

China Economy

Rerouting and front-loading mask tariff impact

China's exports demonstrated unexpected resilience in Apr despite the shock from reciprocal tariffs. While exports to the US notably slumped, robust growth to ASEAN largely offset the loss, underscoring the region's growing role as the key destination for re-routed exports. Imports also came in well above market expectation, as import volume of industrial raw materials and integrated circuits surged, possibly driven by the undisclosed tariff exemption on chips from the US. We expect the worst of foreign trade has yet to come, as bookings for shipping containers from China to the US, and export order index in PMI both sharply declined. China and the US have initiated negotiations with optimistic tone. We believe the reduction of headline tariff rate from 145% to 80% is achievable, but further reductions to 30-40% which we consider as long-term terminal rate is likely to take considerably longer. Looking forward, we expect China's export growth to decelerate from 5.9% in 2024 to 1% in 2025, while import growth may mildly slow from 1.1% to 0.5%. We expect the USD/RMB rate to reach 7.25 at end-2025 from 7.35 at end-2024.

- **Exports to the US declined notably, while rising shipments to ASEAN largely offset the loss.** Exports slowed down to 8.1% (all on a YoY basis unless specified) in Apr from 12.4% in Mar, notably beating market expectation of 0.8%. Exports to the US slumped 21% in Apr amid escalating reciprocal tariffs, while shipments to ASEAN notably surged 20.8%, reflecting the region's growing role as the key destination for re-routed exports. The share of exports to the US has dropped to 10.5% in Apr compared to 14.7% throughout 2024, while ASEAN's share has expanded from 16.4% to 19.1%. Exports to other major trading partners remained resilient with only mild moderation including the EU, Latin America, Africa and India. Trade surplus remained elevated at US\$96.8bn in Apr.
- **Tech products delivered mixed image and low-value added products dipped.** Integrated circuits have picked up from 7.9% in Mar to 20.2% in Apr, while exports of personal computer and cellphone dropped from 0.8% and 7.7% to -1.7% and -21.4%, despite consumer electronics being exempted from the reciprocal tariffs. Low value-added exports including textile yam, travel bags, garment and toy recorded notable contraction in Apr, likely due to the reversal of front-loading in Mar. Housing-related products including home appliance, furniture and lamps & lighting products also saw notable declines to -2.9%, -7.8% and -3.1% in Apr. On the other hand, ships and motor vehicles accelerated from 1.9% and 1.6% to 36.1% and 4.4%, showing strong resilience.
- **Imports narrowed its contraction.** China's imports of goods recovered from -4.3% in Mar to -0.2% in Apr, well above the market expectations of -6.9%, even though exports to the US dropped from -9.3% to -13.9%. For energy products, import volume of crude oil further expanded from 4.8% in Mar to 7.5%, while coal and natural gas dropped 16.4% and 6.1%. Raw materials picked up remarkably, as import volume of iron ore, copper ore, plastics and rubber rose to 1.3%, 24.4%, 1.4% and 31.7% in Apr from -6.7%, 2.6%, -10.5% and 16.9%. Integrated circuits, the largest import category, saw import volumes rise by 7.4% in April, possibly due to imports front-loading amid temporary tariff exemption on chips. Import volume of crops extended their decline as grain and soybean dropped by 37.6% and 29%.
- **Intensifying export headwinds in next few months despite ongoing trade talks.** Exports to the US saw one of the biggest MoM declines in Apr, as the weighted average US tariff on Chinese goods has surpassed 100%.

Frank Liu

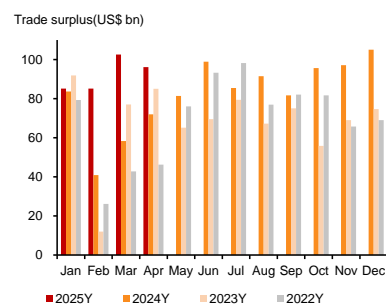
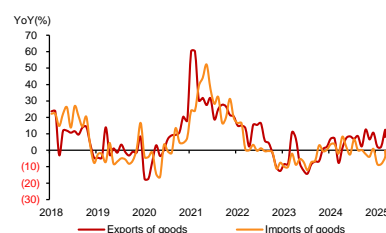
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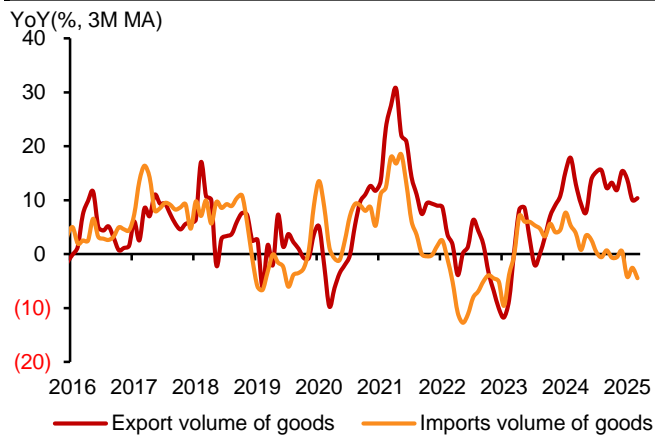
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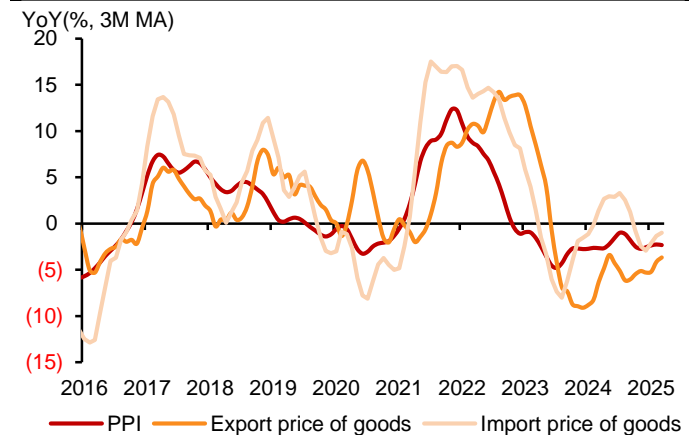
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The broad tariff rate now stands at 145%, while electronics—accounting for roughly 20% of China's exports—remain subject to a lower 20% rate. We expect further headwinds on exports, as bookings for standard shipping containers from China to the US fell 49% in the third week of Apr and export order index in PMI also pointed to a sharp decline. China and the US have initiated negotiations in Geneva with generally optimistic tone. We believe reducing the current unsustainably high tariff rate to 80% is achievable in the near term. However, further reductions are likely to take considerably longer, with 30-40% expected to be long-term terminal rate. Looking forward, we expect China's export growth to decelerate from 5.9% in 2024 to 1% in 2025, while import growth may mildly slow from 1.1% to 0.5%. We expect the USD/RMB rate to reach 7.25 at end-2025 from 7.35 at end-2024.

Figure 1: Growth of export and import volume

Source: Wind, CMBIGM

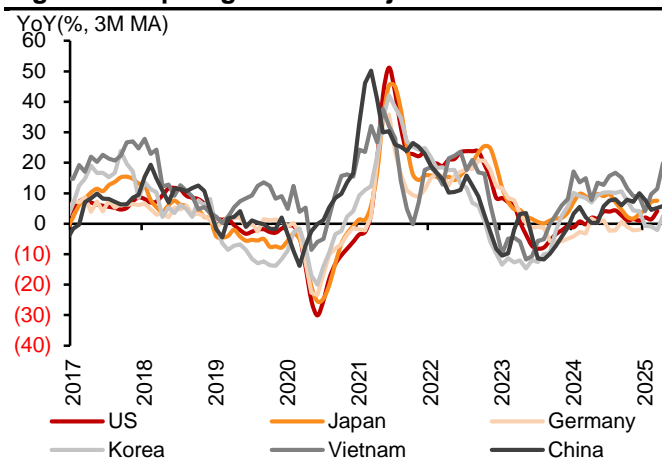
Figure 2: Growth of export and import prices

Source: Wind, CMBIGM

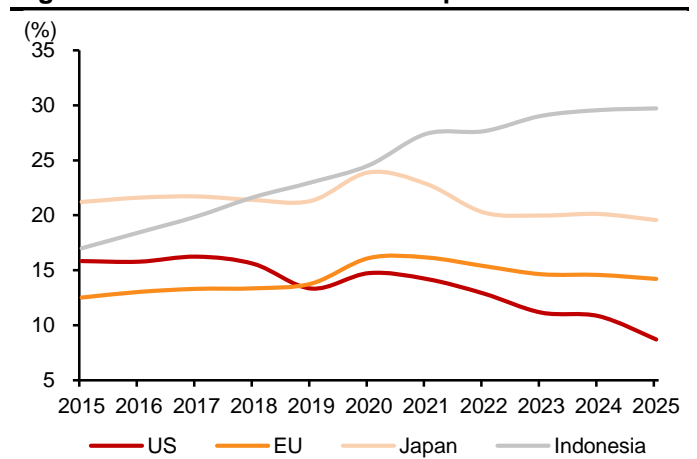
Figure 3: China exports by destination

	YoY Growth (%)									Share (%)					
	2020	2021	2022	2023	2024	24Q4	25Q1	Mar	Apr	2020	2021	2022	2023	2024	2025
World	3.6	29.6	5.6	(4.7)	5.9	9.9	5.8	12.4	8.1	100	100	100	100	100	100
ASEAN	6.7	26.1	17.7	(5.0)	12.0	16.6	7.8	11.6	20.8	14.8	14.4	16.0	15.5	16.4	17.7
US	7.9	27.5	1.2	(13.1)	4.9	10.5	5.0	9.1	(21.0)	17.4	17.2	16.4	14.8	14.7	12.7
EU	6.7	32.6	8.6	(10.2)	3.0	9.6	4.1	10.3	8.3	15.1	15.4	15.9	14.8	14.4	14.4
Latin America	(0.8)	52.0	10.6	(2.4)	13.0	16.8	9.7	23.5	17.3	5.8	6.8	7.1	7.3	7.7	7.7
Africa	0.9	29.9	11.2	7.5	3.5	18.8	10.8	37.0	25.3	4.4	4.4	4.6	5.1	5.0	5.5
Japan	(0.4)	16.3	4.4	(8.4)	(3.5)	3.0	2.8	6.7	7.8	5.5	4.9	4.9	4.7	4.3	4.4
South Korea	1.4	32.4	9.5	(7.2)	(1.8)	2.1	(2.0)	(0.9)	(0.3)	4.3	4.4	4.6	4.4	4.1	4.0
India	(10.8)	46.2	21.7	0.8	2.4	1.9	13.6	27.3	21.7	2.6	2.9	3.3	3.5	3.4	3.7
Russia	1.7	33.8	12.8	46.9	4.1	8.9	(7.0)	1.9	(2.7)	2.0	2.0	2.1	3.3	3.2	2.6
UK	16.3	19.9	(6.1)	(3.4)	1.2	3.6	6.8	16.3	2.5	2.8	2.6	2.3	2.3	2.2	2.2
Australia	10.9	24.2	19.0	(5.3)	(4.2)	(3.2)	(4.5)	(4.2)	5.8	2.1	2.0	2.2	2.2	2.0	1.9
Canada	14.0	22.4	4.5	(14.9)	3.0	4.5	2.6	12.9	15.0	1.6	1.5	1.5	1.3	1.3	1.3
Saudi Arabia	17.7	7.9	25.7	14.5	16.8	27.6	7.3	8.0	-	1.1	0.9	1.1	1.3	1.4	1.1
HK China	(2.3)	28.6	(15.0)	(6.3)	6.2	(3.0)	7.3	7.8	8.8	10.5	10.4	8.4	8.1	8.1	8.3
Chinese Taipei	9.1	30.4	4.2	(16.0)	9.8	7.8	8.1	7.9	15.5	2.3	2.3	2.3	2.0	2.1	2.1

Source: Wind, CMBIGM

Figure 4: Export growth in major economies

Source: Wind, CMBIGM

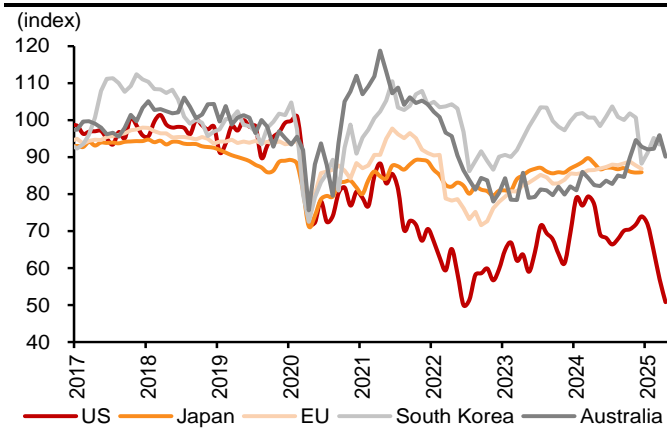
Figure 5: China's market share in partners' trade

Source: Wind, CMBIGM

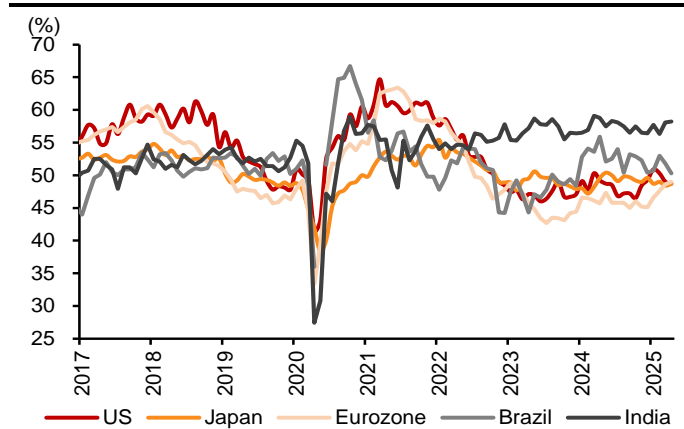
Figure 6: China's exports by product

	YoY(%)										Share (%)					
	2020	2021	2022	2023	2024	24Q4	25Q1	Mar	Apr		2020	2021	2022	2023	2024	2025
Textile Yarn & Related Products	29.2	(5.6)	2.0	(8.3)	5.7	14.0	3.7	16.1	3.2		5.9	4.3	4.2	4.0	4.0	3.9
Travel Goods & Bags	(24.2)	35.1	28.2	3.9	(3.2)	(3.6)	(15.0)	(2.7)	(9.1)		0.8	0.8	1.0	1.1	1.0	0.9
Garment & Accessories	(6.4)	24.0	3.2	(7.8)	0.3	5.6	(2.4)	8.8	(1.2)		5.3	5.1	4.9	4.7	4.4	3.8
Toy	7.5	37.7	5.6	(12.2)	(1.7)	1.4	(6.3)	5.1	(6.5)		1.3	1.4	1.4	1.2	1.1	0.9
Furniture & Parts Thereof	11.8	26.4	(5.3)	(5.2)	5.8	1.0	(8.8)	7.2	(7.8)		2.3	2.2	2.0	1.9	1.9	1.9
Lamps, Lighting Fixtures & Similar Products	14.3	31.2	(6.1)	(4.6)	(0.1)	1.4	(10.7)	22.7	(3.1)		1.5	1.5	1.3	1.2	1.2	1.0
Plastic Products	19.6	29.1	9.3	(3.9)	5.4	5.2	(3.3)	7.3	(1.2)		3.3	2.9	3.0	3.0	3.0	2.9
Steel Products	(15.4)	80.2	18.7	(8.3)	(1.1)	12.8	(4.9)	(6.4)	1.3		1.8	2.4	2.7	2.5	2.3	2.3
Unwrought Aluminum	(14.1)	48.7	33.7	(26.1)	15.2	26.0	(1.9)	4.9	7.0		0.5	0.6	0.7	0.6	0.6	0.6
Integrated Circuits	14.8	32.0	0.3	(10.1)	17.4	10.9	9.8	7.9	20.2		4.5	4.6	4.3	4.0	4.5	4.8
Ship	(15.3)	26.2	(0.4)	28.6	57.3	9.8	2.2	1.9	36.1		0.7	0.6	0.6	0.8	1.2	1.4
Motor Vehicles	(3.6)	119.2	74.7	69.0	15.5	2.5	2.2	1.6	4.4		0.6	1.0	1.7	3.0	3.3	3.2
Auto Parts & Accessories	(6.2)	33.7	7.4	9.0	6.6	11.9	4.4	12.5	6.3		2.2	2.3	2.3	2.6	2.6	2.7
General Equipment	7.5	26.4	6.1	1.8	14.3	24.2	5.9	24.9	17.0		1.6	1.6	1.6	1.7	1.8	1.9
Automatic Data Processing Equipment	11.6	21.0	(7.5)	(20.4)	9.9	13.7	6.5	0.8	(1.7)		8.1	7.6	6.7	5.5	5.8	5.5
Fertilizer	(8.3)	73.2	(1.6)	(13.9)	(11.5)	(5.4)	42.5	26.5	(10.8)		0.3	0.3	0.3	0.3	0.2	0.2
Ceramic products	0.0	22.3	6.4	(15.4)	(15.6)	(15.3)	(20.8)	6.9	12.0		1.0	0.9	0.9	0.8	0.6	0.6
Rare earth	(21.9)	90.0	62.8	(28.3)	(36.0)	(16.1)	(10.9)	(24.9)	(34.3)		0.01	0.02	0.03	0.02	0.01	0.01
Cellphone	0.9	16.6	(2.5)	(2.7)	(3.1)	(4.8)	(0.1)	7.7	(21.4)		4.8	4.4	4.0	4.1	3.8	3.0
Home appliance	23.5	22.3	(13.3)	3.8	14.1	15.6	8.3	12.5	(2.9)		2.6	2.9	2.4	2.6	2.8	2.8
Medical equipment	40.5	11.9	(5.8)	(2.9)	7.1	14.9	6.1	9.7	8.4		0.7	0.6	0.5	0.5	0.6	0.5

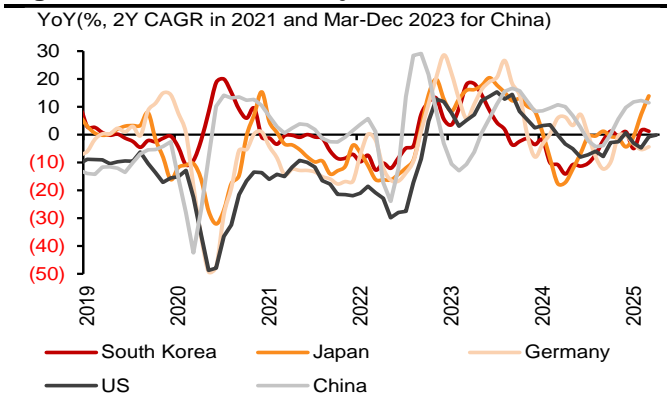
Source: Wind, CMBIGM

Figure 7: Consumer confidence in major economies

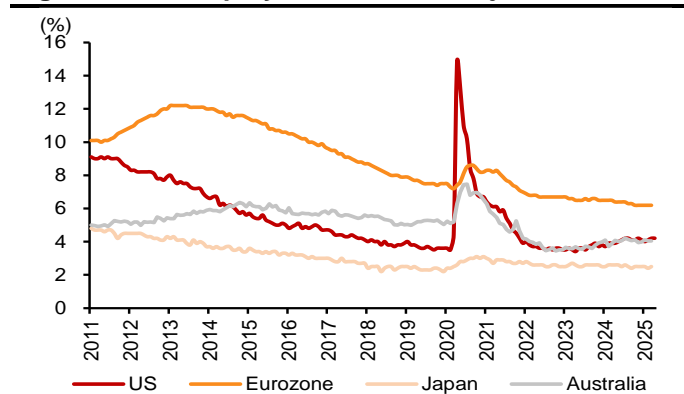
Source: Wind, CMBIGM

Figure 8: Manufacturing PMI in major economies

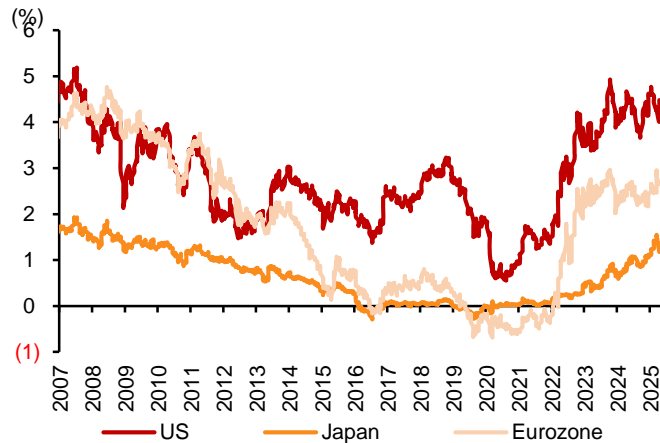
Source: Wind, CMBIGM

Figure 9: Auto sales in major economies

Source: Wind, CMBIGM

Figure 10: Unemployment rates in major economies

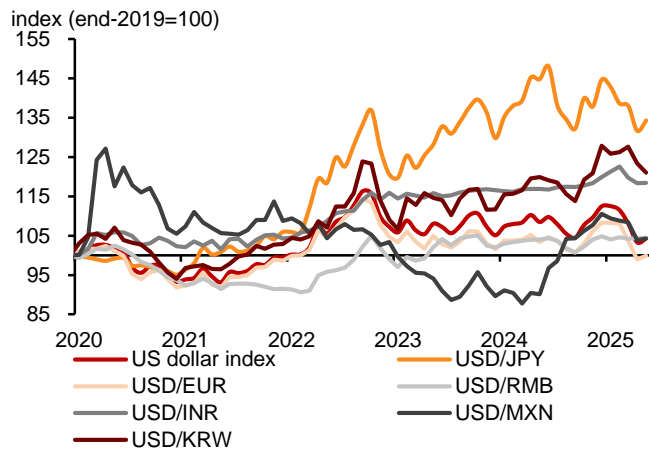
Source: Wind, CMBIGM

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

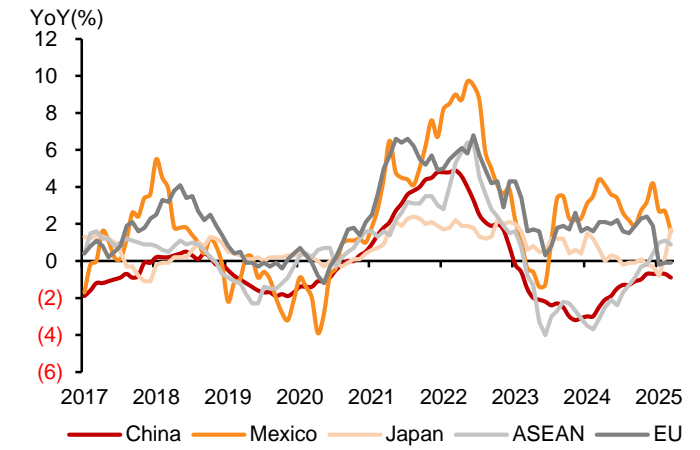
Source: Wind, CMBIGM

Figure 12: Banks' credit growth in major economies

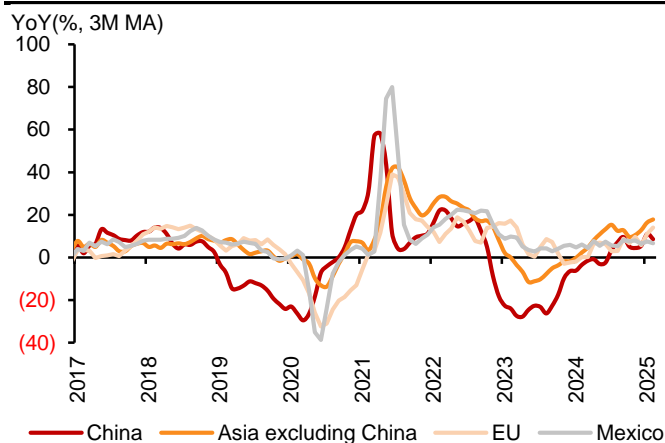
Source: Wind, CMBIGM

Figure 13: Exchange rates

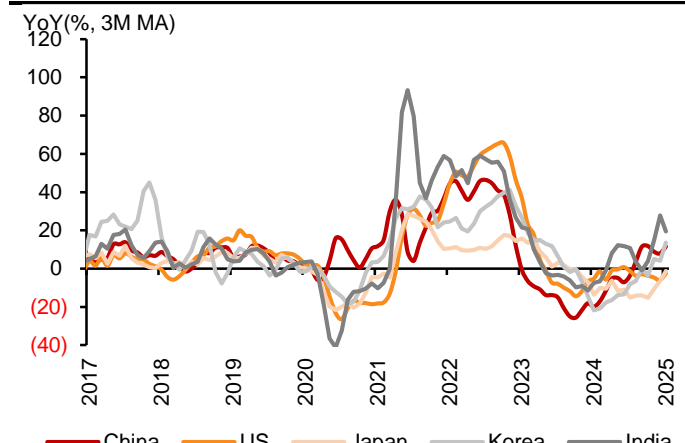
Source: Wind, CMBIGM

Figure 14: US import price growth by source

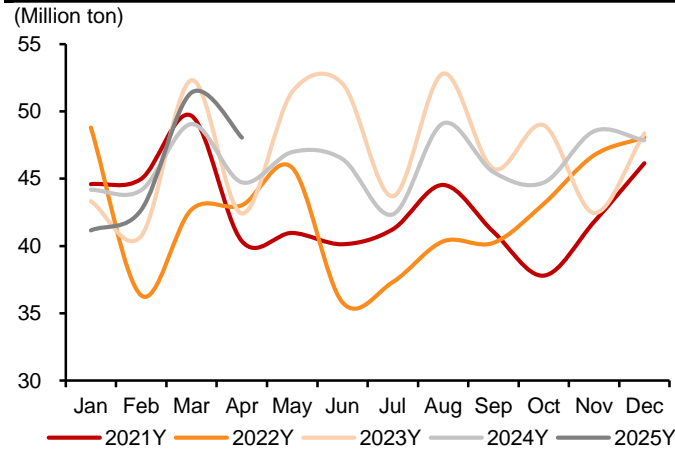
Source: Wind, CMBIGM

Figure 15: Growth of US imports by source

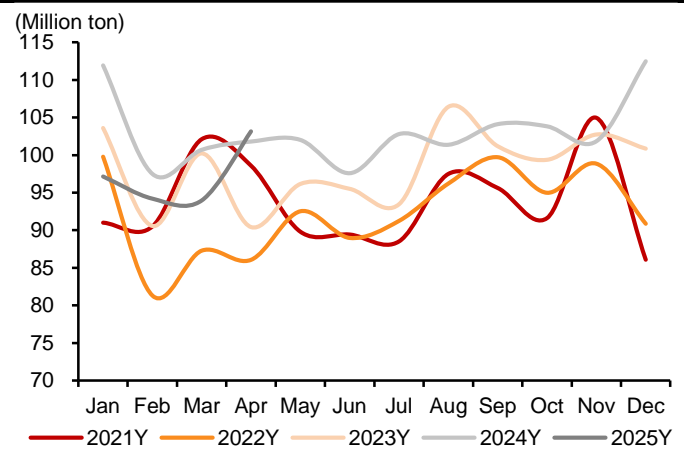
Source: Wind, CMBIGM

Figure 16: Growth of EU imports by source

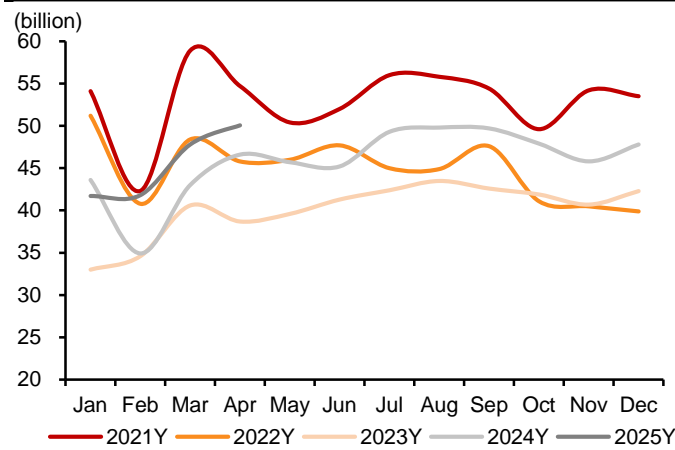
Source: Wind, CMBIGM

Figure 17: Import volume of crude oil

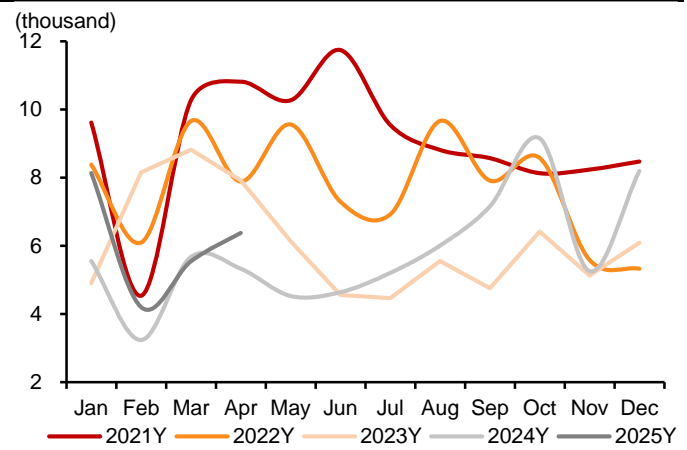
Source: Wind, CMBIGM

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(%)								
	2020	2021	2022	2023	2024	24Q4	25Q1	Mar	Apr	2020	2021	2022	2023	2024	4Q24	1Q25	Mar	Apr
Grain	28.0	18.1	(10.7)	11.7	(2.3)	(29.6)	(40.9)	(54.0)	(37.6)	(5.4)	26.3	23.7	(9.6)	(13.6)	(2.5)	(0.8)	(1.4)	(5.8)
Soy bean	13.3	(3.8)	(5.6)	11.4	6.5	1.2	(7.9)	(36.8)	(29.0)	(1.3)	40.7	21.2	(10.7)	(16.3)	(16.1)	(17.8)	(15.4)	(13.2)
Iron ore	9.5	(3.9)	(1.5)	6.6	4.9	5.0	(8.0)	(6.7)	1.3	7.2	55.4	(28.6)	(1.6)	(7.1)	(19.3)	(23.4)	(21.8)	(13.3)
Copper ore	(1.0)	7.6	8.0	9.1	2.1	(2.2)	1.6	2.6	24.4	2.1	44.6	(8.5)	(1.6)	10.8	11.8	11.3	9.3	19.7
Coal	1.5	6.6	(9.2)	61.8	14.4	21.1	(0.9)	(6.4)	(16.4)	(14.8)	65.9	29.7	(23.3)	(14.2)	(15.0)	(21.6)	(25.5)	(27.1)
Crude oil	7.3	(5.4)	(0.9)	11.0	(1.9)	0.9	(1.5)	4.8	7.5	(32.2)	52.4	42.7	(16.8)	(2.0)	(15.6)	(5.8)	(8.1)	(15.7)
Natural gas	5.3	19.9	(9.9)	9.9	9.9	1.6	(10.3)	(14.9)	(6.1)	(23.8)	39.8	39.5	(16.4)	(7.9)	(6.6)	(6.3)	(7.0)	(8.3)
Steel products	64.4	(29.5)	(25.9)	(27.6)	(10.9)	(16.0)	(11.9)	(19.4)	(20.9)	(27.5)	57.9	23.1	2.5	1.9	10.2	1.7	5.1	(0.7)
Copper products	34.1	(17.2)	6.2	(6.3)	3.4	6.0	(4.4)	0.0	(0.5)	(0.9)	45.5	(2.5)	(6.2)	9.8	13.3	8.5	8.7	7.1
Plastics in primary form	10.1	(16.4)	(10.0)	(3.2)	(2.1)	(4.7)	(1.8)	(10.5)	1.4	(10.6)	39.4	2.0	(16.7)	(1.1)	1.0	(0.7)	0.7	(4.4)
Rubber	13.6	(9.4)	8.7	8.0	(8.2)	6.9	21.1	16.9	31.7	(7.2)	26.4	(1.7)	(16.4)	19.8	30.2	26.0	23.3	16.3
Integrated circuits	22.1	16.9	(15.3)	(10.8)	14.6	13.3	8.1	11.2	7.4	(6.1)	5.7	13.5	(5.2)	(3.7)	(4.8)	(4.9)	(6.8)	3.4
Machine tool	18.8	(0.7)	(14.4)	(20.5)	(4.1)	28.1	23.6	(2.3)	19.6	(30.8)	25.8	1.5	14.8	(6.5)	(26.0)	(24.7)	0.8	7.3
Auto	(11.4)	0.6	(6.5)	(8.9)	(11.7)	(29.2)	(37.5)	(20.0)	(20.0)	8.1	14.7	5.7	(3.0)	(5.7)	(8.3)	(11.3)	(15.5)	(11.3)
Airplane	(35.4)	29.4	(27.3)	12.2	8.2	15.4	88.9	76.5	(42.1)	(30.0)	12.3	13.5	(4.0)	3.1	48.1	35.2	50.7	35.2
Medicine	(0.6)	3.1	28.8	23.6	4.7	(7.0)	(7.4)	1.2	0.1	4.1	16.5	(25.7)	(12.8)	(4.8)	13.8	0.6	(1.6)	(11.3)
Beauty cosmetics	3.7	5.2	(11.8)	(14.2)	(9.4)	(2.1)	7.7	(1.4)	11.8	24.8	17.0	1.8	(6.1)	0.4	(1.5)	(10.0)	(8.9)	(3.5)

Source: Wind, CMBIGM

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