

China Economy

Weak exports cast a shadow on growth

China's exports of goods slumped in May after the pent-up demand had released. We expect China's exports may continue to decline in next few months before a possible stabilization of growth from 4Q23 thanks to base effect. The improvement of consumer sentiment in US and Europe in 1Q23 mainly supported their non-tradable service sectors. In addition, the banking turmoil injected some uncertainty to overseas demand by tightening credit condition. We expect China's exports to drop 1% in 2023 after rising 7% in 2022. China's imports may mildly improve due to slowly recovery of domestic demand as well as base effect. The imports are expected to drop 2.5% in 2023 after rising 1% in 2022. The weak foreign trade activity casted a shadow on China's economic recovery prospect as it should increase the possibility of further credit easing. We expect the PBOC may mildly cut LPR around July and more cities may see moderate loosening of property policies ahead.

■ **Exports weakened across trading partners and missed expectation in May.** China's exports declined 7.5% YoY (all in YoY term unless specified) in May after a moderate 8.5% YoY growth in April. Exports to US further declined 18.2% YoY in May after dropping 6.5% in April and 17% in 1Q23. Exports to EU, Japan, South Korea & ASEAN all deteriorated by sharply dropping 7%, 13.3%, 20.3% and 15.9% in May, compared to the corresponding increases of 3.9%, 11.5%, 0.9% and 4.5% in April. Exports to Africa and Russia respectively grew 12.9% and 114.3% in May, down from 49.9% and 153.1% in April.

■ **Exports by product deteriorated across the spectrum while vehicle export remained strong.** Exports of textile product, garment, furniture and steel products dropped 14.3%, 12.5%, 14.8% and 28% in May after rising 3.9%, 14%, 0% and 22.2% in April. Meanwhile, exports of integrated circuits and cellphone further declined 25.8% and 25% after dropping 7.3% and 12.8%. Exports of general equipment and home appliance also slowed as their growth rates decreased from 20.5% and 2.2% in April to 7.5% and 0.7% in May. Exports of ship, motor vehicles, and auto parts & accessories were relatively strong as they respectively grew 23.5%, 123.5% and 13.4% in May after rising 79.2%, 195.7% and 30% in April.

■ **Imports improved as slump of commodity prices and emphasis of supply security stimulated imports of commodities.** China's imports of goods declined 4.5% YoY in May from dropping 7.9% YoY in April. Import volume of grain and soybean rose 9% and 24.3% in May after dropping 10.8% and 10.2% in April. Meanwhile, import volume of iron ore, copper ore, coal, crude oil and natural gas jumped 4%, 16.8%, 92.6%, 12.3% and 17.3%, respectively, compared to the growth of 5.1%, 11.7%, 72.7%, -1.4% and 11% in the previous month. With recovery of passenger flow and cash flow in air transportation, import volume of airplane jumped 250% in May after rising 285.7% in April. Import volume of medicine was also strong as it grew 64.5% in May. However, discretionary consumption and business capex remained weak as import volume of beauty cosmetics and machine tool respectively dropped 21% and 35.9% in May. Import of integrated circuits, steel products and auto continued to decline as electronic equipment and housing market remained weak and import substitution with domestic supply accelerated.

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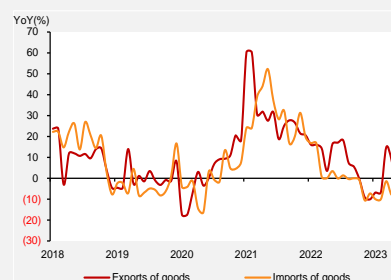
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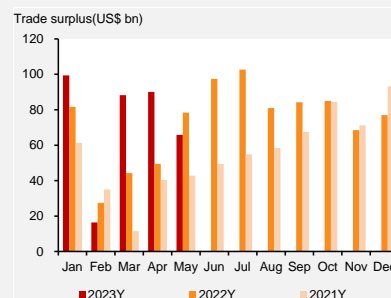
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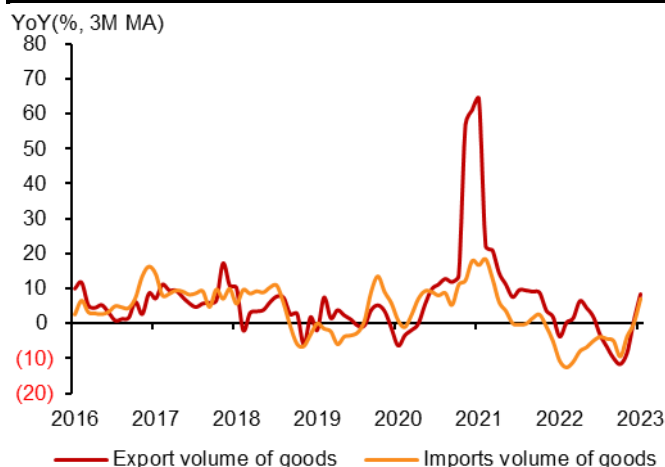


Source: Wind, CMBIGM

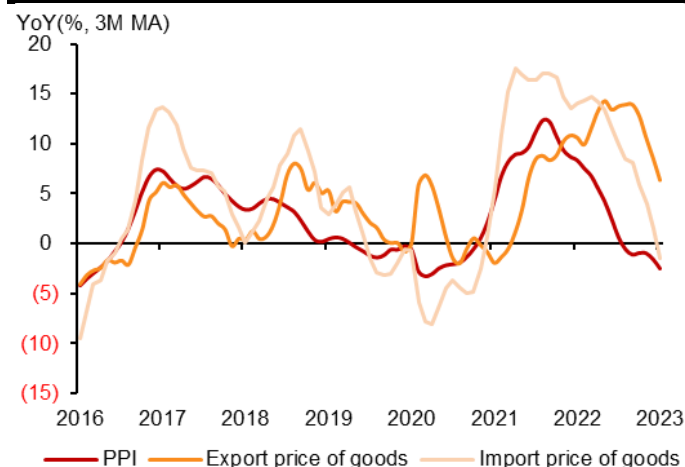


Source: Wind, CMBIGM

- **Exports and imports are expected to drop 1% and 2.5% in 2023.** China's export growth may further deteriorate in next few months before a gradual stabilization from 4Q23 due to base effect. We expect China's exports of goods to drop 1% in 2023 after rising 7% in 2022. For imports, China's slowly recovery in domestic demand should facilitate a gradual improvement of import volume. However, the slump of commodity prices may have some negative impact on the import growth. We expect the imports of goods to decrease 2.5% in 2023 after rising 1% in 2022.
- **The deterioration of foreign trade activity may increase the possibility of further credit easing.** The deterioration of exports further casted a shadow on China's economic recovery prospect, which had been already weak due to sluggish housing market and consumption performance. The continuous declines of imports also indicated domestic demand was weak. We expect the Chinese policymakers may further ease credit policy by moderately cut LPRs around July. Meanwhile, more cities may see moderate loosening of property policies like what happened in Qingdao.

Figure 1: Growth of Export and Import Volume

Source: Wind, CMBIGM

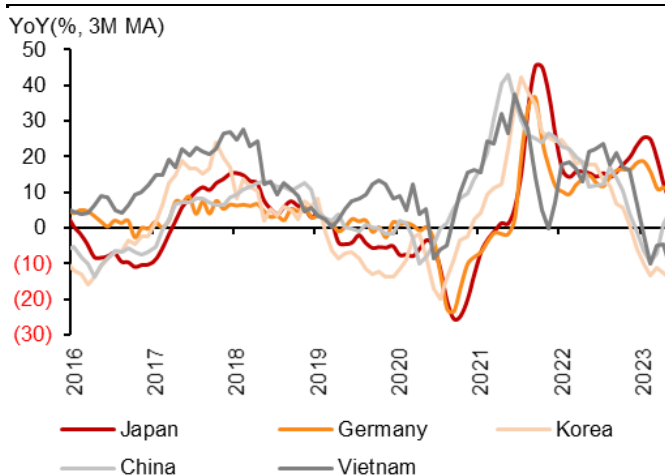
Figure 2: Growth of Export and Import Prices

Source: Wind, CMBIGM

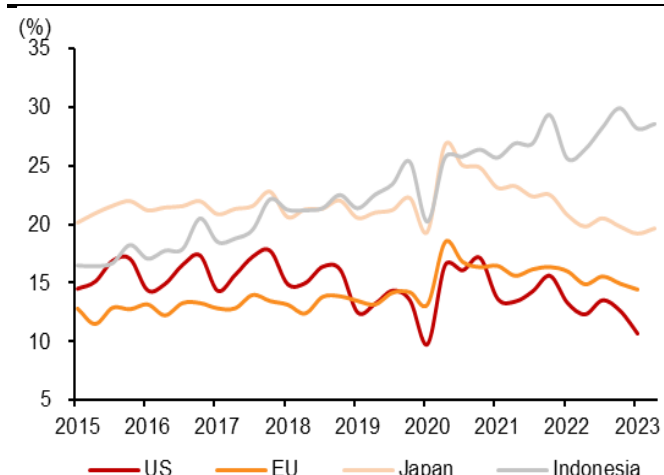
Figure 3: China Exports by Destination

	YoY growth (%)									Share (%)					
	2018	2019	2020	2021	2022	1Q23	Apr	May		2018	2019	2020	2021	2022	5M23
World	9.9	0.5	3.6	29.6	7.0	0.5	8.5	-7.5		100.0	100.0	100.0	100.0	100.0	100.0
US	11.3	-12.5	7.9	27.5	1.2	-17.0	-6.5	-18.2		19.2	16.8	17.4	17.2	16.2	14.3
EU	9.8	4.9	6.7	32.6	8.6	-7.1	3.9	-7.0		16.4	17.2	15.1	15.4	15.6	15.4
Japan	7.2	-2.6	-0.4	16.3	4.4	-2.4	11.5	-13.3		5.9	5.7	5.5	4.9	4.8	4.8
ASEAN	14.2	12.7	6.7	26.1	17.7	18.6	4.5	-15.9		12.8	14.4	14.8	14.4	15.8	16.2
India	12.7	-2.4	-10.8	46.2	21.7	3.9	6.1	-3.9		3.1	3.0	2.6	2.9	3.3	3.4
Africa	10.8	7.9	0.9	29.9	11.2	19.3	49.9	12.9		4.2	4.5	4.4	4.4	4.6	5.3
Latin America	13.7	2.1	-0.8	52.0	10.6	0.5	10.5	-1.1		6.0	6.1	5.8	6.8	7.0	7.0
Russia	12.0	3.7	1.7	33.8	12.8	47.1	153.1	114.3		1.9	2.0	2.0	2.0	2.1	3.1
Australia	14.2	1.8	10.9	24.2	19.0	10.4	10.2	-5.8		1.9	1.9	2.1	2.0	2.2	2.2
UK	-0.3	10.4	16.3	19.9	-6.1	-7.4	10.8	3.7		2.3	2.5	2.8	2.6	2.3	2.2
Canada	12.1	5.0	14.0	22.4	4.5	-17.1	-14.5	-18.1		1.4	1.5	1.6	1.5	1.5	1.3
South Korea	5.9	2.1	1.4	32.4	9.5	6.0	0.9	-20.3		4.4	4.4	4.3	4.4	4.5	4.6
Saudi Arabia	-5.1	36.9	17.7	7.9	25.7	39.9	41.3	-		0.7	1.0	1.1	0.9	1.1	1.0
HK China	8.2	-7.6	-2.3	28.6	-15.0	-8.9	-3.0	-14.9		12.1	11.2	10.5	10.4	8.3	7.5
Chinese Taipei	10.6	13.2	9.1	30.4	4.2	-22.1	-14.4	-33.7		2.0	2.2	2.3	2.3	2.3	1.9

Source: Wind, CMBIGM

Figure 4: Exports Growth in Major Economies

Source: Wind, CMBIGM

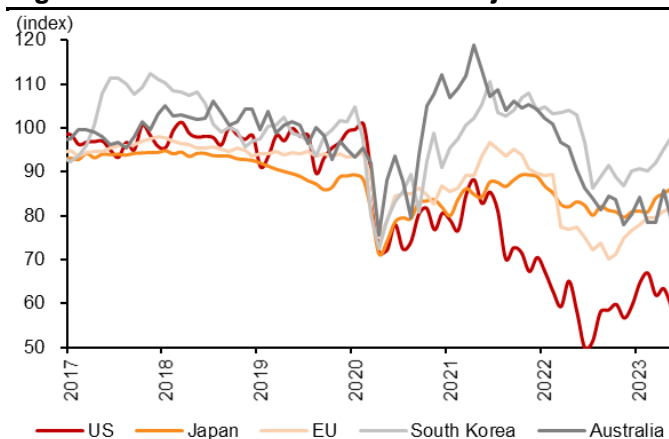
Figure 5: China's Market Shares in Partners' Trade

Source: Wind, CMBIGM

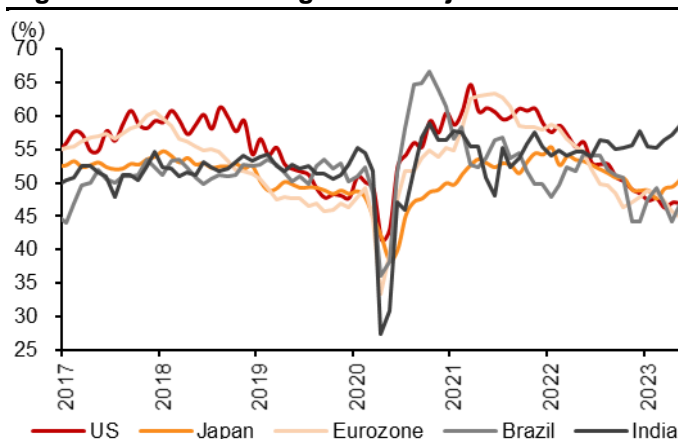
Figure 6: China Exports by Product

	YoY(%)								Share (%)					
	2018	2019	2020	2021	2022	1Q23	Apr	May	2018	2019	2020	2021	2022	5M23
Textile Yarn & Related Products	8.1	0.9	29.2	-5.6	2.0	-12.1	3.9	-14.3	4.8	4.8	5.9	4.3	4.1	4.1
Travel Goods & Bags	1.8	0.5	-24.2	35.1	28.2	29.1	36.8	1.2	1.1	1.1	0.8	0.8	1.0	1.1
Garment & Accessories	0.3	-4.0	-6.4	24.0	3.2	-1.3	14.0	-12.5	6.3	6.1	5.3	5.1	4.9	4.4
Toy	4.5	24.2	7.5	37.7	5.6	3.7	-0.5	-23.0	1.0	1.2	1.3	1.4	1.3	1.1
Furniture & Parts Thereof	7.6	0.8	11.8	26.4	-5.3	-6.8	0.0	-14.8	2.2	2.2	2.3	2.2	1.9	1.9
Lamps, Lighting Fixtures & Similar Product	5.6	9.6	14.3	31.2	-6.1	-1.7	7.2	-3.4	1.2	1.3	1.5	1.5	1.3	1.3
Plastic Products	12.2	11.2	19.6	29.1	9.3	2.9	7.6	-11.1	1.7	1.9	3.3	2.9	3.0	3.1
Steel Products	11.2	-11.3	-15.4	80.2	18.7	36.7	22.2	-28.0	2.4	2.2	1.8	2.4	2.7	3.0
Unwrought Aluminum	25.8	-7.4	-14.1	48.7	33.7	-23.8	-35.4	-42.1	0.7	0.6	0.5	0.6	0.7	0.6
Integrated Circuits	26.6	20.0	14.8	32.0	0.3	-17.6	-7.3	-25.8	3.4	4.1	4.5	4.6	4.3	3.8
Shipping	4.6	-6.3	-15.3	26.2	-0.4	4.9	79.2	23.5	0.9	0.8	0.7	0.6	0.6	0.6
Motor Vehicles	12.3	4.1	-3.6	119.2	74.7	81.6	195.7	123.5	0.6	0.6	0.6	1.0	1.7	2.8
Auto Parts & Accessories	10.8	-3.6	-6.2	33.7	7.4	11.3	30.0	13.4	2.2	2.1	2.2	2.3	2.3	2.6
General Machinery			7.5	26.4	6.1	2.3	20.5	7.5			1.6	1.6	1.6	1.7
Automatic Data Processing Equipment			11.6	21.0	-7.5	-29.9	-17.0	-10.9			8.1	7.6	6.6	5.3
Fertilizer	16.2	2.7	-8.3	73.2	-1.6	18.1	-18.2	3.7	0.3	0.3	0.3	0.3	0.3	0.3
Ceramic products	11.7	16.5	0.0	22.3	6.4	2.9	14.6	-22.1	0.9	1.0	1.0	0.9	0.9	0.8
Rare earth	23.7	-14.4	-21.9	90.0	62.8	-2.9	-24.7	-32.3	0.02	0.02	0.01	0.02	0.03	0.03
Cellphone			0.9	16.6	-2.5	-9.8	-12.8	-25.0			4.8	4.4	4.0	3.5
Home appliance			23.5	22.3	-13.3	-4.4	2.2	0.7			2.6	2.9	2.4	2.6
Medical equipment	13.3	13.3	40.5	11.9	-5.8	-4.3	7.4	-3.2	0.5	0.5	0.7	0.6	0.5	0.5

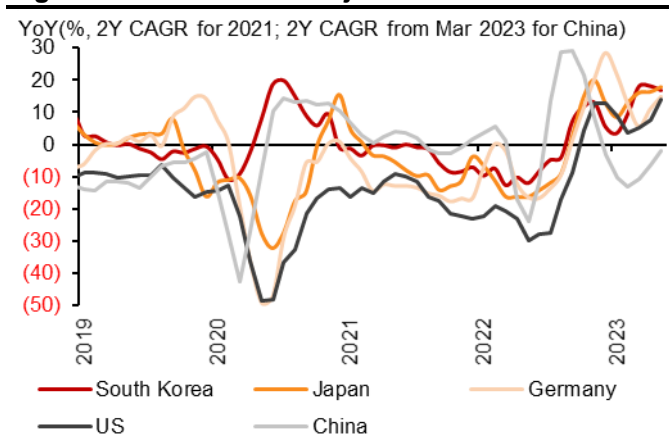
Source: Wind, CMBIGM

Figure 7: Consumer Confidence in Major Economies

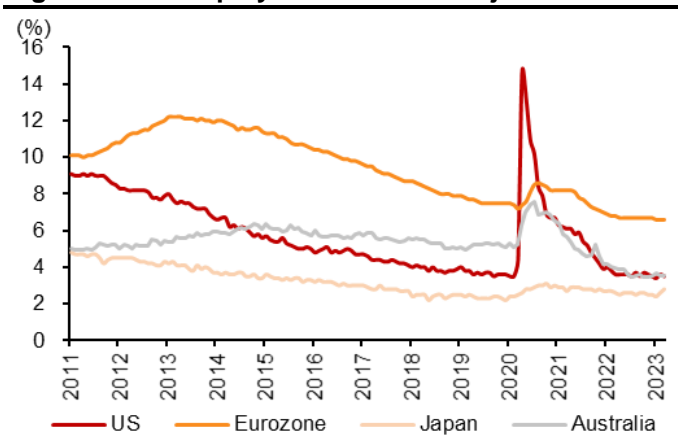
Source: Wind, CMBIGM

Figure 8: Manufacturing PMI in Major Economies

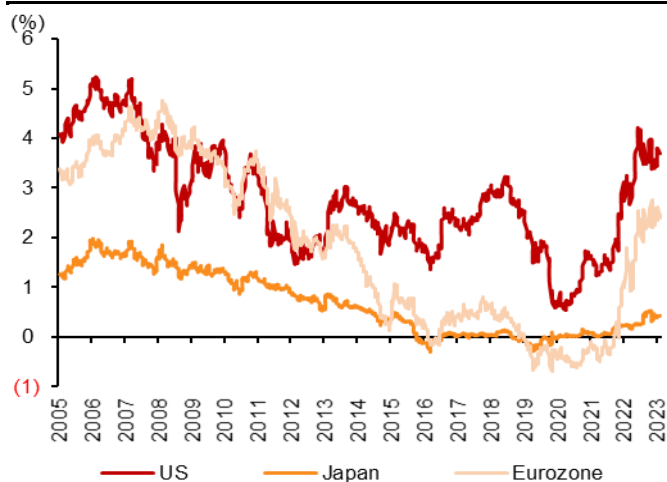
Source: Wind, CMBIGM

Figure 9: Auto Sales in Major Economies

Source: Wind, CMBIGM

Figure 10: Unemployment Rates in Major Economies

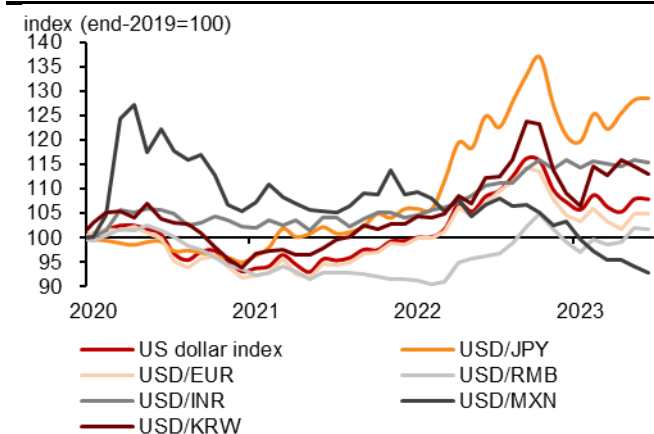
Source: Wind, CMBIGM

Figure 11: 10Y T-Bond Rates in Major Economies

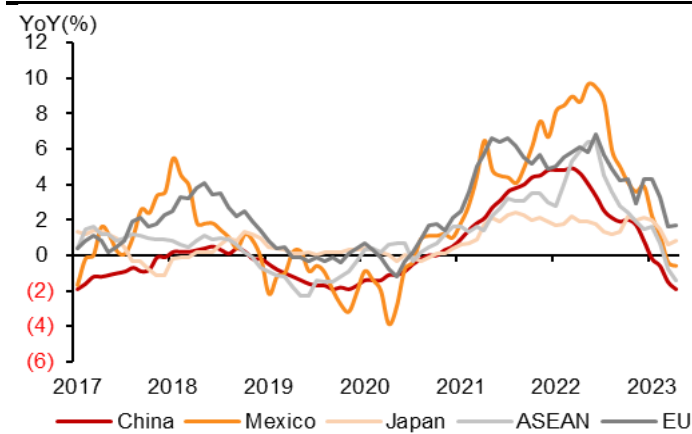
Source: Wind, CMBIGM

Figure 12: Banks' Credit Growth in Major Economies

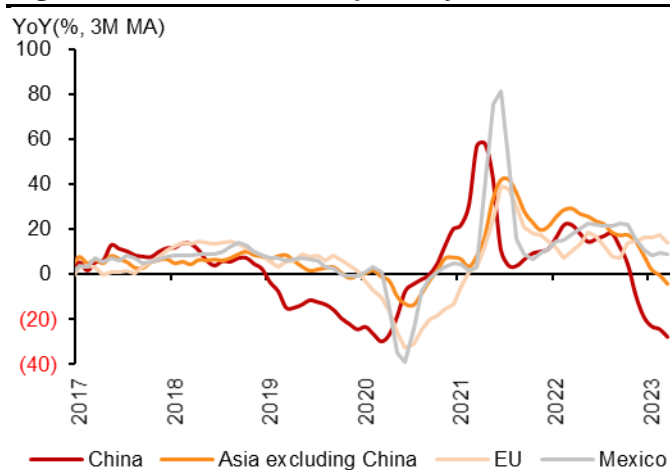
Source: Wind, CMBIGM

Figure 13: Exchange Rates

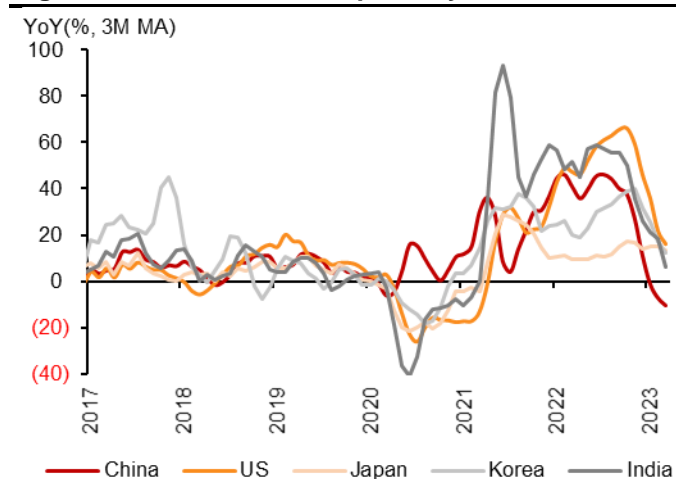
Source: Wind, CMBIGM

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: China Import Volume & Price by Product

	Import volume YoY (%)							Import price YoY(%)						
	2019	2020	2021	2022	5M23	Apr	May	2019	2020	2021	2022	5M23	Apr	May
Grain	-3.6	28.0	18.1	-10.7	2.5	-10.8	9.0	-5.1	-5.4	26.3	23.7	5.3	-0.8	-2.4
Soybean	0.0	13.3	-3.8	-5.6	11.2	-10.2	24.3	-7.2	-1.3	40.7	21.2	1.5	-3.1	-7.9
Iron ore	0.5	9.5	-3.9	-1.5	7.7	5.1	4.0	32.9	7.2	55.4	-28.6	-11.4	-10.4	-15.8
Copper ore	11.6	-1.0	7.6	8.0	8.8	11.7	16.8	-4.8	2.1	44.6	-8.5	-8.8	-11.5	-10.1
Coal	6.3	1.5	6.6	-9.2	89.6	72.7	92.6	-11.1	-14.8	65.9	29.7	-21.1	-21.9	-29.6
Crude oil	9.5	7.3	-5.4	-0.9	6.2	-1.4	12.3	-8.3	-32.2	52.4	42.7	-17.5	-27.5	-23.4
Natural gas	6.9	5.3	19.9	-9.9	3.3	11.0	17.3	1.5	-23.8	39.8	39.5	-2.7	1.0	-12.0
Steel products	-6.5	64.4	-29.5	-25.9	-37.1	-39.6	-22.1	-8.1	-27.5	57.9	23.1	12.7	13.9	5.0
Copper products	-6.0	34.1	-17.2	6.2	-11.0	-12.5	-4.6	-7.8	-0.9	45.5	-2.5	-12.6	-13.8	-13.3
Plastics in primary form	12.4	10.1	-16.4	-10.0	-6.8	-10.8	-3.5	-15.9	-10.6	39.4	2.0	-18.0	-17.8	-21.0
Rubber	-6.2	13.6	-9.4	8.7	18.0	29.6	33.3	-4.5	-7.2	26.4	-1.7	-21.9	-22.4	-23.0
Integrated circuits	6.6	22.1	16.9	-15.3	-19.6	-15.5	-13.8	-8.2	-6.1	5.7	13.5	-5.7	-7.9	-5.7
Machine tool	0.0	18.8	-0.7	-14.4	-11.4	0.4	-35.9	0.0	-30.8	25.8	1.5	3.8	-13.4	93.5
Auto	-6.6	-11.4	0.6	-6.5	-26.9	-33.3	-17.1	3.6	8.1	14.7	5.7	-1.5	-11.4	-12.6
Airplane	-48.6	-35.4	29.4	-27.3	127.8	285.7	250.0	12.5	-30.0	12.3	13.5	-2.2	-11.8	-9.7
Medicine	0.0	-0.6	3.1	28.8	39.6	51.9	64.5	0.0	4.1	16.5	-25.7	-13.2	6.3	-36.4
Beauty cosmetics	0.0	3.7	5.2	-11.8	-11.0	-8.6	-21.0	0.0	24.8	17.0	1.8	-1.7	-15.6	1.8

Source: Wind, CMBIGM

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