

China Economy

Continued expansion of exports

China's exports of goods moderated in July as external demand may have started to soften with declines of PMI in most economies. Exports to Japan and Korea were the primary drag as the two countries continued to diversify their supply chains beyond China. But China's exports of goods remained stronger than its domestic demand as excess capacity and vicious competition existed in most manufacturing industries. In July, imports of goods significantly beat market expectations thanks to strong imports for processing trade whereas domestic demand was still weak. Looking forward, China's exports of goods may maintain moderate growth with some mild slowdown in 2H24 as external demand is likely to further soften while tariffs expectations may boost export order delivery in advance. Imports of goods may slowly improve in the second half of the year thanks to a mild demand recovery and reflation in industrial sector. We expect exports and imports of goods to rise 3.6% and 3.3% in 2024 after dropping 4.6% and 5.5% in 2023. We expect the RMB to reach 7.15 at end-2024 and 7.10 at end-2025 as US growth and inflation gradually decline while China's growth and inflation slowly improve.

■ **Exports moderated unexpectedly due to a decline in growth to Asian countries and Russia.** China's exports of goods moderated to 7% (all on a YoY basis unless specified) in July from 8.6% in June even with a lower base, against the market expectation of 9.5%. Considering exports to Vietnam and South Korea surged by 21% and 13.9%, the figure looks even weaker. Asian countries were the primary drag as exports to Japan and South Korea plummeted to -6% and 0.8% in July from 0.9% and 4.1% in June. Exports to ASEAN also moderated from 15% to 12.2% July while exports to India accelerated from 4.7% to 8.6%. Exports to the US and EU continued to recover with the YoY growth rates up from 6.6% and 4.1% to 8.1% and 8% in July. Exports to Russia dipped by 2.4% in July compared to +3.5% in June. Exports to Latin America inched down while Australia and the UK saw negative growth.

■ **Consumer goods deteriorated while IT products, vehicles and ships showed resilience.** Consumer basket including bags, garment and toys dipped by 11.8%, 4.4% and 3.9% in July after dropping 3.2%, 1.8% and 2.2% in June. Property-related products including furniture and lamps declined by 5.5% and 6.6% in July from 5.6% and -2.2% growth while home appliances edged down to 17.2% from 17.9%. Exports of IT products were still robust, as computers and integrated circuits rose 19.3% and 27.7% in July compared to 9.8% and 23.4% in June, while cellphones picked up 5%. Exports of ships and auto vehicles continued their rapid growth at 54.8% and 13.8% compared to 53.8% and 12.6% in June.

■ **Imports beat expectations whereas domestic demand was still weak.** China's imports of goods notably rebounded 7.2% in July after dropping 2.3% in June, above market expectations of 3.2%. Energy products rebounded as the import volume of crude oil, coal and natural gas bounced back to -3.1%, 17.7% and 5.3% compared to -10.8%, 11.9% and 0.4% in June. Import volume of iron ore accelerated to 10% from 2.2% while that of copper ore increased 9.9%. Intermediate goods including steel products and copper declined 25.7% and 2.9% in July after dropping 6.6% and 2.1%, while products and plastics in primary form and machine tool notably increased by 10.7% and 16.6% from -5.5% and 1.8%. For integrated circuits, the growth of import volume increased markedly from 9.5% to 16.3%, possibly due to the front-loading effect amid further sanctions. Consumer goods including auto vehicles and beauty cosmetics remained

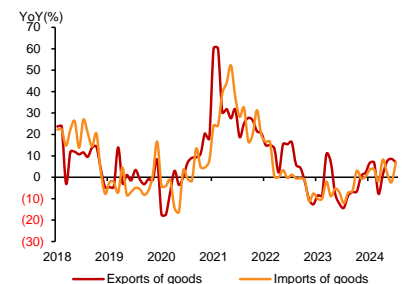
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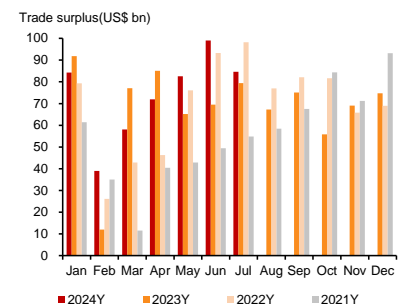
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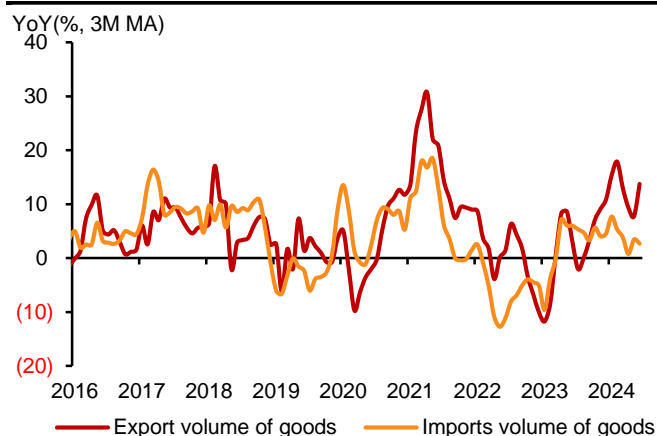
Source: Wind, CMBIGM



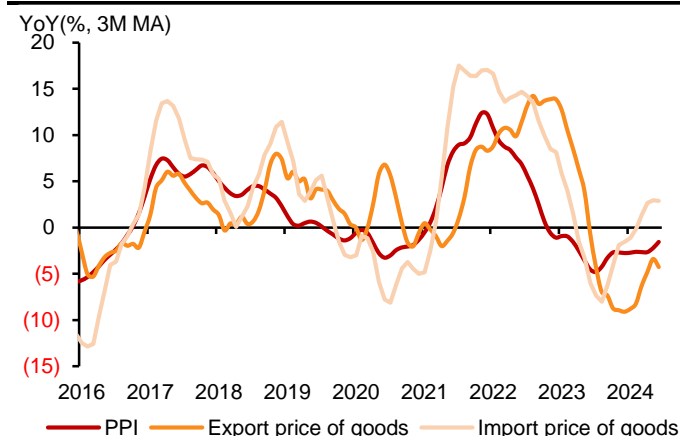
Source: Wind, CMBIGM

subdued throughout 2024. The import growth was primarily driven by imports for processing trade as it surged by 14.6% in July while general imports only rose by 0.4%, a sign of still-weak domestic demand.

- **Amidst a deceleration in exports, China's economy confronts increased growth pressure.** In the context of slowing domestic consumption and investment growth, the absence of robust exports and a narrowing trade deficit could amplify economic pressures. The exports data might be very volatile in upcoming months given the tariffs expectations effected by US elections and possible cooling down of external demand. But we still expect moderate growth to maintain with some mild slowdown in 2H24 thanks to the low base effect and China's increasing price advantage in most manufacturing products. We expect the USD/RMB rate to reach 7.15 at end-2024 and 7.10 at end-2025 as US growth and inflation gradually decline while China growth and inflation slowly improve.

Figure 1: Growth of export and import volume

Source: Wind, CMBIGM

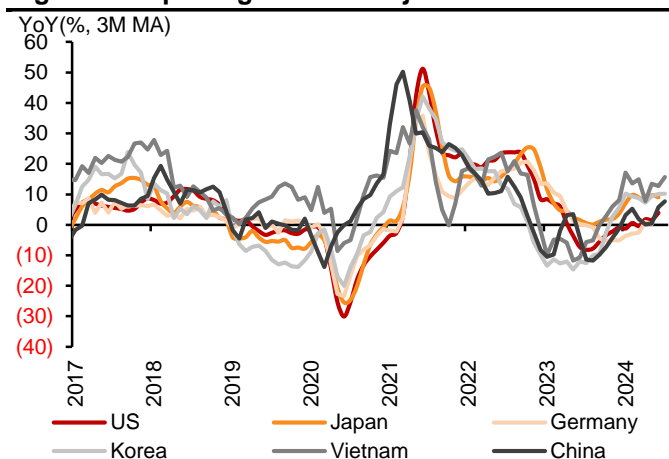
Figure 2: Growth of export and import prices

Source: Wind, CMBIGM

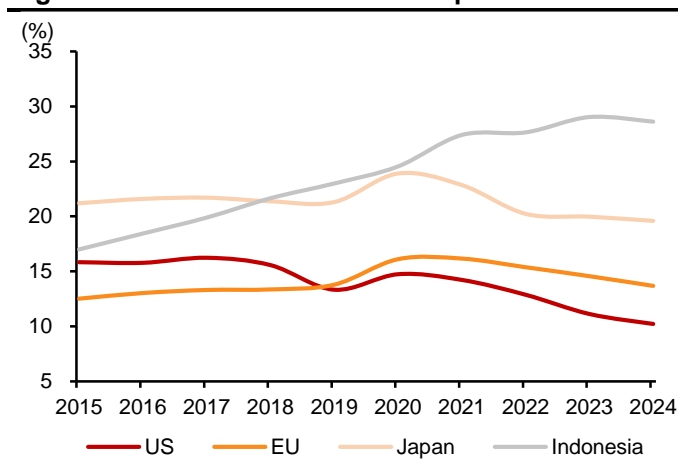
Figure 3: China exports by destination

	YoY Growth (%)											Share (%)						
	2018	2019	2020	2021	2022	2023	24Q1	24Q2	June	July		2018	2019	2020	2021	2022	2023	2024
World	9.9	0.5	3.6	29.6	5.6	(4.7)	1.3	5.8	8.6	7.0		100	100	100	100	100	100	100
US	11.3	(12.5)	7.9	27.5	1.2	(13.1)	(4.4)	2.5	6.6	8.1		19.2	16.8	17.4	17.2	16.4	14.8	14.3
EU	9.8	4.9	6.7	32.6	8.6	(10.2)	(6.9)	(0.2)	4.1	8.0		16.4	17.2	15.1	15.4	15.9	14.8	14.7
Japan	7.2	(2.6)	(0.4)	16.3	4.4	(8.4)	(9.5)	(4.1)	0.9	(6.0)		5.9	5.7	5.5	4.9	4.9	4.7	4.3
ASEAN	14.2	12.7	6.7	26.1	17.7	(5.0)	(2.5)	15.0	15.0	12.2		12.8	14.4	14.8	14.4	16.0	15.5	16.5
India	12.7	(2.4)	(10.8)	46.2	21.7	0.8	(0.3)	0.8	4.7	8.6		3.1	3.0	2.6	2.9	3.3	3.5	3.4
Africa	10.8	7.9	0.9	29.9	11.2	7.5	(0.8)	(9.4)	(3.6)	(7.9)		4.2	4.5	4.4	4.4	4.6	5.1	4.9
Latin America	13.7	2.1	(0.8)	52.0	10.6	(2.4)	7.2	12.4	15.7	13.8		6.0	6.1	5.8	6.8	7.1	7.3	7.8
Russia	12.0	3.7	1.7	33.8	12.8	46.9	1.5	(4.1)	3.5	(2.8)		1.9	2.0	2.0	2.0	2.1	3.3	3.1
Australia	14.2	1.8	10.9	24.2	19.0	(5.3)	(14.8)	(1.9)	1.2	(2.4)		1.9	1.9	2.1	2.0	2.2	2.2	2.0
UK	(0.3)	10.4	16.3	19.9	(6.1)	(3.4)	(3.5)	1.9	8.4	(1.9)		2.3	2.5	2.8	2.6	2.3	2.3	2.2
Canada	12.1	5.0	14.0	22.4	4.5	(14.9)	1.0	1.4	10.0	9.3		1.4	1.5	1.6	1.5	1.5	1.3	1.3
South Korea	5.9	2.1	1.4	32.4	9.5	(7.2)	(12.0)	0.3	4.1	0.8		4.4	4.4	4.3	4.4	4.6	4.4	4.2
Saudi Arabia	(5.1)	36.9	17.7	7.9	25.7	14.5	10.3	8.2	15.2	-		0.7	1.0	1.1	0.9	1.1	1.3	1.2
HK China	8.2	(7.6)	(2.3)	28.6	(15.0)	(6.3)	7.0	9.3	9.0	12.7		12.1	11.2	10.5	10.4	8.4	8.1	8.0
Chinese Taipei	10.6	13.2	9.1	30.4	4.2	(16.0)	4.7	18.4	27.6	23.1		2.0	2.2	2.3	2.3	2.3	2.0	2.1

Source: Wind, CMBIGM

Figure 4: Exports growth in major economies

Source: Wind, CMBIGM

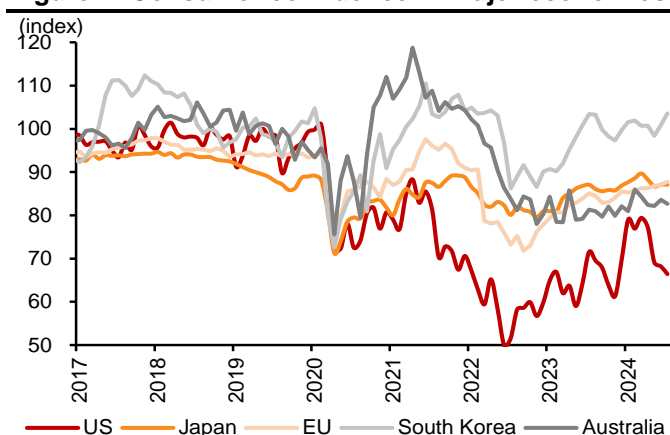
Figure 5: China's market shares in partners' trade

Source: Wind, CMBIGM

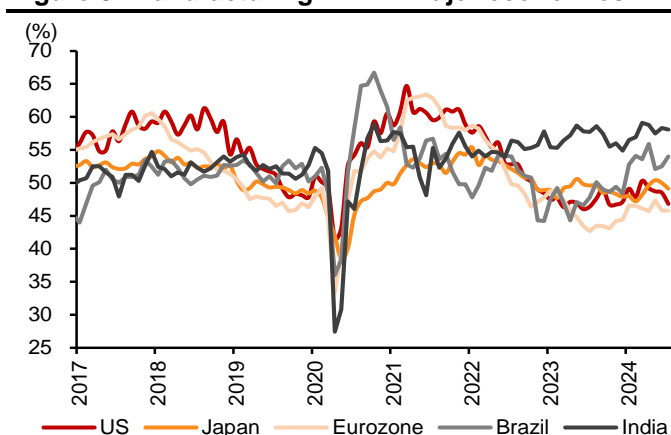
Figure 6: China's exports by product

	2018	2019	2020	2021	2022	2023	24Q1	24Q2	June	July	2018	2019	2020	2021	2022	2023	2024
Textile Yarn & Related Products	8.1	0.9	29.2	(5.6)	2.0	(8.3)	0.1	2.7	5.9	3.5	4.8	4.8	5.9	4.3	4.2	4.0	4.0
Travel Goods & Bags	1.8	0.5	(24.2)	35.1	28.2	3.9	(3.1)	(5.8)	(3.2)	(11.8)	1.1	1.1	0.8	0.8	1.0	1.1	1.0
Garment & Accessories	0.3	(4.0)	(6.4)	24.0	3.2	(7.8)	(3.8)	(3.6)	(1.8)	(4.4)	6.3	6.1	5.3	5.1	4.9	4.7	4.4
Toy	4.5	24.2	7.5	37.7	5.6	(12.2)	(7.6)	(6.1)	(2.2)	(3.9)	1.0	1.2	1.3	1.4	1.4	1.2	1.1
Furniture & Parts Thereof	7.6	0.8	11.8	26.4	(5.3)	(5.2)	12.0	8.2	5.6	(5.5)	2.2	2.2	2.3	2.2	2.0	1.9	2.0
Lamps, Lighting Fixtures & Similar Products	5.6	9.6	14.3	31.2	(6.1)	(4.6)	(0.3)	(4.8)	(2.2)	(6.6)	1.2	1.3	1.5	1.5	1.3	1.2	1.2
Plastic Products	12.2	11.2	19.6	29.1	9.3	(3.9)	2.5	4.3	7.2	1.2	1.7	1.9	3.3	2.9	3.0	3.0	3.1
Steel Products	11.2	(11.3)	(15.4)	80.2	18.7	(8.3)	(19.2)	(8.0)	0.8	(2.4)	2.4	2.2	1.8	2.4	2.7	2.5	2.4
Unwrought Aluminum	25.8	(7.4)	(14.1)	48.7	33.7	(26.1)	(1.4)	14.8	25.0	20.5	0.7	0.6	0.5	0.6	0.7	0.6	0.6
Integrated Circuits	26.6	20.0	14.8	32.0	0.3	(10.1)	17.3	23.0	23.4	27.7	3.4	4.1	4.5	4.6	4.3	4.0	4.5
Ship	4.6	(6.3)	(15.3)	26.2	(0.4)	28.6	105.8	67.6	53.8	54.8	0.9	0.8	0.7	0.6	0.6	0.8	1.2
Motor Vehicles	12.3	4.1	(3.6)	119.2	74.7	69.0	17.8	19.4	12.6	13.8	0.6	0.6	0.6	1.0	1.7	3.0	3.2
Auto Parts & Accessories	10.8	(3.6)	(6.2)	33.7	7.4	9.0	6.0	2.3	8.6	5.7	2.2	2.1	2.2	2.3	2.3	2.6	2.7
General Equipment			7.5	26.4	6.1	1.8	13.1	7.6	17.3	14.7			1.6	1.6	1.6	1.7	1.9
Automatic Data Processing Equipment			11.6	21.0	(7.5)	(20.4)	3.7	8.2	9.8	19.3			8.1	7.6	6.7	5.5	5.7
Fertilizer	16.2	2.7	(8.3)	73.2	(1.6)	(13.9)	(52.4)	(5.9)	(6.3)	15.4	0.3	0.3	0.3	0.3	0.3	0.3	0.2
Ceramic products	11.7	16.5	0.0	22.3	6.4	(15.4)	(8.0)	(25.7)	(23.5)	(27.0)	0.9	1.0	1.0	0.9	0.9	0.8	0.6
Rare earth	23.7	(14.4)	(21.9)	90.0	62.8	(28.3)	(39.2)	(47.9)	(17.1)	(19.3)	0.02	0.02	0.01	0.02	0.03	0.02	0.01
Cellphone			0.9	16.6	(2.5)	(2.7)	(13.0)	5.8	1.9	5.0			4.8	4.4	4.0	4.1	3.2
Home appliance			23.5	22.3	(13.3)	3.8	8.6	15.6	17.9	17.2			2.6	2.9	2.4	2.6	2.9
Medical equipment	13.3	13.3	40.5	11.9	(5.8)	(2.9)	1.5	5.2	10.5	7.9	0.5	0.5	0.7	0.6	0.5	0.5	0.5

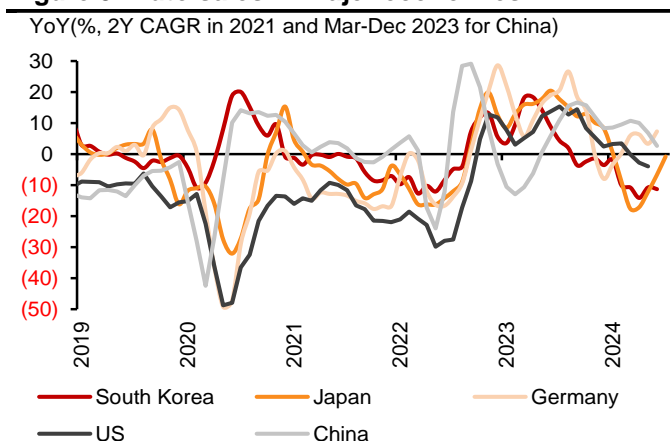
Source: Wind, CMBIGM

Figure 7: Consumer confidence in major economies

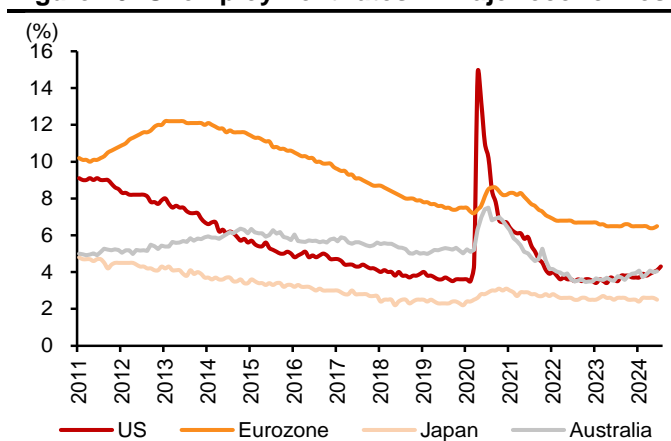
Source: Wind, CMBIGM

Figure 8: Manufacturing PMI in major economies

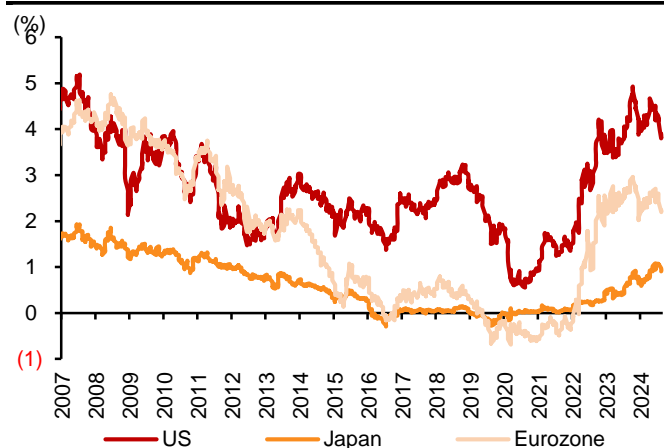
Source: Wind, CMBIGM

Figure 9: Auto sales in major economies

Source: Wind, CMBIGM

Figure 10: Unemployment rates in major economies

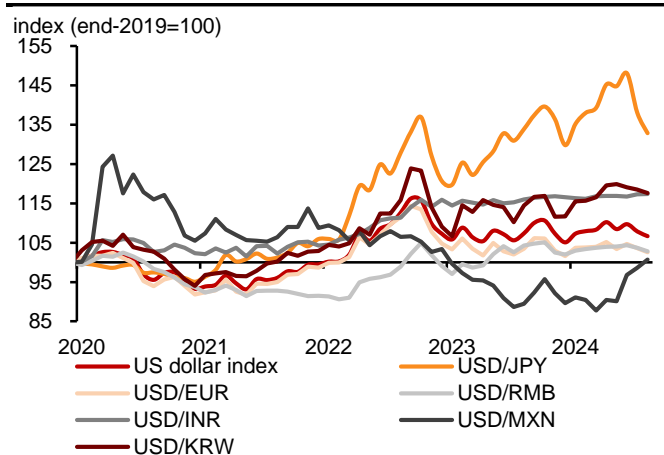
Source: Wind, CMBIGM

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

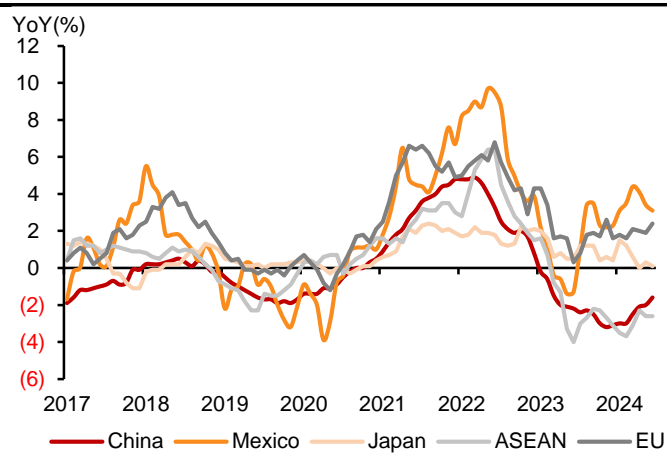
Source: Wind, CMBIGM

Figure 12: Banks' credit growth in major economies

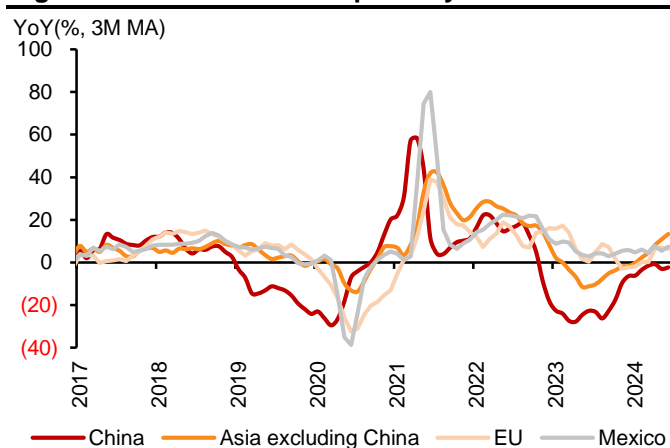
Source: Wind, CMBIGM

Figure 13: Exchange rates

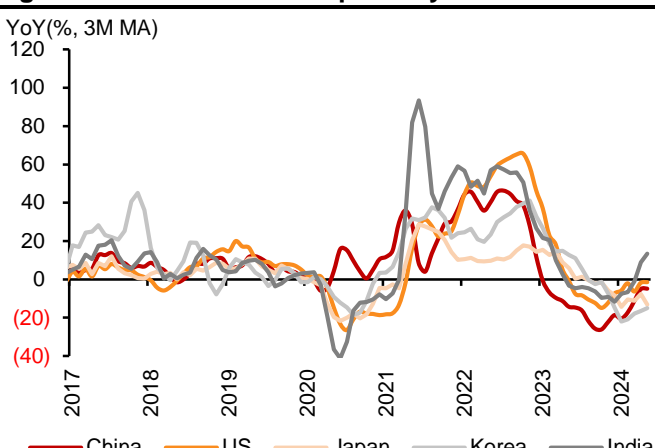
Source: Wind, CMBIGM

Figure 14: US import price growth by source

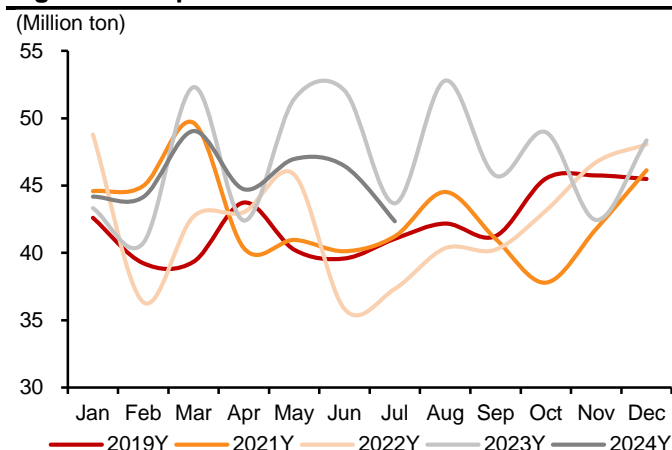
Source: Wind, CMBIGM

Figure 15: Growth of US imports by source

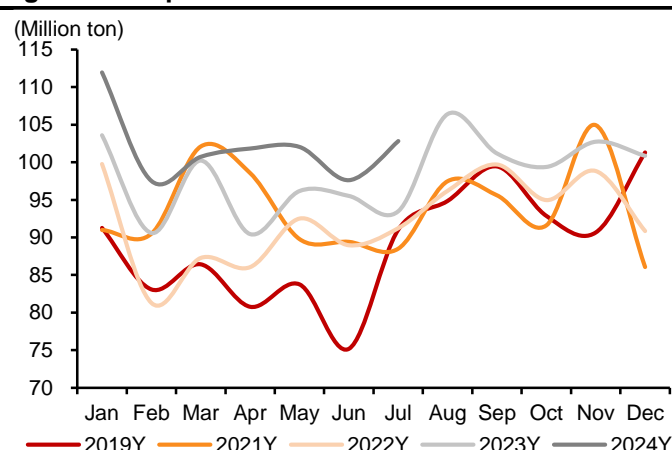
Source: Wind, CMBIGM

Figure 16: Growth of EU imports by source

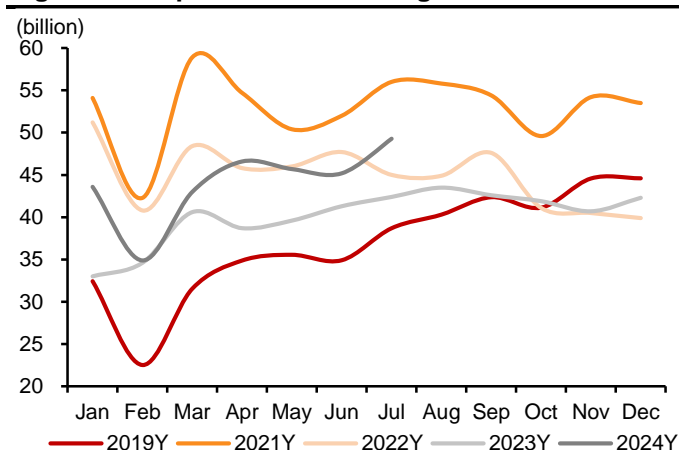
Source: Wind, CMBIGM

Figure 17: Import volume of crude oil

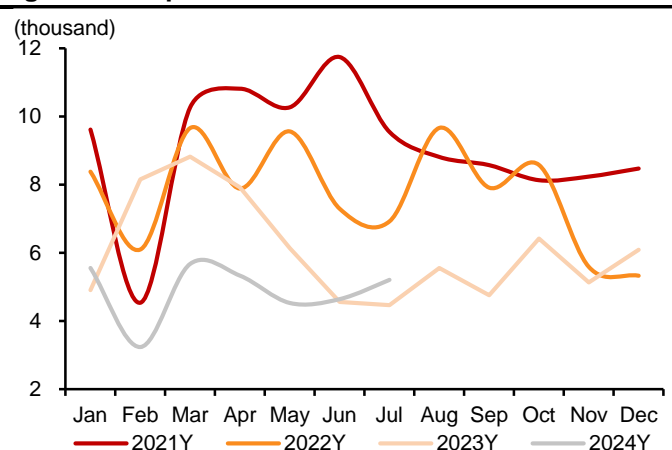
Source: Wind, CMBIGM

Figure 18: Import volume of iron ore

Source: Wind, CMBIGM

Figure 19: Import volume of integrated 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(%)								
	2019	2020	2021	2022	2023	24Q1	24Q2	June	July	2019	2020	2021	2022	2023	1Q24	2Q24	May	June
Grain	(3.6)	28.0	18.1	(10.7)	11.7	(0.8)	2.4	0.8	2.5	(5.1)	(5.4)	26.3	23.7	(9.6)	(22.4)	(19.5)	(21.9)	(15.8)
Soybean	0.0	13.3	(3.8)	(5.6)	11.4	(19.3)	1.2	8.2	1.3	(7.2)	(1.3)	40.7	21.2	(10.7)	(15.8)	(19.4)	(21.0)	(17.3)
Iron ore	0.5	9.5	(3.9)	(1.5)	6.6	5.3	6.9	2.2	10.0	32.9	7.2	55.4	(28.6)	(1.6)	17.5	(5.1)	(9.5)	0.6
Copper ore	11.6	(1.0)	7.6	8.0	9.1	5.0	1.9	8.5	9.9	(4.8)	2.1	44.6	(8.5)	(1.6)	1.1	1.0	1.8	5.5
Coal	6.3	1.5	6.6	(9.2)	61.8	13.8	11.3	11.9	17.7	(11.1)	(14.8)	65.9	29.7	(23.3)	(22.0)	(16.3)	(17.3)	(13.7)
Crude oil	9.5	7.3	(5.4)	(0.9)	11.0	0.7	(5.3)	(10.8)	(3.1)	(8.3)	(32.2)	52.4	42.7	(16.8)	0.2	9.4	7.4	12.3
Natural gas	6.9	5.3	19.9	(9.9)	9.9	22.6	6.8	0.4	5.3	1.5	(23.8)	39.8	39.5	(16.4)	(20.0)	(6.0)	(6.2)	(1.4)
Steel products	(6.5)	64.4	(29.5)	(25.9)	(27.6)	(7.9)	2.7	(6.6)	(25.7)	(8.1)	(27.5)	57.9	23.1	2.5	(4.9)	(4.1)	(5.5)	(2.6)
Copper products	(6.0)	34.1	(17.2)	6.2	(6.3)	6.4	6.8	(2.1)	(2.9)	(7.8)	(0.9)	45.5	(2.5)	(6.2)	(1.0)	10.7	12.5	17.9
Plastics in primary form	12.4	10.1	(16.4)	(10.0)	(3.2)	(2.3)	2.6	(5.5)	10.7	(15.9)	(10.6)	39.4	2.0	(16.7)	(6.1)	(2.9)	(2.4)	(1.5)
Rubber	(6.2)	13.6	(9.4)	8.7	8.0	(12.6)	(24.2)	(25.4)	(2.7)	(4.5)	(7.2)	26.4	(1.7)	(16.4)	6.6	15.4	14.7	16.1
Integrated circuits	6.6	22.1	16.9	(15.3)	(10.8)	12.3	15.0	9.4	16.3	(8.2)	(6.1)	5.7	13.5	(5.2)	(2.5)	(4.0)	1.7	(8.7)
Machine tool	0.0	18.8	(0.7)	(14.4)	(20.5)	(33.9)	(22.1)	1.8	16.6	0.0	(30.8)	25.8	1.5	14.8	42.4	5.2	7.1	(16.3)
Auto	(6.6)	(11.4)	0.6	(6.5)	(8.9)	0.0	(5.6)	0.0	0.0	3.6	8.1	14.7	5.7	(3.0)	(17.7)	(4.8)	(0.8)	(6.3)
Airplane	(48.6)	(35.4)	29.4	(27.3)	12.2	(12.2)	(23.6)	14.3	(12.5)	12.5	(30.0)	12.3	13.5	(4.0)	(15.2)	(19.7)	(29.3)	(12.1)
Medicine	0.0	(0.6)	3.1	28.8	23.6	(7.8)	9.8	8.6	14.5	0.0	4.1	16.5	(25.7)	(12.8)	(7.1)	(4.4)	(8.5)	14.9
Beauty cosmetics	0.0	3.7	5.2	(11.8)	(14.2)	(17.2)	(10.1)	(12.5)	(2.6)	0.0	24.8	17.0	1.8	(6.1)	(4.7)	7.0	(1.3)	8.1

Source: Wind, CMBIGM

Disclosures & Disclaimers

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CMBIGM Ratings

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
SELL : Stock with potential loss of over 10% over next 12 months
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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