	29.4	(23.5)	(43.1)	(8.6)	(28.3)	(30.3)	(30.7)
Medicine	0.0	0.0	(0.6)	3.1	2.3	0.7	1.2	10.1	10.4	9.2
Beauty cosmetics	0.0	0.0	3.7	5.2	(2.9)	(9.1)	4.4	5.1	2.3	0.4

Source: Wind, CMBIGM

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