

China Economy

Exports deteriorated while imports improved

China's exports of goods came in short of market expectation in Oct, dropping 6.4% YoY despite the favorable low-base effect; while imports of goods jumped to 3% growth. Exports remained tepid with major trading partners and deteriorated across major products amid prolonged restrictive interest rates, supply chain diversification beyond China and technology embargo due to political tensions. Imports improved partially due to the rallying prices of energy and raw materials, but it is worth noting that domestic demand may gradually stabilize as import volume of many products continued to see positive growth in the past several months. Looking forward, China's exports and imports of goods may gradually improve from the YoY perspective due to base effect and shrinkage of deflation. The exports and imports of goods are expected to drop 3.8% and 3.6% in 2023 and increase 3% and 4% in 2024. Such trade weakness implies that China's economy is still faced with downside pressure, calling for additional policy support in the future. We expect China may maintain the GDP growth target at 5% with moderate fiscal stimulus and continuous monetary policy easing in 2024.

- Exports of goods remained tepid with major trading partners.** China's exports of goods dropped 6.4% YoY (all on a YoY basis unless specified) in Oct after decreasing 6.2% in Sep. Exports to Japan, Africa, Latin America, UK and South Korea further dropped 13%, 4.9%, 6%, 7.5% and 17% in Oct respectively, down from the growth of -6.4%, -3.1%, -3.7%, 5.3%, and -7% in Sep. Exports to the major trading partners like the US, EU and ASEAN still stayed in trough with a fall of 8.2%, 12.6% and 15.1% in Oct after dropping 9.3%, 11.6% and 15.8%. EU including Euro Area and Germany have reported a contraction in GDP in 2Q23 while the US has shown signs of economic slowdown from PMI and employment data, which would drag on China's export in the future. Meanwhile, exports to Russia moderated to 16.3% from 20.6% in Oct.
- Exports deteriorated across major products.** In terms of the largest value in export, automatic data processing equipment, textile product, garment, integrated circuit, plastic products and steel products widened their declines to 20.2%, 5.8%, 10.2%, 16.6%, 11.3% and 7.1% in Oct from declining 11.6%, 3.6%, 8.9%, 5%, 5.9% and 5.9% in Sep. Automatic data processing equipment and integrated circuits saw one of its largest declines since July 2023 as China is still facing headwinds from the weak external demand and semiconductor sanctions, not only on the final goods for consumers but also on the intermediate goods for the supply chains. Meanwhile, exports of auto parts and home appliances moderated with their YoY growth rates down from 11.3% and 12.4% in Sep to 3.4% and 8% in Oct. Exports of auto remained strong at 45% after rising 45.1% in Sep, while exports of cellphone increased 21.8% after dropping 7.1% in Sep. Lastly, exports of medical equipment declined 7.5% in Oct after rising 5.3%.
- Imports of goods improved due to rallying energy and raw materials price.** China's imports of goods jumped to positive 3% growth, drastically above market expectation, after dropping 6.3% in Sep thanks to the energy and raw materials prices. For crude oil, the decline of import price narrowed to 4.5% in Oct from 12.1% drop in Sep while import volume growth edged

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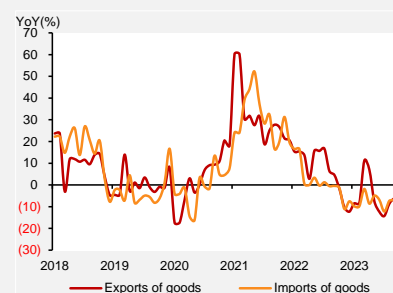
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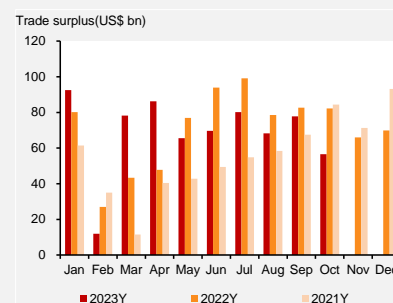
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Source: Wind, CMBIGM

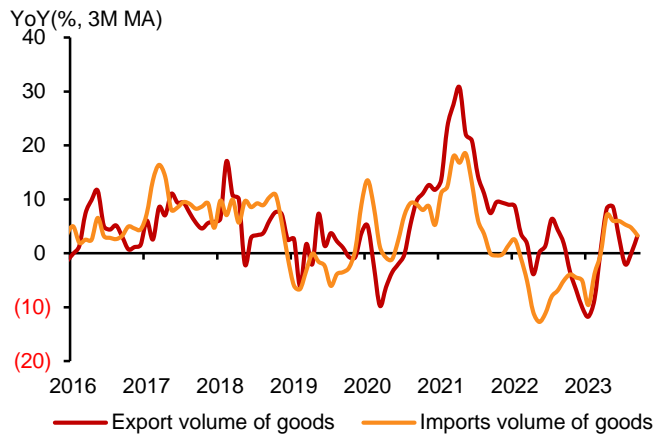


Source: Wind, CMBIGM

down from 13.7% to 13.5%. Iron ore and copper ore both saw a solid rise in commodity price as their import price increased 16.7% and 9.2% from 2.5% and 8.3% in Sep, while their import volume increased by 4.6% and 23.5% from 1.5% and -1.3%. For grain, soybean, copper products, plastics in primary form and rubber, their import volume have improved while volume of coal and medicine moderated. For integrated circuit, import volume rallied to 1.9% growth in Oct, while its import price further declined 11.6% from dropping 7.3%, indicating a possible downgrade on the quality of imported chips as some countries started to restrict exports of advanced chips or related technologies to China. At the same time, import volume of machine tool and airplane continued with YoY declines as domestic capex remained weak.

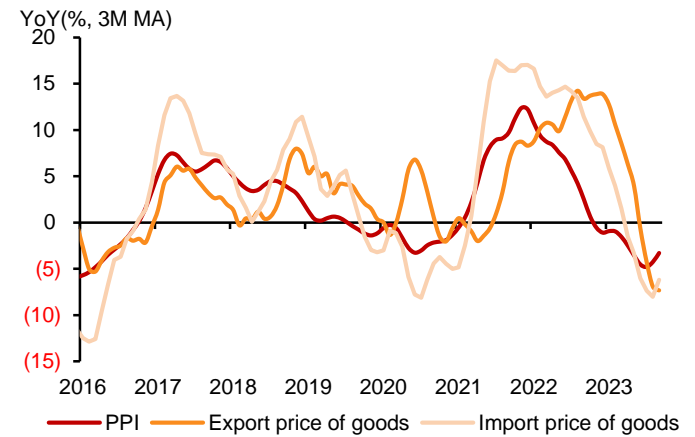
- **Exports and imports of goods are expected to drop 3.8% and 3.6% in 2023 and increase 3% and 4% in 2024.** The improvement of overseas consumer sentiment in 3Q23 provided limited support to China's exports as global consumers shifted from goods consumption to service consumption and both producers 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 the 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 3.6% in 2023 before increasing 3% and 4% in 2024.
- **Trade weakness calls for continuous policy support to boost the economy.** China's economy may continue to encounter headwinds from weakened external demand due to prolonged restrictive interest rates and diversifying supply chains and technology embargo due to political tensions. The improvement of domestic demand may remain slow due to property market slump and weak business confidence. Looking ahead, China may maintain the GDP growth target at 5% with moderate fiscal stimulus and continuous monetary policy easing in 2024. General fiscal deficit ratio may reach 3.7% in 2024 compared to 3.8% in 2023. The PBOC may launch additional cuts in RRR, deposit rates and LPRs next year to stabilize property market and boost economic growth. In addition, China will continue to improve ties with the US and other countries to lower geopolitical risks.

Figure 1: Growth of export and import volume



Source: Wind, CMBIGM

Figure 2: Growth of export and import prices



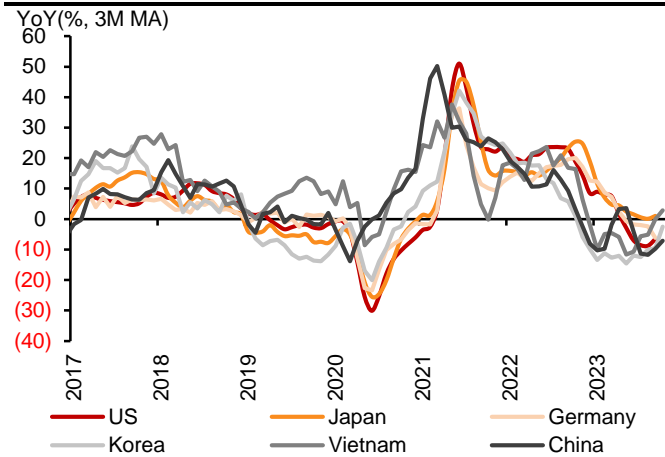
Source: Wind, CMBIGM

Figure 3: China exports by destination

	YoY Growth (%)										Share (%)					
	2018	2019	2020	2021	2022	1Q23	1H23	3Q23	Sep	Oct	2018	2019	2020	2021	2022	10M23
World	9.9	0.5	3.6	29.6	5.9	(1.8)	(3.4)	(5.7)	(6.2)	(6.4)	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)	(16.4)	(9.3)	(8.2)	19.2	16.8	17.4	17.2	16.4	14.9
EU	9.8	4.9	6.7	32.6	8.6	(7.1)	(6.6)	(10.6)	(11.6)	(12.6)	16.4	17.2	15.1	15.4	15.8	15.1
Japan	7.2	(2.6)	(0.4)	16.3	4.4	(2.4)	(4.7)	(8.3)	(6.4)	(13.0)	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	(4.8)	(15.8)	(15.1)	12.8	14.4	14.8	14.4	16.0	15.4
India	12.7	(2.4)	(10.8)	46.2	21.7	3.9	(0.9)	(0.9)	2.1	(1.5)	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	9.0	(3.1)	(4.9)	4.2	4.5	4.4	4.4	4.6	5.1
Latin America	13.7	2.1	(0.8)	52.0	10.6	0.5	(1.1)	(4.0)	(3.7)	(6.0)	6.0	6.1	5.8	6.8	7.1	7.3
Russia	12.0	3.7	1.7	33.8	12.8	47.1	78.1	56.9	20.6	17.2	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	(5.5)	(17.8)	5.9	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)	(4.1)	5.3	(7.5)	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)	(18.6)	(9.3)	(13.3)	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)	(7.5)	(7.0)	(17.0)	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	17.3	6.8	-	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)	(8.7)	(10.0)	(5.2)	12.1	11.2	10.5	10.4	8.4	7.9
Chinese Taipei	10.6	13.2	9.1	30.4	4.2	(22.1)	(24.7)	(20.5)	(4.1)	(4.4)	2.0	2.2	2.3	2.3	2.3	2.0

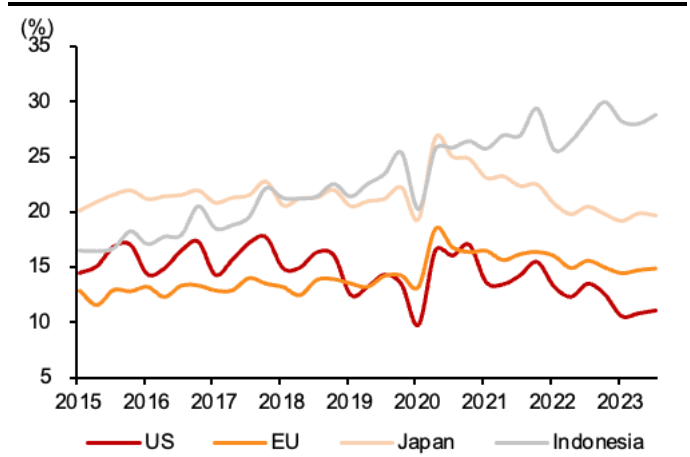
Source: Wind, CMBIGM

Figure 4: Exports growth in major economies



Source: Wind, CMBIGM

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

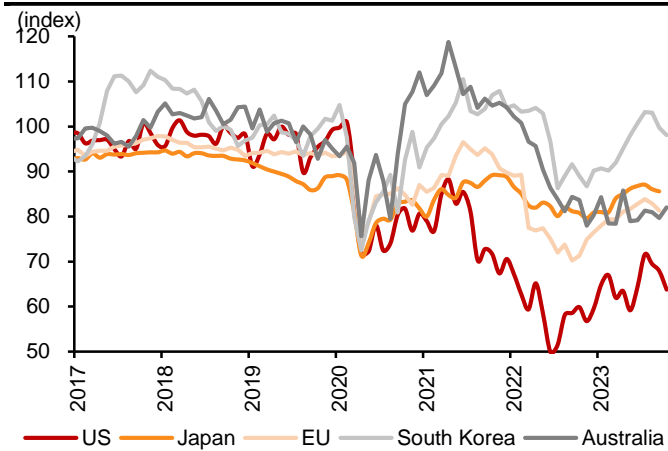


Source: Wind, CMBIGM

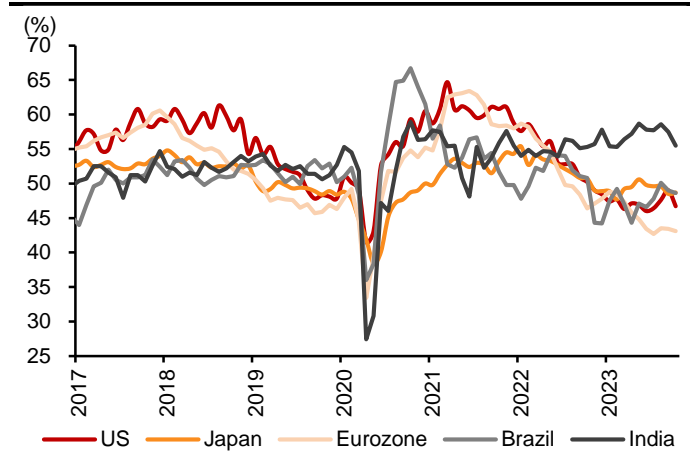
Figure 6: China exports by product

	YoY(%)										Share (%)					
	2018	2019	2020	2021	2022	1Q23	1H23	3Q23	Sep	Oct	2018	2019	2020	2021	2022	10M23
Textile Yarn & Related Products	8.1	0.9	29.2	(5.6)	2.0	(12.1)	(10.9)	(10.3)	(3.6)	(5.8)	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	6.3	(9.8)	(13.6)	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)	(8.8)	(8.9)	(10.2)	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)	(12.9)	(15.0)	(17.4)	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)	(9.0)	(4.7)	(9.1)	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)	(5.4)	(10.6)	(15.2)	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)	(4.8)	(5.9)	(11.3)	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)	(10.7)	(5.9)	(7.1)	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)	(30.5)	(19.0)	(17.8)	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)	(14.1)	(5.0)	(16.6)	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	19.1	12.0	34.2	0.9	0.8	0.7	0.6	0.6	0.8
Motor Vehicles	12.3	4.1	(3.6)	119.2	74.7	81.6	108.1	83.9	45.1	45.0	0.6	0.6	0.6	1.0	1.7	3.0
Auto Parts & Accessories	10.8	(3.6)	(6.2)	33.7	7.4	11.3	12.9	9.5	11.3	3.4	2.2	2.1	2.2	2.3	2.3	2.6
General Equipment			7.5	26.4	6.1	2.3	4.6	1.4	(1.0)	(1.2)			1.6	1.6	1.6	1.7
Automatic Data Processing Equipment			11.6	21.0	(7.5)	(29.9)	(24.3)	(22.8)	(11.6)	(20.2)			8.1	7.6	6.6	5.6
Fertilizer	16.2	2.7	(8.3)	73.2	(1.6)	18.1	3.0	(12.3)	(23.7)	(34.0)	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)	(13.6)	(26.2)	(32.6)	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)	(23.7)	(36.8)	(61.0)	0.02	0.02	0.01	0.02	0.03	0.02
Cellphone			0.9	16.6	(2.5)	(9.8)	(14.8)	(12.5)	(7.1)	21.8			4.8	4.4	4.0	3.9
Home appliance			23.5	22.3	(13.3)	(4.4)	(2.0)	1.1	12.4	8.0			2.6	2.9	2.4	2.6
Medical equipment	13.3	13.3	40.5	11.9	(5.8)	(4.3)	(3.6)	(3.8)	5.3	(7.5)	0.5	0.5	0.7	0.6	0.5	0.5

Source: Wind, CMBIGM

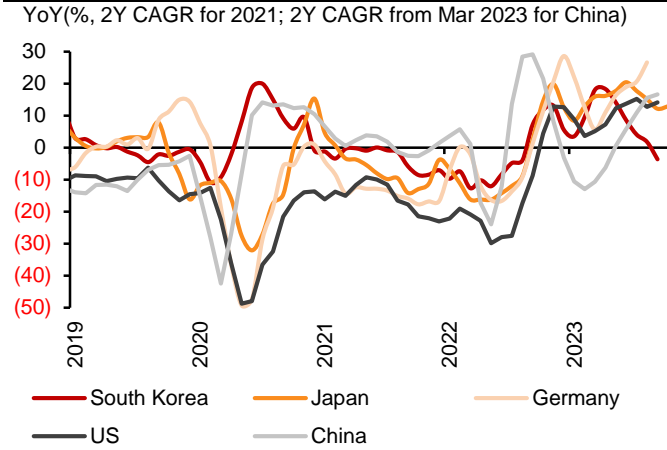
Figure 7: Consumer confidence in major economies

Source: Wind, CMBIGM

Figure 8: Manufacturing PMI in major economies

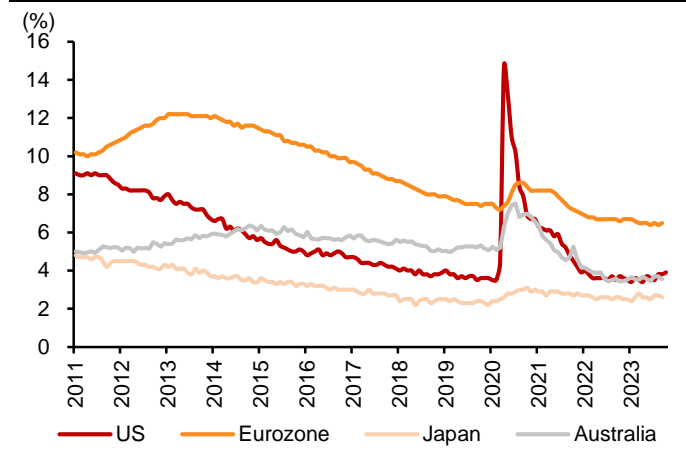
Source: Wind, CMBIGM

Figure 9: Auto sales in major economies



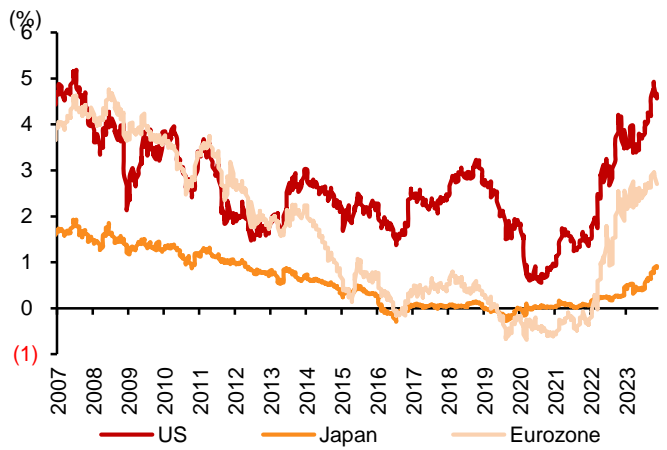
Source: Wind, CMBIGM

Figure 10: Unemployment rates in major economies



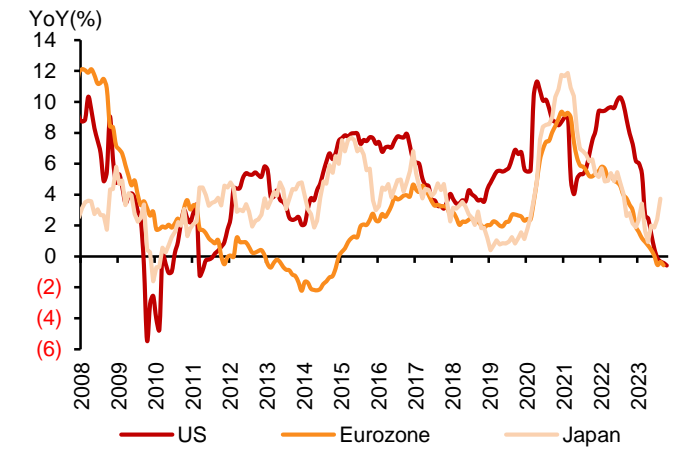
Source: Wind, CMBIGM

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



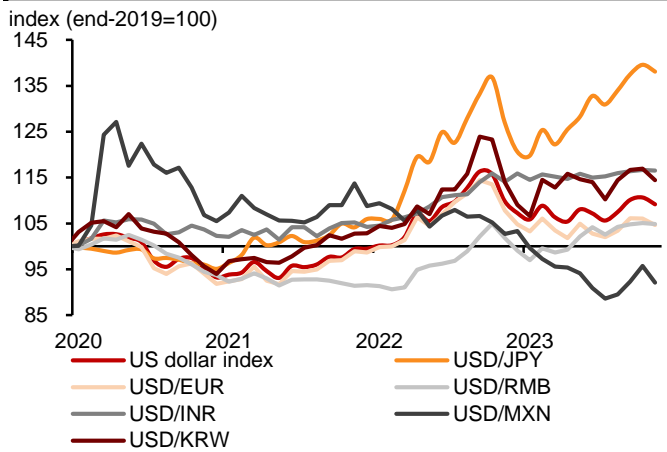
Source: Wind, CMBIGM

Figure 12: Banks' credit growth in major economies



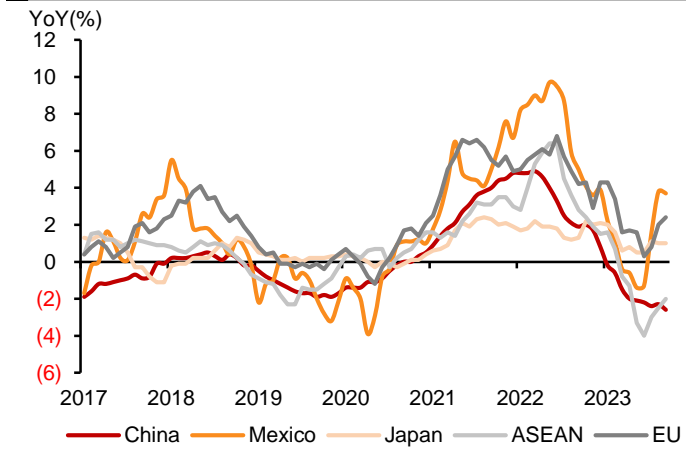
Source: Wind, CMBIGM

Figure 13: Exchange rates



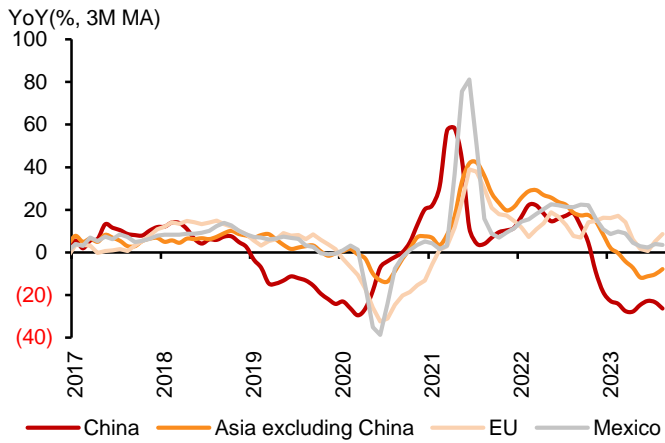
Source: Wind, CMBIGM

Figure 14: US import price growth by source



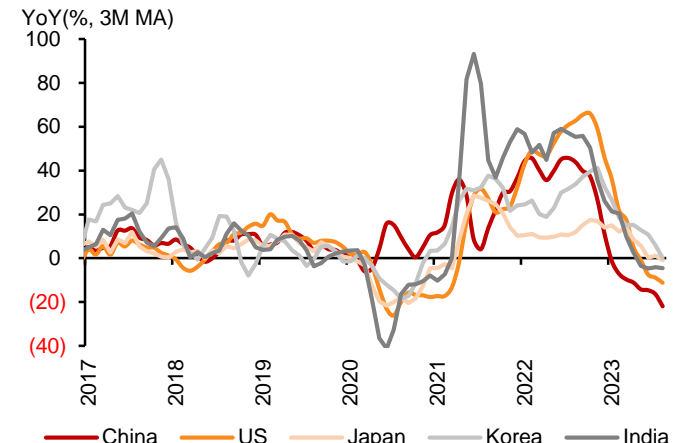
Source: Wind, CMBIGM

Figure 15: Growth of US imports by source



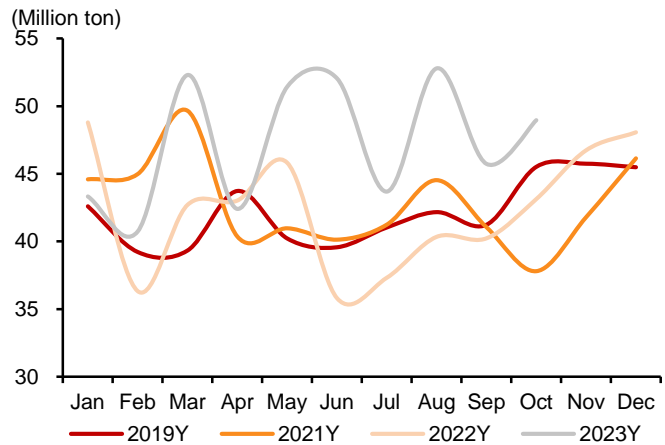
Source: Wind, CMBIGM

Figure 16: Growth of EU imports by source



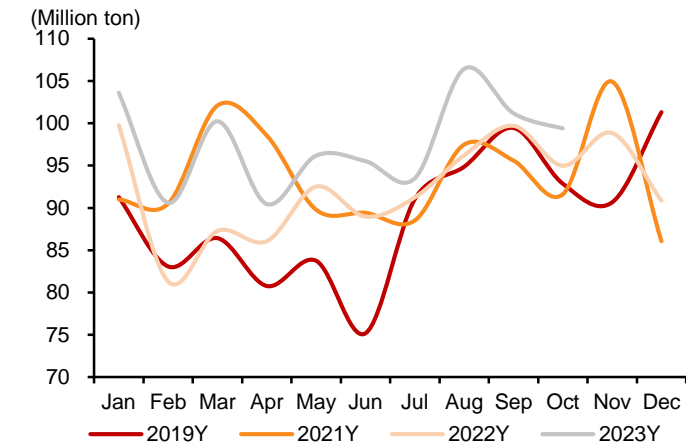
Source: Wind, CMBIGM

Figure 17: Import volume of crude oil



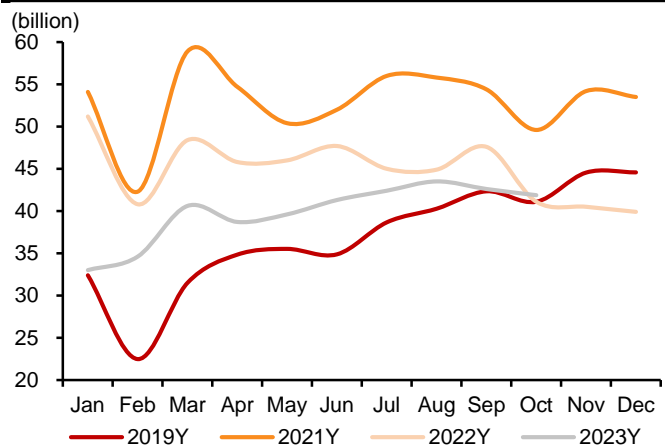
Source: Wind, CMBIGM

Figure 18: Import volume of iron ore



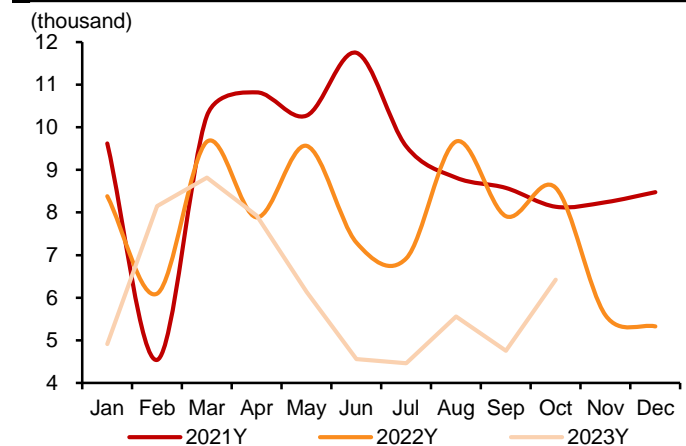
Source: Wind, CMBIGM

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	3Q23	Sep	Oct	2019	2020	2021	2022	1Q23	1H23	3Q23	Sep	Oct
Grain	(3.6)	28.0	18.1	(10.7)	4.7	4.5	5.5	(1.8)	38.1	(5.1)	(5.4)	26.3	23.7	11.6	2.4	(4.5)	(21.1)	(21.2)
Soy bean	0.0	13.3	(3.8)	(5.6)	13.5	13.6	14.4	(7.4)	24.6	(7.2)	(1.3)	40.7	21.2	8.9	(1.9)	(9.4)	(20.4)	(17.6)
Iron ore	0.5	9.5	(3.9)	(1.5)	9.8	7.7	6.7	1.5	4.6	32.9	7.2	55.4	(28.6)	(11.9)	(11.8)	(8.3)	2.5	16.7
Copper ore	11.6	(1.0)	7.6	8.0	5.1	7.9	7.8	(1.3)	23.5	(4.8)	2.1	44.6	(8.5)	(13.5)	(6.6)	(2.0)	8.3	9.2
Coal	6.3	1.5	6.6	(9.2)	96.1	93.0	73.1	27.5	23.3	(11.1)	(14.8)	65.9	29.7	(16.8)	(22.7)	(24.6)	(21.1)	(22.3)
Crude oil	9.5	7.3	(5.4)	(0.9)	6.7	11.7	14.6	13.7	13.5	(8.3)	(32.2)	52.4	42.7	(10.2)	(20.2)	(21.1)	(12.1)	(4.5)
Natural gas	6.9	5.3	19.9	(9.9)	(3.6)	5.8	8.2	0.0	15.5	1.5	(23.8)	39.8	39.5	0.5	(4.5)	(12.9)	(33.8)	(32.5)
Steel products	(6.5)	64.4	(29.5)	(25.9)	(40.5)	(35.2)	(31.7)	(28.1)	(13.2)	(8.1)	(27.5)	57.9	23.1	15.1	10.2	6.3	3.4	(11.5)
Copper products	(6.0)	34.1	(17.2)	6.2	(12.6)	(12.0)	(9.5)	(5.8)	23.7	(7.8)	(0.9)	45.5	(2.5)	(12.7)	(12.2)	(8.5)	4.9	3.6
Plastics in primary form	12.4	10.1	(16.4)	(10.0)	(6.6)	(5.8)	(3.8)	(3.3)	(0.1)	(15.9)	(10.6)	39.4	2.0	(17.0)	(18.7)	(19.1)	(14.0)	(11.0)
Rubber	(6.2)	13.6	(9.4)	8.7	10.7	18.0	13.4	(3.1)	(1.6)	(4.5)	(7.2)	26.4	(1.7)	(21.4)	(21.9)	(20.8)	(15.9)	(9.1)
Integrated circuits	6.6	22.1	16.9	(15.3)	(22.9)	(18.5)	(14.6)	(10.5)	1.9	(8.2)	(6.1)	5.7	13.5	(4.9)	(4.8)	(6.1)	(7.3)	(11.6)
Machine tool	0.0	18.8	(0.7)	(14.4)	(9.8)	(15.4)	(23.5)	(39.9)	(25.1)	0.0	(30.8)	25.8	1.5	(6.0)	7.7	17.5	70.7	17.1
Auto	(6.6)	(11.4)	0.6	(6.5)	(27.4)	(22.4)	(16.9)	(12.5)	0.0	3.6	8.1	14.7	5.7	6.9	(1.8)	(2.4)	4.9	11.8
Airplane	(48.6)	(35.4)	29.4	(27.3)	57.7	140.0	54.2	(50.0)	(58.8)	12.5	(30.0)	12.3	13.5	0.6	4.9	7.6	(35.7)	31.2
Medicine	0.0	(0.6)	3.1	28.8	33.4	36.2	31.5	34.1	20.2	0.0	4.1	16.5	(25.7)	(5.5)	(17.2)	(18.5)	(7.3)	19.0
Beauty cosmetics	0.0	3.7	5.2	(11.8)	(8.0)	(10.7)	(14.2)	(10.6)	(10.4)	0.0	24.8	17.0	1.8	2.1	(4.4)	(4.4)	(14.5)	(16.1)

Source: Wind, CMBIGM

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