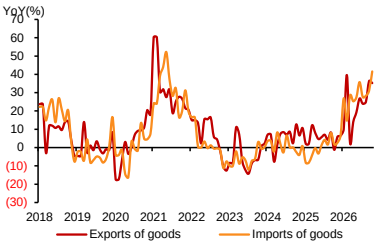
China Economy

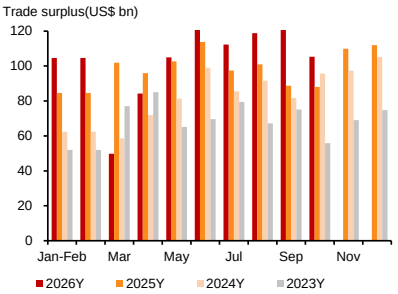
AI fuels the boom, prices magnify the surge

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China's exports remained buoyant in October, rising 35.2% while imports accelerated to 41.6%. Technology products remained the strongest driver, with integrated circuits and computing equipment together accounting for approximately 40% of the exports growth in Oct. However, higher unit values, currency translation and favourable base effects are amplifying the headline figures. The import surge similarly reflects expensive unit price of technology products and energy, while volumes across several major categories continued to decline, indicating still weak recovery in domestic spending. We expect the AI investment cycle and China's manufacturing capabilities to sustain near-term export resilience, but growth should moderate in as base effects become less favourable and price gains potentially normalize. Slower export growth in 2027 could shift the focus of policy easing towards stimulating domestic demand, consistent with recent Qiushi commentary highlighting China's imbalance between strong supply and weak demand. The still-large trade surplus should continue support the renminbi while PBOC steps up efforts to curb one-sided appreciation. We retain our year-end USD/CNY forecast of around 6.7.



Source: Wind, CMBIGM



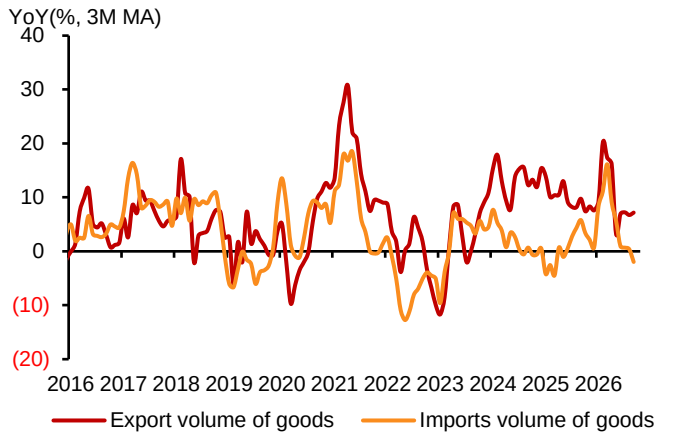
Source: Wind, CMBIGM

- **Exports remained strong, although favorable base effects amplified headline growth.** Exports increased 35.2% YoY in October, slightly below September's 36.3% and beating market expectations at 33%, reaching US$412.3bn. The comparison benefited from a 1.3% contraction a year earlier, as our calculations show annualized growth over two years moderated to approximately 15.5% from 21.4% in September, suggesting broadly stable headline growth masks some underlying moderation. Geographical demand remained supportive but uneven. Exports to the US rose 32.9%, slowing from 39.6%, while shipments to ASEAN and the EU increased 46.3% and 24.3%. Exports to South Korea, Taiwan and Hong Kong rose 92.4%, 61.8% and 48.6%, respectively, consistent with an active regional technology supply chain. The monthly trade surplus narrowed to US$105.3bn from US$133.5bn, while the YTD surplus reached US$1.04tn.
- **Technology products drove the export expansion, with a substantial contribution from higher unit value.** Integrated-circuit exports rose 137.1% YoY in Oct, while automatic data-processing equipment and parts increased 114.8%. These two categories contributed approximately 39% to October's overall export increase. By YTD, integrated-circuit export value rose 111.1%, compared with volume growth of 3.2%, implying a 104.6% increase in average unit value. Outside technology, auto exports rose 37.6%, down from 62.0% in September. Garments, toys, furniture and home appliances grew 19.5%, 27.5%, 13.2% and 20.9%, respectively, all slower than in September. Non-tech exports therefore provide a meaningful cushion, but their recent moderation offers limited evidence that the export prosperity is broadening further.
- **Imports accelerated as energy price surged.** Imports rose 41.6% YoY in Oct from 31.0%, beating market expectations at 30%. General-trade imports lifted 32.9% and processing imports using purchased materials rose 74.6%. Crude-oil arrivals recovered 13.0% MoM to 41.9mn tonnes, but remained 13.3% below a year earlier. Its import value nevertheless rose 41.0%, implying a 62.6% increase in unit value. Coal imports showed a similar divergence, with volumes down 5.5% against value growth of 60.0%. Integrated-circuit import value surged 78.3% despite broadly unchanged volumes. Copper-ore import value increased 23.1% while volumes fell 11.6%, implying a 39.2% rise in unit value. Meanwhile, iron-ore and vehicle import volumes fell 5.1% and 43.1%. The simultaneous strength of technology exports and imports points to an active production cycle, but the import surge was largely driven by higher unit values for energy and

technology products, while volumes across several major categories continued to decline, indicating still weak recovery in domestic spending.

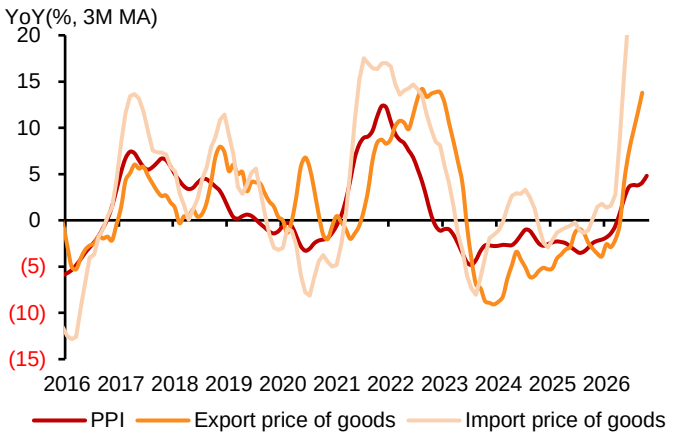
- **The AI upcycle should sustain export resilience before moderating in 2027.** We see global AI investment and China's manufacturing capabilities as the most durable support, while higher unit values and stronger renminbi amplify growth in dollar terms. The extension of selected US tariff exclusions should ease immediate disruption risks, while EU restrictions on hybrid-vehicle imports and potential further restricting measures could encourage near-term front-loading but weighing on exports in 2027. We expect trade to remain resilient through year-end before moderating in 2027 as base effects become less favorable and price gains potentially normalize. Assuming export and import growth average around 30% YoY in Nov & Dec, full-year growth would reach approximately 24% and 29%, respectively. Higher costs for imported raw materials and intermediate products could squeeze manufacturers' margins as it is hard to transfer costs to customers, limiting the trade boom's support for corporate profits. The still-large trade surplus should continue to provide net foreign-currency inflows and support the renminbi while PBOC steps up efforts to curb one-sided appreciation. We retain our year-end USD/CNY forecast of around 6.7.

Figure 1: Growth of export and import volume



Source: Wind, CMBIGM

Figure 2: Growth of export and import prices



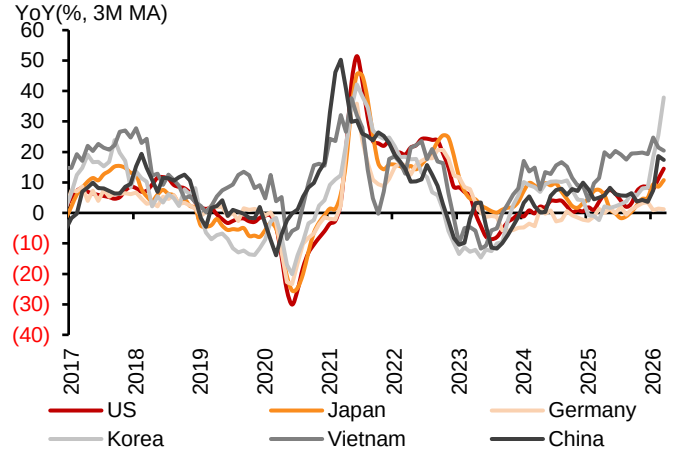
Source: Wind, CMBIGM

Figure 3: China exports by destination

	YoY Growth (%)									Share (%)					
	2022	2023	2024	2025	26Q1	26Q2	26Q3	Sep	Oct	2021	2022	2023	2024	2025	2026
World	5.6	(4.7)	5.8	5.4	14.7	20.1	28.4	36.3	35.2	100	100	100	100	100	100
ASEAN	17.7	(5.0)	12.0	13.4	20.2	24.6	40.1	52.3	46.3	14.4	16.0	15.5	16.4	17.6	18.7
US	1.2	(13.1)	4.9	(20.0)	(16.4)	19.2	30.0	39.6	32.9	17.2	16.4	14.8	14.7	11.1	10.4
EU	8.6	(10.2)	3.0	8.4	21.0	13.1	15.7	25.3	24.3	15.4	15.9	14.8	14.4	14.9	14.3
Latin America	10.6	(2.4)	13.0	7.4	9.3	15.9	18.7	24.7	32.1	6.8	7.1	7.3	7.7	7.9	7.6
Africa	11.2	7.5	3.5	25.8	32.1	21.4	21.3	16.1	19.5	4.4	4.6	5.1	5.0	6.0	5.9
Japan	4.4	(8.4)	(3.5)	3.5	6.8	7.3	12.7	15.8	14.3	4.9	4.9	4.7	4.3	4.2	3.7
South Korea	9.5	(7.2)	(1.8)	(1.1)	23.8	36.3	54.7	68.2	92.4	4.4	4.6	4.4	4.1	3.8	4.5
India	21.7	0.8	2.4	12.8	17.5	25.6	26.1	47.8	43.7	2.9	3.3	3.5	3.4	3.6	3.7
Russia	12.8	46.9	4.1	(10.4)	21.7	33.2	41.5	51.1	31.9	2.0	2.1	3.3	3.2	2.7	2.9
UK	(6.1)	(3.4)	1.2	7.8	18.3	9.3	17.9	28.9	35.3	2.6	2.3	2.3	2.2	2.3	2.2
Australia	19.0	(5.3)	(4.2)	7.9	23.1	20.6	21.3	37.1	10.9	2.0	2.2	2.2	2.0	2.0	2.0
Canada	4.5	(14.9)	3.0	3.2	10.0	8.4	18.0	31.8	31.6	1.5	1.5	1.3	1.3	1.3	1.2
Saudi Arabia	25.7	14.5	16.8	6.7	(0.8)	(18.5)	(5.7)	2.3	-	0.9	1.1	1.3	1.4	1.4	1.0
HK China	(15.0)	(6.3)	6.2	15.5	39.0	55.1	54.2	51.0	48.6	10.4	8.4	8.1	8.1	8.9	10.7
Chinese Taipei	4.2	(16.0)	9.8	11.2	31.1	34.2	44.8	68.9	61.8	2.3	2.3	2.0	2.1	2.2	2.5

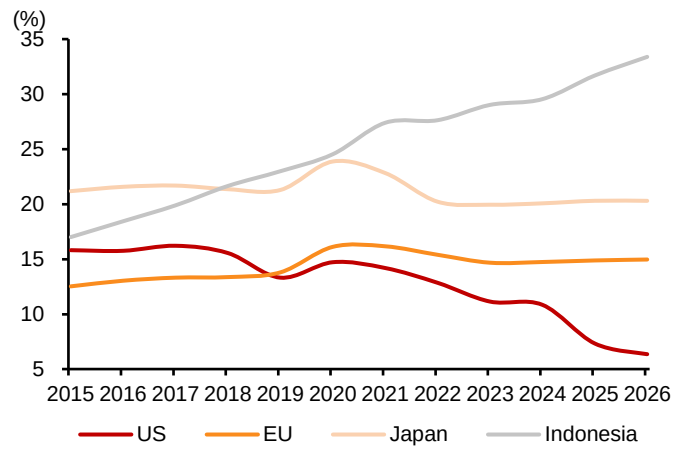
Source: Wind, CMBIGM

Figure 4: Export growth in major economies



Source: Wind, CMBIGM

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



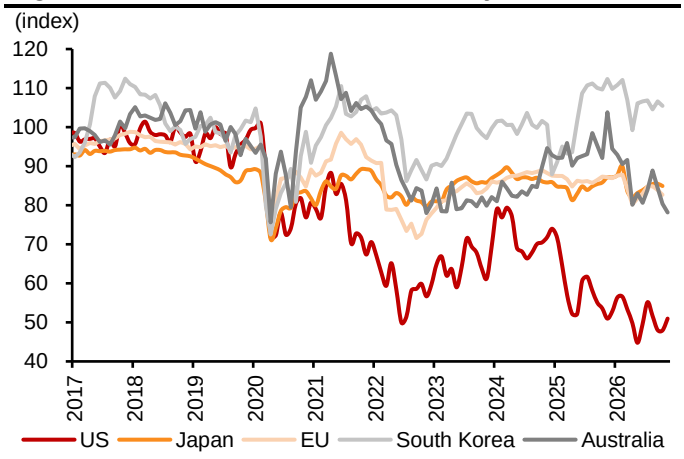
Source: Wind, CMBIGM

Figure 6: China's exports by product

	YoY(%)									Share (%)					
	2022	2023	2024	2025	26Q1	26Q2	26Q3	Sep	Oct	2021	2022	2023	2024	2025	2026
Textile Yarn & Related Products	2.0	(8.3)	5.7	0.5	2.8	4.2	9.2	19.0	15.1	4.3	4.2	4.0	4.0	3.8	3.3
Travel Goods & Bags	28.2	3.9	(3.2)	(13.5)	(1.1)	(4.7)	13.4	22.5	17.9	0.8	1.0	1.1	1.0	0.8	0.7
Garment & Accessories	3.2	(7.8)	0.3	(5.0)	(0.4)	(0.8)	14.3	23.8	19.5	5.1	4.9	4.7	4.5	4.0	3.5
Toy	5.6	(12.2)	(1.7)	(12.7)	(14.9)	(8.4)	16.8	40.8	27.5	1.4	1.4	1.2	1.1	0.9	0.8
Furniture & Parts Thereof	(5.3)	(5.2)	5.8	(6.1)	2.9	2.3	14.9	22.0	13.2	2.2	2.0	1.9	1.9	1.7	1.5
Lamps, Lighting Fixtures & Similar Products	(6.1)	(4.6)	(0.1)	(12.4)	(5.4)	(11.7)	13.5	26.7	16.2	1.5	1.3	1.2	1.2	1.0	0.8
Plastic Products	9.3	(3.9)	5.4	(1.3)	7.5	12.8	20.2	29.2	25.2	2.9	3.0	3.0	3.0	2.8	2.6
Steel Products	18.7	(8.3)	(1.1)	(1.3)	(10.8)	(0.4)	8.0	8.6	6.8	2.4	2.7	2.5	2.3	2.2	1.8
Unwrought Aluminum	33.7	(26.1)	15.2	(3.3)	16.7	48.0	43.3	46.6	38.7	0.6	0.7	0.6	0.6	0.6	0.6
Integrated Circuits	0.3	(10.1)	17.4	26.8	77.3	111.2	127.6	136.0	137.1	4.6	4.3	4.0	4.5	5.4	9.0
Ship	(0.4)	28.6	57.3	26.7	47.3	16.3	30.2	2.7	11.5	0.6	0.6	0.8	1.2	1.5	1.5
Motor Vehicles	74.7	69.0	15.5	21.4	58.4	50.5	55.0	62.0	37.6	1.0	1.7	3.0	3.3	3.8	4.5
Vehicles Parts	7.4	9.0	6.6	2.5	4.6	10.2	14.9	24.3	32.1	2.3	2.3	2.6	2.6	2.5	2.3
General Equipment	6.1	1.8	14.3	6.1	7.1	4.6	20.6	15.5	34.5	1.6	1.6	1.7	1.8	1.8	1.7
Automatic Data Processing Equipment	(7.5)	(20.4)	9.9	(1.4)	26.5	55.4	79.3	92.9	114.8	7.6	6.7	5.5	5.8	5.4	7.0
Fertilizer	(1.6)	(13.9)	(11.5)	57.9	22.6	(16.4)	(50.0)	(9.2)	(43.8)	0.3	0.3	0.3	0.2	0.4	0.2
Ceramic products	6.4	(15.4)	(15.6)	(3.2)	9.1	(52.6)	(29.9)	(19.1)	(19.0)	0.9	0.9	0.8	0.6	0.6	0.3
Rare earth	62.8	(28.3)	(36.0)	4.6	(8.9)	202.1	28.3	14.3	45.0	0.02	0.03	0.02	0.01	0.01	0.02
Cellphone	(2.5)	(2.7)	(3.1)	(9.4)	(4.9)	27.0	21.0	14.2	13.2	4.4	4.0	4.1	3.8	3.2	2.8
Home appliance	(13.3)	3.8	14.1	(3.9)	1.5	10.5	16.0	31.7	20.9	2.9	2.4	2.6	2.8	2.6	2.4
Medical equipment	(5.8)	(2.9)	7.1	6.0	11.5	16.3	16.4	23.2	23.1	0.6	0.5	0.5	0.6	0.6	0.5

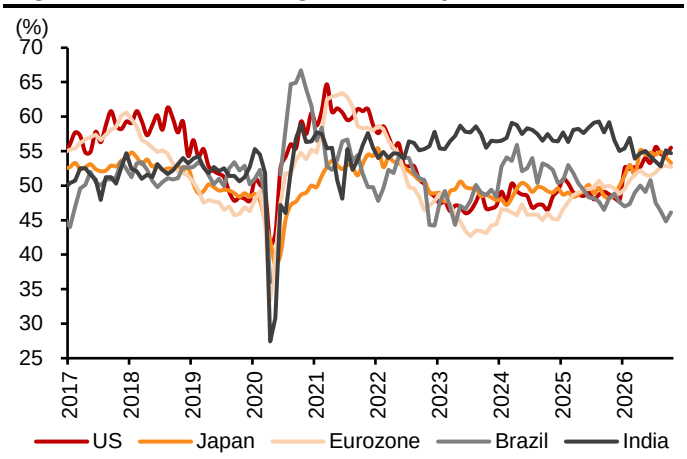
Source: Wind, CMBIGM

Figure 7: Consumer confidence in major economies



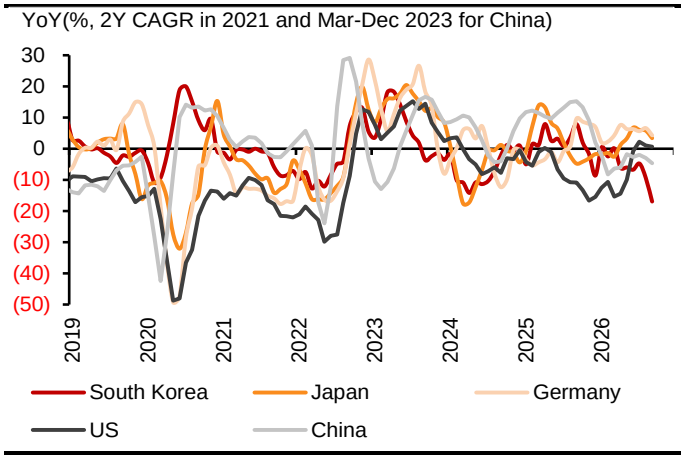
Source: Wind, CMBIGM

Figure 8: Manufacturing PMI in major economies



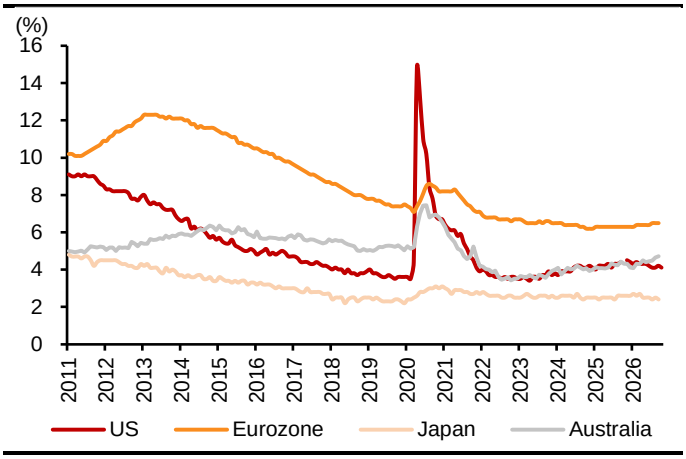
Source: Wind, CMBIGM

Figure 9: Auto sales in major economies



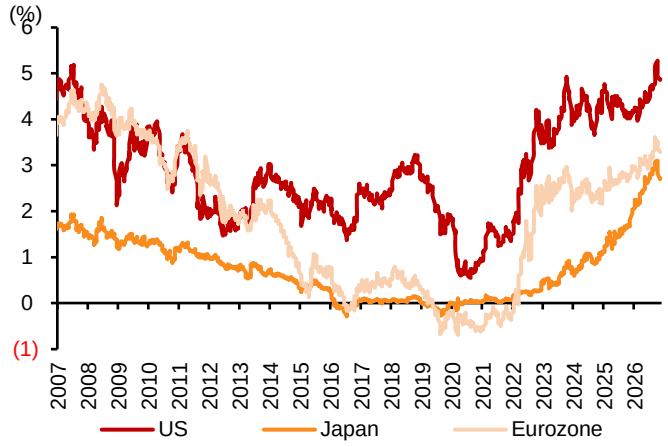
Source: Wind, CMBIGM

Figure 10: Unemployment rates in major economies



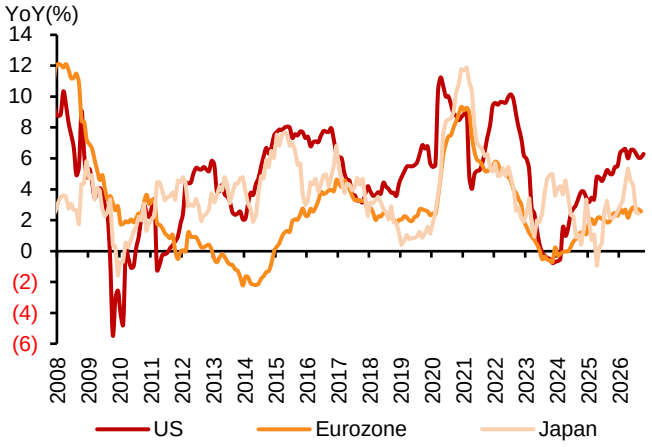
Source: Wind, CMBIGM

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



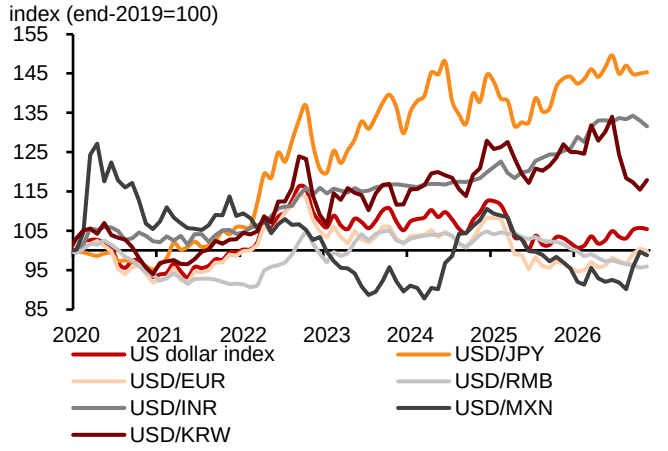
Source: Wind, CMBIGM

Figure 12: Banks' credit growth in major economies



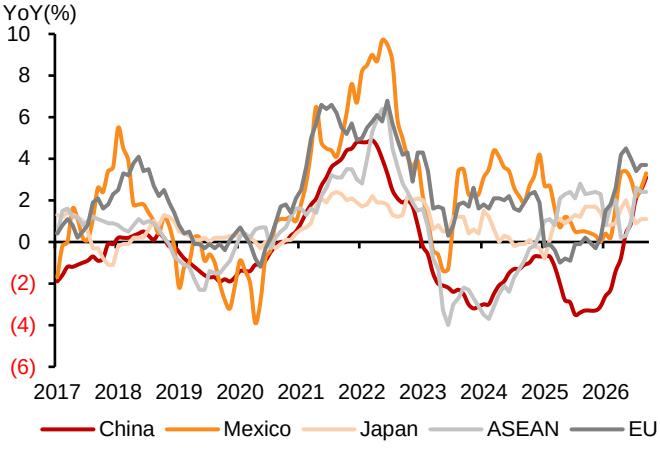
Source: Wind, CMBIGM

Figure 13: Exchange rates



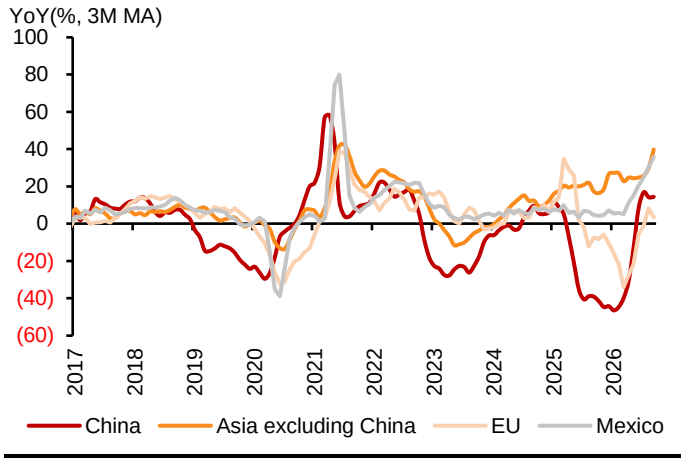
Source: Wind, CMBIGM

Figure 14: US import price growth by source



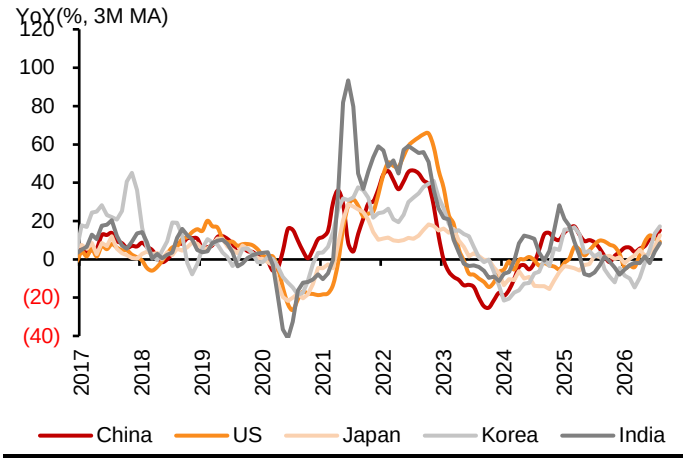
Source: Wind, CMBIGM

Figure 15: Growth of US imports by source



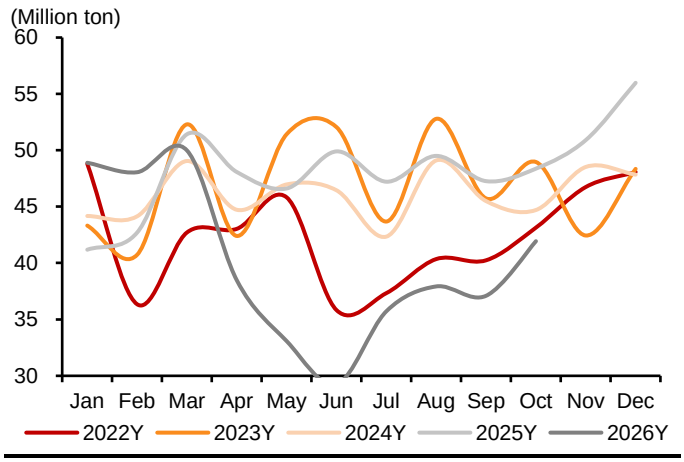
Source: Wind, CMBIGM

Figure 16: Growth of EU imports by source



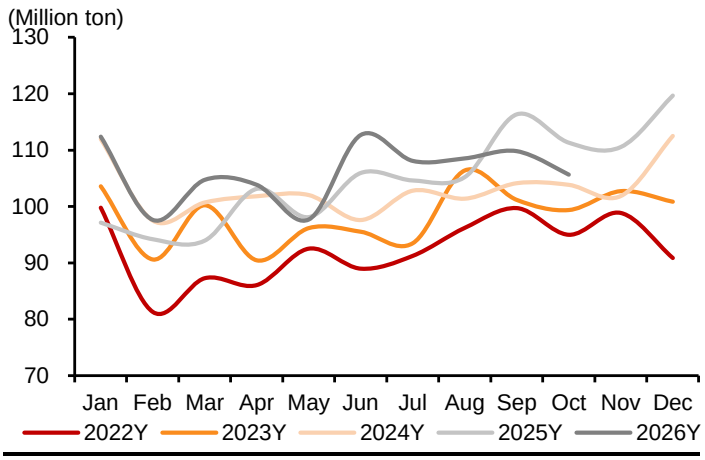
Source: Wind, CMBIGM

Figure 17: Import volume of crude oil



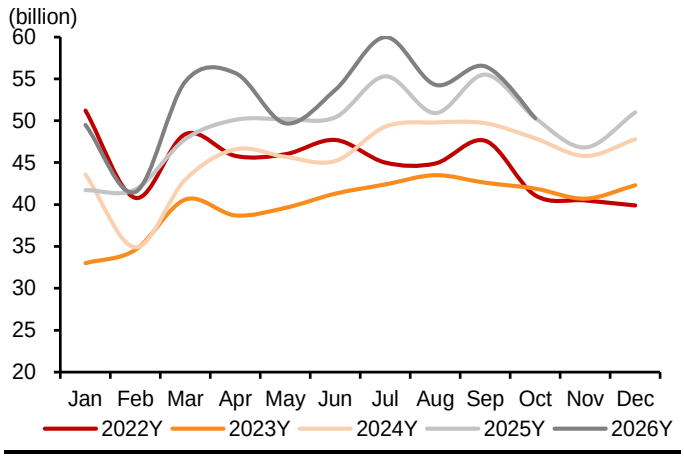
Source: Wind, CMBIGM

Figure 18: Import volume of iron ore



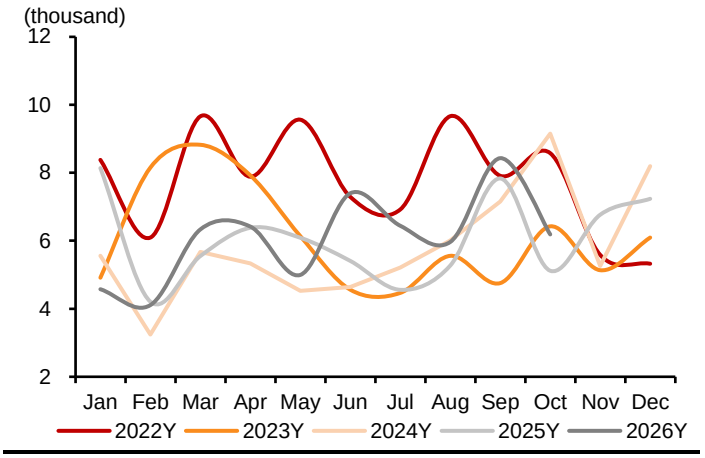
Source: Wind, CMBIGM

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(%)								
	2022	2023	2024	2025	26Q1	26Q2	26Q3	Sep	Oct	2022	2023	2024	2025	1Q26	2Q26	3Q26	Sep	Oct
Grain	(10.7)	11.7	(2.3)	(39.5)	11.1	15.0	4.5	(2.2)	(8.6)	23.7	(9.6)	(13.6)	(3.0)	(1.1)	2.4	6.1	8.4	5.5
Soybean	(5.6)	11.4	6.5	(7.4)	(3.2)	4.8	(2.8)	(7.7)	(22.5)	21.2	(10.7)	(16.3)	(10.4)	4.8	6.9	9.6	11.4	12.9
Iron ore	(1.5)	6.6	4.9	0.9	10.3	2.3	0.1	(5.6)	(5.1)	(28.6)	(1.6)	(7.1)	(8.7)	1.6	6.8	3.5	(1.9)	(6.7)
Copper ore	8.0	9.1	2.1	8.4	6.5	(8.2)	(6.8)	(4.2)	(11.6)	(8.5)	(1.6)	10.8	14.3	41.5	38.5	35.3	32.7	39.2
Coal	(9.2)	61.8	14.4	(25.0)	1.2	2.1	3.1	(5.7)	(5.5)	29.7	(23.3)	(14.2)	(23.2)	(7.7)	17.7	52.7	54.1	69.4
Crude oil	(0.9)	11.0	(1.9)	3.6	8.6	(30.3)	(23.1)	(21.5)	(13.3)	42.7	(16.8)	(2.0)	(12.6)	(12.2)	53.4	25.5	31.5	62.6
Natual gas	(9.9)	9.9	9.9	(39.7)	(4.3)	(2.9)	(5.2)	(1.7)	2.4	39.5	(16.4)	(7.9)	(10.5)	(12.3)	8.5	26.5	36.3	46.7
Steel products	(25.9)	(27.6)	(10.9)	(22.3)	(13.5)	(7.5)	(9.3)	(10.9)	(21.0)	23.1	2.5	1.9	0.4	5.3	7.1	16.2	17.4	24.0
Copper products	6.2	(6.3)	3.4	29.6	(14.5)	3.8	(10.0)	(6.1)	3.0	(2.5)	(6.2)	9.8	6.9	35.2	37.4	44.5	46.9	41.3
Plastics in primary form	(10.0)	(3.2)	(2.1)	(3.6)	(9.8)	(35.1)	(28.2)	(15.7)	(13.6)	2.0	(16.7)	(1.1)	(2.1)	(2.8)	27.4	25.7	21.9	22.4
Rubber	8.7	8.0	(8.2)	26.8	0.5	(8.4)	(13.8)	(20.3)	(17.4)	(1.7)	(16.4)	19.8	5.7	(8.8)	9.0	23.4	24.2	31.2
Integrated circuits	(15.3)	(10.8)	14.6	(47.5)	11.0	5.6	5.6	1.8	(0.0)	13.5	(5.2)	(3.7)	2.1	30.6	56.3	66.9	71.6	78.3
Machine tool	(14.4)	(20.5)	(4.1)	(28.1)	(16.0)	5.3	18.1	7.7	21.0	1.5	14.8	(6.5)	(3.0)	15.9	(12.5)	(9.7)	15.0	(7.0)
Auto	(6.5)	(8.9)	(11.7)	(13.6)	0.0	(15.4)	(42.9)	(50.0)	(43.1)	5.7	(3.0)	(5.7)	(10.8)	(10.2)	(10.9)	26.4	23.8	8.0
Airplane	(27.3)	12.2	8.2	(84.0)	(60.3)	36.1	(31.1)	(33.3)	(37.5)	13.5	(4.0)	3.1	12.1	(25.7)	(2.4)	(10.7)	(25.0)	56.2
Medcine	28.8	23.6	4.7	54.5	(17.4)	(39.9)	(34.9)	(18.1)	(12.2)	(25.7)	(12.8)	(4.8)	5.5	26.9	68.7	58.0	19.7	12.0
Beauty cosmetics	(11.8)	(14.2)	(9.4)	(28.8)	2.8	(7.4)	(7.2)	3.5	17.9	1.8	(6.1)	0.4	(7.6)	4.0	6.5	18.0	14.2	(1.3)

Source: Wind, CMBIGM

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