

China Economy

Exports improved thanks to base effect and price factor

China's exports and imports remained weak as the narrowing of YoY declines was mainly thanks to base effect and MoM rebound of industrial prices. Encouragingly, exports of auto & home appliance maintained rapid growth while exports of medical equipment & cell phone sharply improved. For imports, commodity deflation remained the major drag, but it is worth noting that imports volume of many commodities started to see negative growth in Sep. China's foreign trade weakness was in line with the sluggish performance of global manufacturing activities as the improvement of overseas consumer sentiment in 3Q23 mainly helped the service sector. Global consumers continued to shift from goods consumption to service consumption. Global manufacturing PMI stayed in contraction with sluggish demand and weak incentive to increase inventory. Looking forward, China's exports and imports may continue to improve from the YoY perspective due to a lower base and shrinkage of deflation. The exports and imports are expected to drop 3.8% and 5.4% in 2023 before increasing 3% and 4% in 2024. Trade weakness implies downside pressure on China's economic growth as Chinese policymakers have to maintain easing credit policy and active fiscal policy to achieve the 5% growth target for this year.

■ **Exports of goods to EU, Japan and Latin America improved.** China's exports of goods dropped 6.2% YoY (all on a YoY basis unless specified) in Sep after decreasing 8.8% in Aug. Exports to EU, Japan, Latin America and South Korea respectively dropped 11.6%, 6.4%, 3.7% and 7% in Sep, narrowing from the decrease of 19.6%, 20.1%, 7.8% and 14.5% in Aug. However, exports to the US showed limited improvement as they dropped 9.3% after declining 9.5%. Exports to ASEAN, Hong Kong and Australia further deteriorated by dropping 15.8%, 17.8% and 10%, compared to the decline of 13.4%, 12.3% and 2.5% in Aug. Meanwhile, exports to Russia picked up 20.6% after rising 16.3%.

■ **Exports improved across major products.** In terms of the largest value in export, textile product, automatic data processing equipment, garment, plastic products and steel products narrowed their declines to 3.6%, 11.6%, 8.9%, 5.9% and 5.9% in Sep from 6.4%, 18.2%, 12.5%, 7.4% and 30.6% in Aug. Meanwhile, exports of auto parts and home appliances further rebounded with their YoY growth rates up from 2.6% and 11.4% in Aug to 11.3% and 12.4% in Sep. Exports of auto picked up 45.1% after rising 35.2%, while exports of cellphone declined 7.1% after dropping 20.5%. Meanwhile, exports of medical equipment jumped 5.3% after dropping 7.1%. However, integrated circuits further declined 5% after decreasing 4.6%.

■ **Imports of goods improved due to price factor as most items worsened in terms of volume.** China's imports of goods saw less YoY decline of 6.2% in Sep after dropping 7.3% in Aug thanks to narrowing decrease in prices of most commodities. For crude oil, import price dropped 12.1% in Sep after declining 23.2% in Aug while import volume growth slowed from 30.9% to 13.7%. For soybean, coal, iron ore, copper products, plastics in primary form and rubber, the import volume all deteriorated while the import price improved. For integrated circuit, import volume extended its YoY declines as global demand for electronic equipment remained weak and some countries started to restrict exports of advanced chips or related technologies to China. At the

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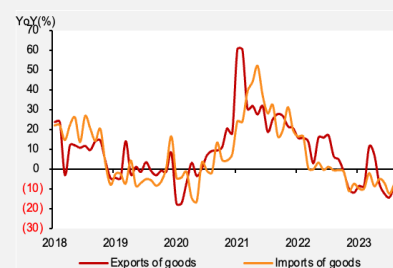
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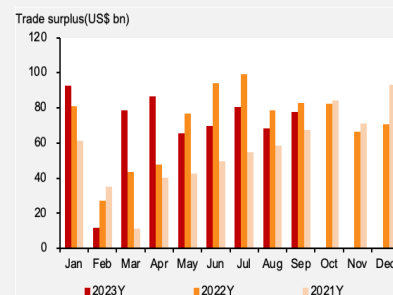
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Source: Wind, CMBIGM

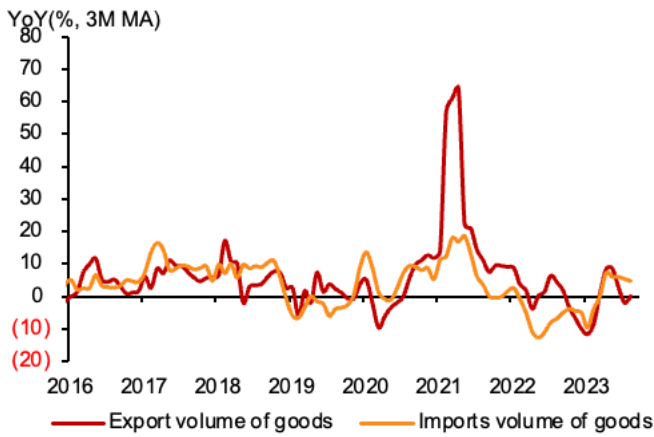


Source: Wind, CMBIGM

same time, import volume of machine tool and airplane continued with YoY declines as domestic capex remained weak.

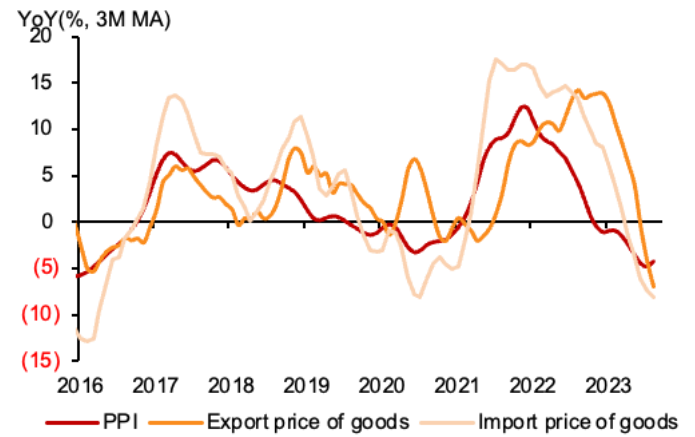
- **Exports and imports of goods are expected to drop 3.8% and 5.4% in 2023.** The improvement of overseas consumer sentiment in 3Q23 provided limited support to China's exports as global consumers shifted from goods consumption to service consumption and both producers and retailers tried their best to keep inventory low. In addition, China's exports faced pressure from the Sino-US conflict and "de-risk" strategy of US and Europe. Due to the base effect and improvement of price factor, China's exports and imports of goods should continue to improve from the YoY perspective. We expect China's exports and imports of goods to drop 3.8% and 5.4% in 2023 before increasing 3% and 4% in 2024.
- **Trade weakness calls for continuous policy support to achieve the growth target this year.** China's exports may continue to encounter headwinds as the higher and longer interest rate weighs on external demand and the geopolitical pressure weighs on supply chain. The improvement of domestic demand may remain slow due to property market slump and weak business confidence. The trade weakness calls for continuous policy support to achieve the 5% GDP growth target for this year. Looking ahead, stabilizing property market and relieving local government debt pressure will be major policy goals in the next few quarters. Municipal governments may further loosen property policies while the PBOC may further ease credit supply with possible additional cuts in RRR, deposit rates and LPRs. The central government will allow provincial governments to swap their hidden debts with special refinancing bonds. Meanwhile, banks will be encouraged to roll over local governments' hidden debts.

Figure 1: Growth of Export and Import Volume



Source: Wind, CMBIGM

Figure 2: Growth of Export and Import Prices



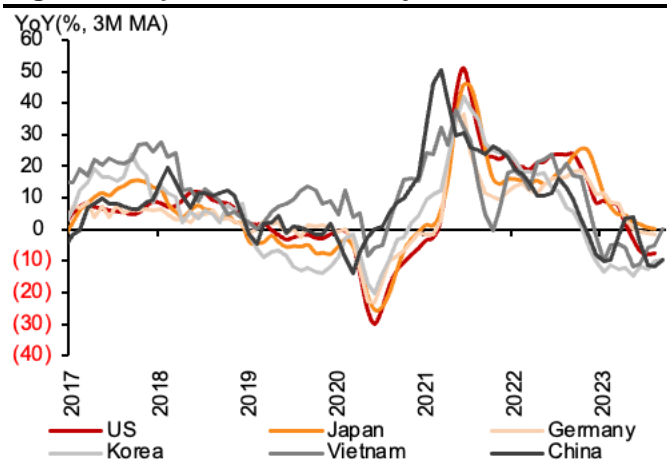
Source: Wind, CMBIGM

Figure 3: China Exports by Destination

	YoY Growth (%)							Share (%)								
	2018	2019	2020	2021	2022	1Q23	1H23	July	Aug	Sep	2018	2019	2020	2021	2022	9M23
World	9.9	0.5	3.6	29.6	6.1	(1.9)	(3.4)	(14.3)	(8.8)	(6.2)	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)	(17.9)	(23.1)	(9.5)	(9.3)	19.2	16.8	17.4	17.2	16.3	14.8
EU	9.8	4.9	6.7	32.6	8.6	(7.1)	(6.6)	(20.6)	(19.6)	(11.6)	16.4	17.2	15.1	15.4	15.8	15.2
Japan	7.2	(2.6)	(0.4)	16.3	4.4	(2.4)	(4.7)	(18.4)	(20.1)	(6.4)	5.9	5.7	5.5	4.9	4.9	4.7
ASEAN	14.2	12.7	6.7	26.1	17.7	18.6	1.5	(21.4)	(13.4)	(15.8)	12.8	14.4	14.8	14.4	15.9	15.4
India	12.7	(2.4)	(10.8)	46.2	21.7	3.9	(0.9)	(9.5)	0.7	2.1	3.1	3.0	2.6	2.9	3.3	3.5
Africa	10.8	7.9	0.9	29.9	11.2	19.3	15.4	(4.9)	(5.4)	(3.1)	4.2	4.5	4.4	4.4	4.6	5.2
Latin America	13.7	2.1	(0.8)	52.0	10.6	0.5	(1.1)	(14.9)	(7.8)	(3.7)	6.0	6.1	5.8	6.8	7.1	7.4
Russia	12.0	3.7	1.7	33.8	12.8	47.1	78.1	51.8	16.3	20.6	1.9	2.0	2.0	2.0	2.1	3.2
Australia	14.2	1.8	10.9	24.2	19.0	10.4	0.7	(19.9)	(12.3)	(17.8)	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)	(3.7)	(6.8)	(12.9)	5.3	2.3	2.5	2.8	2.6	2.3	2.3
Canada	12.1	5.0	14.0	22.4	4.5	(17.1)	(19.3)	(27.3)	(14.7)	(9.3)	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	(4.6)	(17.9)	(14.5)	(7.0)	4.4	4.4	4.3	4.4	4.6	4.4
Saudi Arabia	(5.1)	36.9	17.7	7.9	25.7	39.9	25.3	(2.4)	5.3	-	0.7	1.0	1.1	0.9	1.1	1.1
HK China	8.2	(7.6)	(2.3)	28.6	(15.0)	(8.9)	(9.8)	(8.5)	(2.5)	(10.0)	12.1	11.2	10.5	10.4	8.4	7.8
Chinese Taipei	10.6	13.2	9.1	30.4	4.2	(22.1)	(24.7)	(23.3)	(4.8)	(4.1)	2.0	2.2	2.3	2.3	2.3	2.0

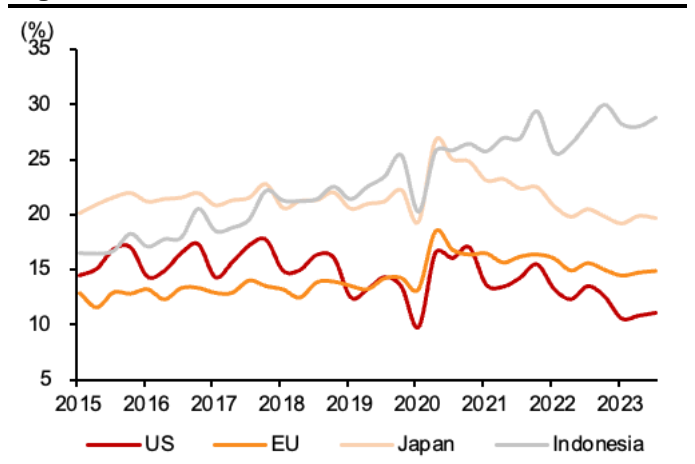
Source: Wind, CMBIGM

Figure 4: Exports Growth in Major Economies



Source: Wind, CMBIGM

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



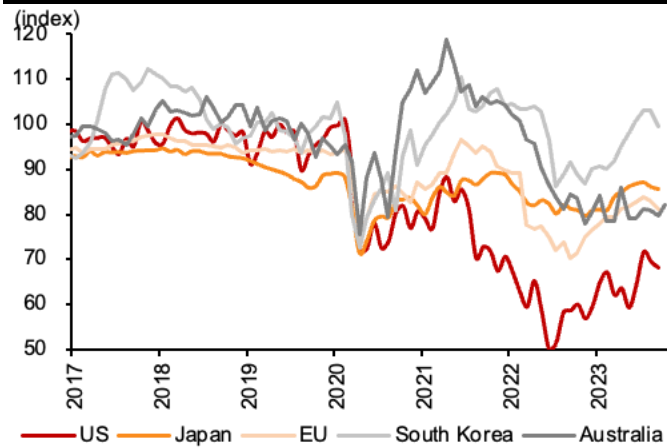
Source: Wind, CMBIGM

Figure 6: China Exports by Product

	2018	2019	2020	2021	2022	1Q23	1H23	July	Aug	Sep	2018	2019	2020	2021	2022	9M23
Textile Yarn & Related Products	8.1	0.9	29.2	(5.6)	2.0	(12.1)	(10.9)	(17.9)	(6.4)	(3.6)	4.8	4.8	5.9	4.3	4.2	4.0
Travel Goods & Bags	1.8	0.5	(24.2)	35.1	28.2	29.1	14.1	(11.9)	(8.9)	(9.8)	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)	(5.9)	(18.7)	(12.5)	(8.9)	6.3	6.1	5.3	5.1	4.9	4.8
Toy	4.5	24.2	7.5	37.7	5.6	3.7	(11.2)	(26.7)	(15.5)	(15.0)	1.0	1.2	1.3	1.4	1.4	1.2
Furniture & Parts Thereof	7.6	0.8	11.8	26.4	(5.3)	(6.8)	(10.0)	(15.2)	(6.8)	(4.7)	2.2	2.2	2.3	2.2	2.0	1.8
Lamps, Lighting Fixtures & Similar Products	5.6	9.6	14.3	31.2	(6.1)	(1.7)	(4.0)	(11.4)	(7.6)	(10.6)	1.2	1.3	1.5	1.5	1.3	1.2
Plastic Products	12.2	11.2	19.6	29.1	9.3	2.9	(3.6)	(14.8)	(7.4)	(5.9)	1.7	1.9	3.3	2.9	3.0	3.0
Steel Products	11.2	(11.3)	(15.4)	80.2	18.7	36.7	(1.1)	(40.9)	(30.6)	(5.9)	2.4	2.2	1.8	2.4	2.7	2.6
Unwrought Aluminum	25.8	(7.4)	(14.1)	48.7	33.7	(23.8)	(31.6)	(37.5)	(24.8)	(19.0)	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)	(17.7)	(14.7)	(4.6)	(5.0)	3.4	4.1	4.5	4.6	4.3	3.9
Ship	4.6	(6.3)	(15.3)	26.2	(0.4)	4.9	7.7	82.4	40.9	12.0	0.9	0.8	0.7	0.6	0.6	0.7
Motor Vehicles	12.3	4.1	(3.6)	119.2	74.7	81.6	108.1	83.3	35.2	45.1	0.6	0.6	0.6	1.0	1.7	2.9
Auto Parts & Accessories	10.8	(3.6)	(6.2)	33.7	7.4	11.3	12.9	(4.5)	2.6	11.3	2.2	2.1	2.2	2.3	2.3	2.6
General Equipment			7.5	26.4	6.1	2.3	4.6	(12.0)	(1.7)	(1.0)			1.6	1.6	1.6	1.7
Automatic Data Processing Equipment			11.6	21.0	(7.5)	(29.9)	(24.3)	(28.9)	(18.2)	(11.6)			8.1	7.6	6.6	5.5
Fertilizer	16.2	2.7	(8.3)	73.2	(1.6)	18.1	3.0	(26.6)	(38.5)	(23.7)	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	(8.8)	(26.9)	(23.0)	(26.2)	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)	(17.1)	(41.5)	(32.2)	(36.8)	0.02	0.02	0.01	0.02	0.03	0.02
Cellphone			0.9	16.6	(2.5)	(9.8)	(14.8)	2.2	(20.5)	(7.1)			4.8	4.4	4.0	3.6
Home appliance			23.5	22.3	(13.3)	(4.4)	(2.0)	(3.6)	11.4	12.4			2.6	2.9	2.4	2.6
Medical equipment	13.3	13.3	40.5	11.9	(5.8)	(4.3)	(3.6)	(11.7)	(7.1)	5.3	0.5	0.5	0.7	0.6	0.5	0.5

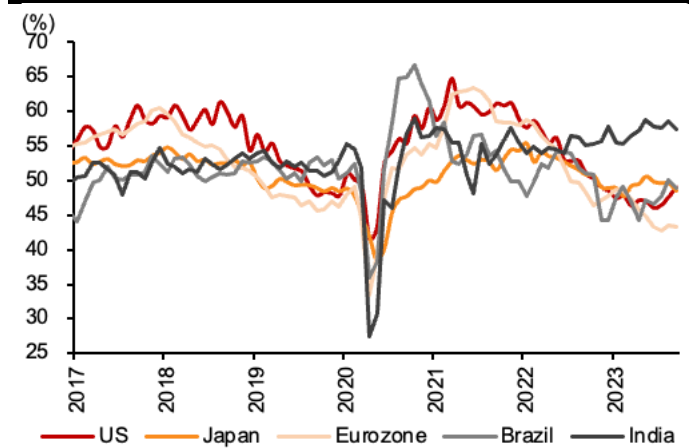
Source: Wind, CMBIGM

Figure 7: Consumer Confidence in Major Economies



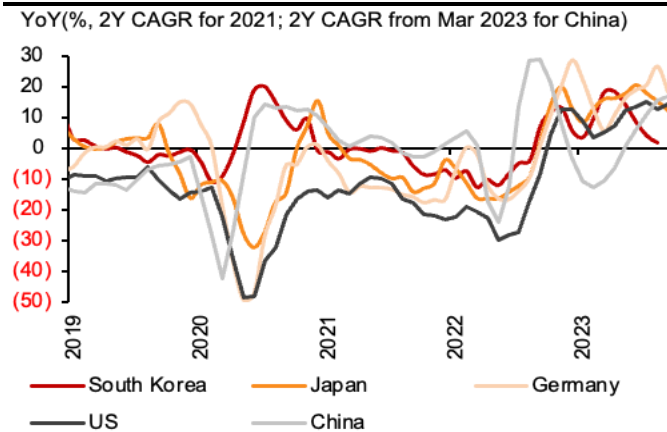
Source: Wind, CMBIGM

Figure 8: Manufacturing PMI in Major Economies



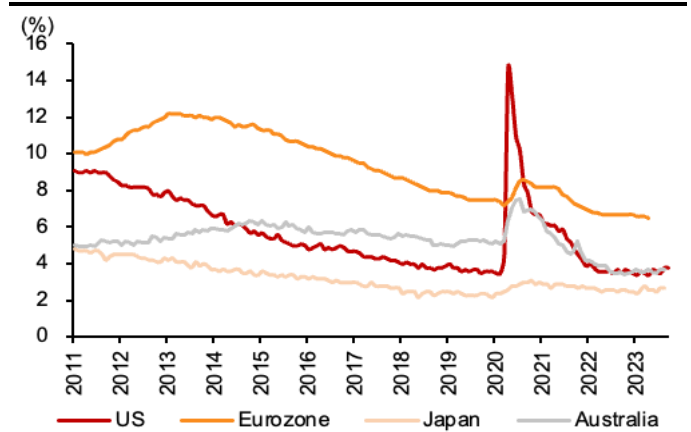
Source: Wind, CMBIGM

Figure 9: Auto Sales in Major Economies



Source: Wind, CMBIGM

Figure 10: Unemployment Rates in Major Economies



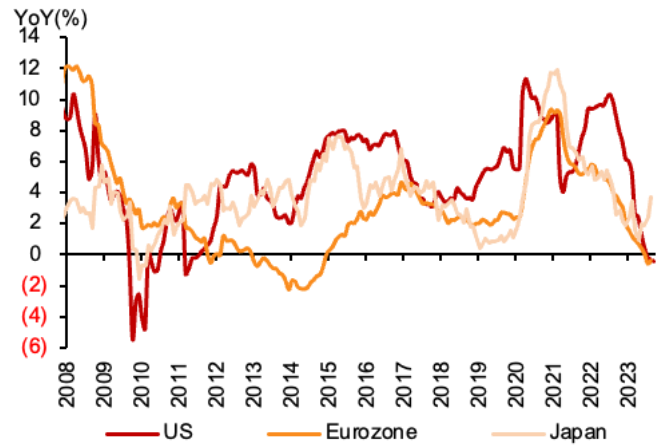
Source: Wind, CMBIGM

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



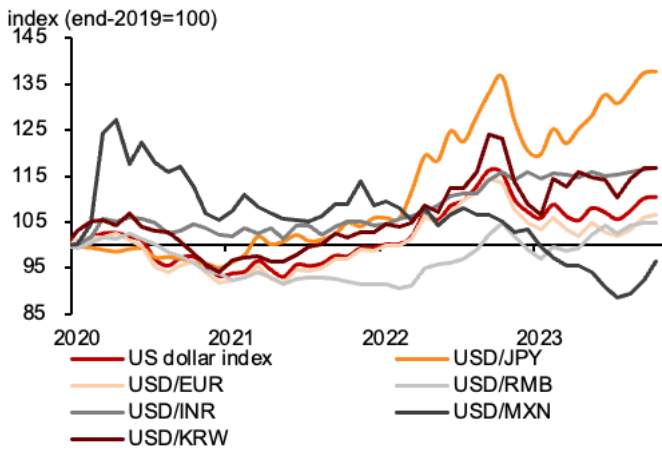
Source: Wind, CMBIGM

Figure 12: Banks' Credit Growth in Major Economies



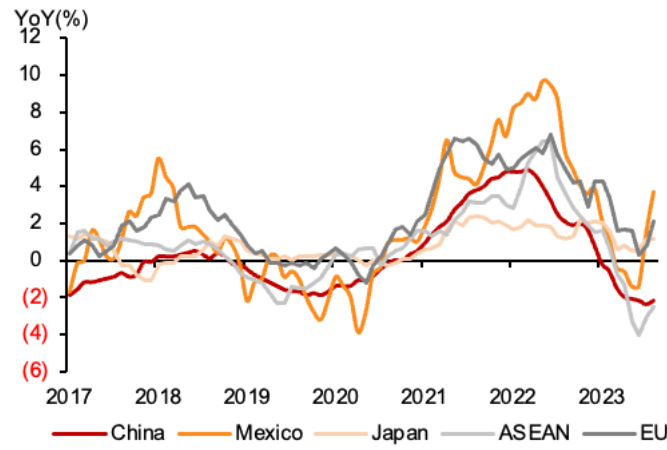
Source: Wind, CMBIGM

Figure 13: Exchange Rates



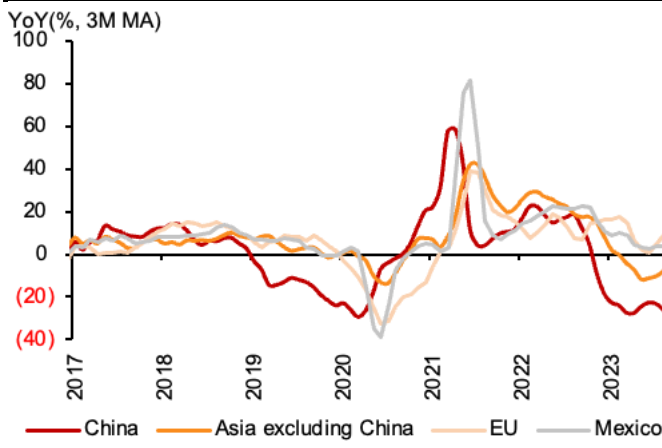
Source: Wind, CMBIGM

Figure 14: US Import Price Growth by Source



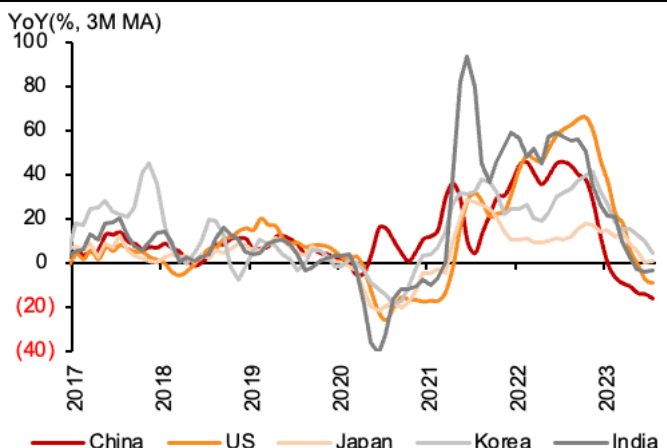
Source: Wind, CMBIGM

Figure 15: Growth of US Imports by Source



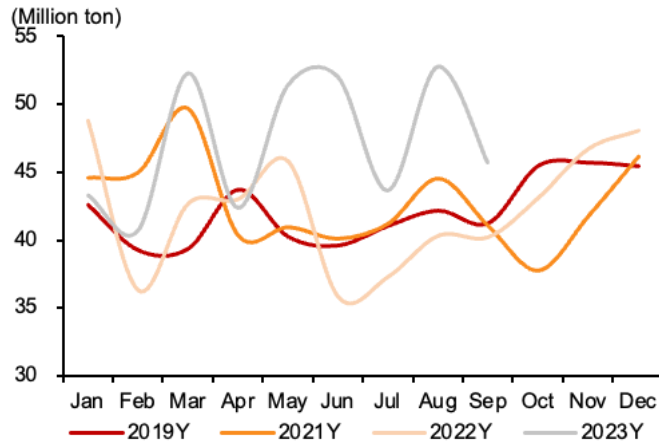
Source: Wind, CMBIGM

Figure 16: Growth of EU Imports by Source



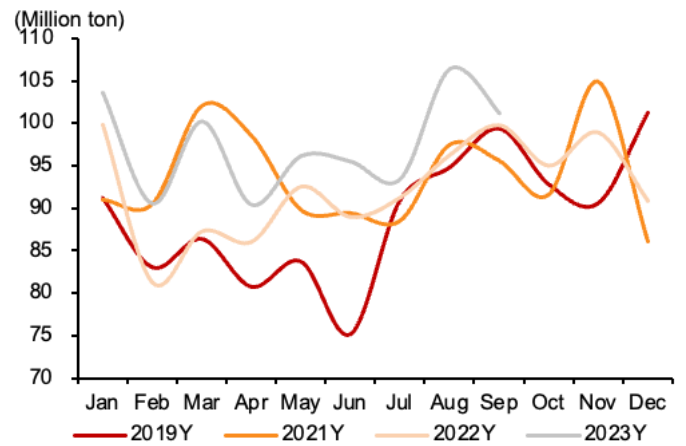
Source: Wind, CMBIGM

Figure 17: Import Volume of Crude Oil



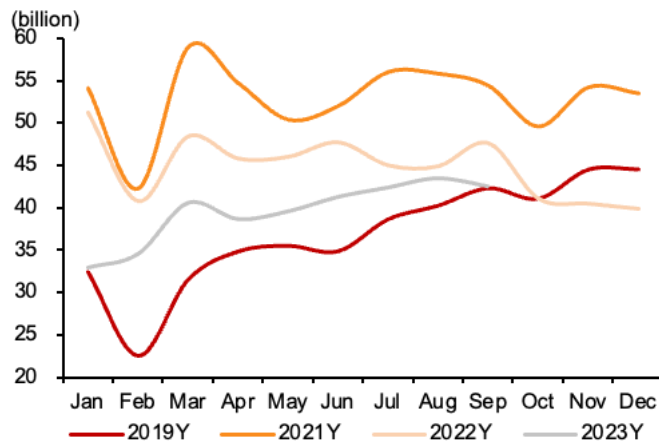
Source: Wind, CMBIGM

Figure 18: Import Volume of Iron Ore



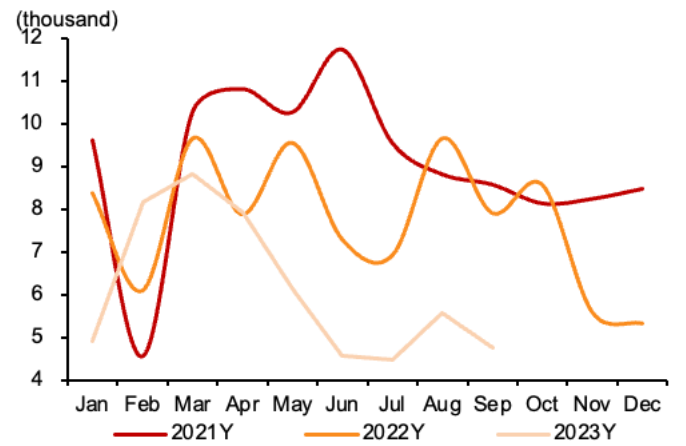
Source: Wind, CMBIGM

Figure 19: Import Volume of Integrated Circuit



Source: Wind, CMBIGM

Figure 20: Import Volume of Machine Tool



Source: Wind, CMBIGM

Figure 21: China Import Volume & Price by Product

	Import volume YoY (%)									Import price YoY(%)								
	2019	2020	2021	2022	1Q23	1H23	July	Aug	Sep	2019	2020	2021	2022	1Q23	1H23	Aug	Sep	
Grain	(3.6)	28.0	18.1	(10.7)	4.7	4.5	10.3	14.3	(1.8)	(5.1)	(5.4)	26.3	23.7	11.6	2.4	(17.1)	(21.1)	
Soybean	0.0	13.3	(3.8)	(5.6)	13.5	13.6	23.5	30.5	(7.3)	(7.2)	(1.3)	40.7	21.2	8.9	(1.9)	(23.0)	(20.4)	
Iron ore	0.5	9.5	(3.9)	(1.5)	9.8	7.7	2.5	10.6	1.5	32.9	7.2	55.4	(28.6)	(11.9)	(11.8)	(3.9)	2.5	
Copper ore	11.6	(1.0)	7.6	8.0	5.1	7.9	3.7	18.9	(1.3)	(4.8)	2.1	44.6	(8.5)	(13.5)	(6.6)	1.4	8.2	
Coal	6.3	1.5	6.6	(9.2)	96.1	93.0	66.9	50.5	27.5	(11.1)	(14.8)	65.9	29.7	(16.8)	(22.7)	(34.0)	(21.1)	
Crude oil	9.5	7.3	(5.4)	(0.9)	6.7	11.7	17.0	30.9	13.7	(8.3)	(32.2)	52.4	42.7	(10.2)	(20.2)	(23.2)	(12.1)	
Natural gas	6.9	5.3	19.9	(9.9)	(3.6)	5.8	18.5	22.7	(0.0)	1.5	(23.8)	39.8	39.5	0.5	(4.5)	(29.0)	(33.8)	
Steel products	(6.5)	64.4	(29.5)	(25.9)	(40.5)	(35.2)	(13.9)	(28.1)	(28.1)	(8.1)	(27.5)	57.9	23.1	15.1	10.2	(1.2)	3.4	
Copper products	(6.0)	34.1	(17.2)	6.2	(12.6)	(12.0)	(2.7)	(5.0)	(5.8)	(7.8)	(0.9)	45.5	(2.5)	(12.7)	(12.2)	(2.2)	4.9	
Plastics in primary form	12.4	10.1	(16.4)	(10.0)	(6.6)	(5.8)	(1.3)	4.8	(3.3)	(15.9)	(10.6)	39.4	2.0	(17.0)	(18.7)	(20.6)	(14.0)	
Rubber	(6.2)	13.6	(9.4)	8.7	10.7	18.0	8.6	10.2	(3.5)	(4.5)	(7.2)	26.4	(1.7)	(21.4)	(21.9)	(21.4)	(15.5)	
Integrated circuits	6.6	22.1	16.9	(15.3)	(22.9)	(18.5)	(5.8)	(3.1)	(10.6)	(8.2)	(6.1)	5.7	13.5	(4.9)	(4.8)	(7.4)	(7.2)	
Machine tool	0.0	18.8	(0.7)	(14.4)	(9.8)	(15.4)	(35.5)	(42.5)	(39.9)	0.0	(30.8)	25.8	1.5	(6.0)	7.7	64.4	70.7	
Aub	(6.6)	(11.4)	0.6	(6.5)	(27.4)	(22.4)	0.0	(12.5)	(13.8)	3.6	8.1	14.7	5.7	6.9	(1.8)	8.4	6.4	
Airplane	(48.6)	(35.4)	29.4	(27.3)	57.7	140.0	23.1	(12.5)	(44.4)	12.5	(30.0)	12.3	13.5	0.6	4.9	(22.4)	(21.5)	
Medicine	0.0	(0.6)	3.1	28.8	33.4	36.2	23.7	40.3	34.1	0.0	4.1	16.5	(25.7)	(5.5)	(17.2)	(27.1)	(7.3)	
Beauty cosmetics	0.0	3.7	5.2	(11.8)	(8.0)	(10.7)	(24.0)	(26.4)	(10.6)	0.0	24.8	17.0	1.8	2.1	(4.4)	(0.5)	(14.5)	

Source: Wind, CMBIGM

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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
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NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
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