

# China Economy

## Moderate export gains amid worsening import figures

China's exports of goods moderately improved from deep contraction by rising 0.5% YoY in Nov. Nonetheless, there are no signs of fundamental improvement in exports as the rebound was mostly contributed by a much lower base last year. The export recovery in China is comparatively weaker than similar export-intensive countries like Vietnam and South Korea. Cellphones and integrated circuits turned out to be the few bright spots in export products, along with further corroboration by Korea's cellphone and semiconductor exports turning positive in November, highlighting an improvement in global electronics cycle. Imports came in below expectation, crumbling in terms of volume in major energy commodities and industrial materials, indicating still-subdued domestic demand. Looking forward, China's exports and imports of goods may continue to improve from the YoY perspective due to the base effect and shrinkage of deflation albeit headwinds from ascending supply-chain diversifying and prolonged restrictive rate weighing on external demand. We forecast the exports and imports of goods to drop 4.3% and 4.9% in 2023 and increase 3.6% and 3.3% 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 moderately improved with most trading partners.

China's exports of goods rise 0.5% YoY (all on a YoY basis unless specified) in Nov after decreasing 6.4% in Oct. Surprisingly, exports to US saw a solid rebound in Nov from -8.2% to 7.3%, along with India, Africa and Latin America surging from -1.5%, -4.9% and -6% to 5.8%, 3% and 4.9%, respectively, while the decline in exports to Japan, ASEAN, the UK, and South Korea also narrowed in Nov. Exports to EU further deteriorated from -12.6% to -14.5% as the Europe economy continued to weaken. Meanwhile, exports to Russia remained elevated at 33.6%. There are no signs of fundamental improvement in exports as the rebound was mostly contributed by a much lower base last year. The export recovery in China is comparatively weaker than similar export-intensive countries like Vietnam and South Korea, as both posted YoY growth exceeding 6.5% in Nov.

- ### ■ Exports bottoming out across major products.
- In terms of the largest value in export, automatic data processing equipment, garment, textile products, and plastic products narrowed their contraction from 20.2%, 10.2%, 5.8% and 11.3% in Oct to 10.9%, 4.4%, 1.3% and 3.4% in Nov, while integrated circuits and cellphones significantly boomed from -16.6% and 21.8% respectively to 12% and 54.6%. The improvements may be mainly driven by the lower-base effect; however, when comparing horizontally with Korea, China's wireless communication device and semiconductor exports both turned positive YoY in Nov, indicating an improvement in the global tech product cycle. Exports of home-related products like furniture and home appliances also saw a moderate recovery from -9.1% and 8% to 3.6% and 11.8%. Meanwhile, exports of auto moderated from 45% to 27.9% in Nov, while auto parts increased 10.1% after rising 3.4% in Oct. Lastly, exports of medical equipment declined 2% in Nov after dropping 7.5%.

**Bingnan YE, Ph.D**

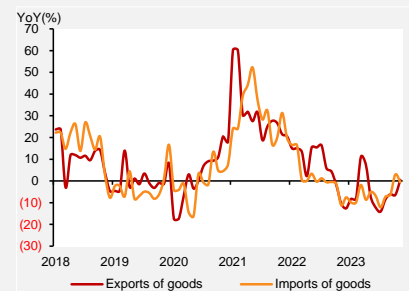
(852) 6989 5170

yebingnan@cmbi.com.hk

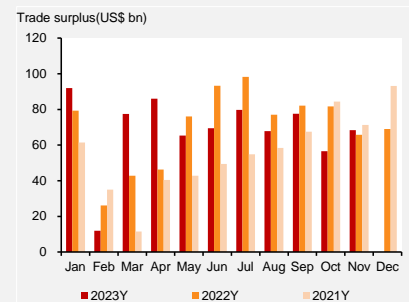
**Frank Liu**

(852) 3761 8957

frankliu@cmbi.com.hk



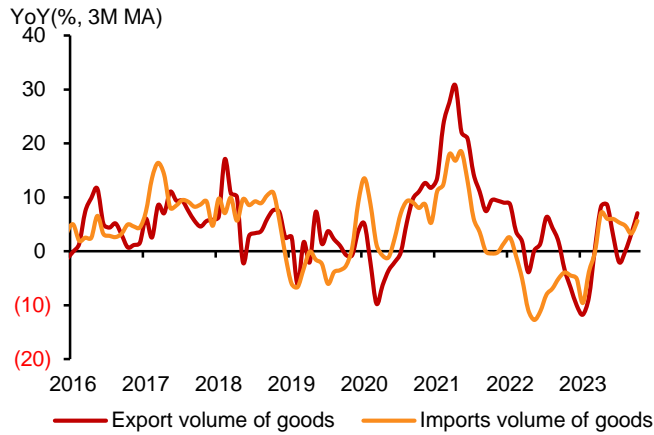
Source: Wind, CMBIGM



Source: Wind, CMBIGM

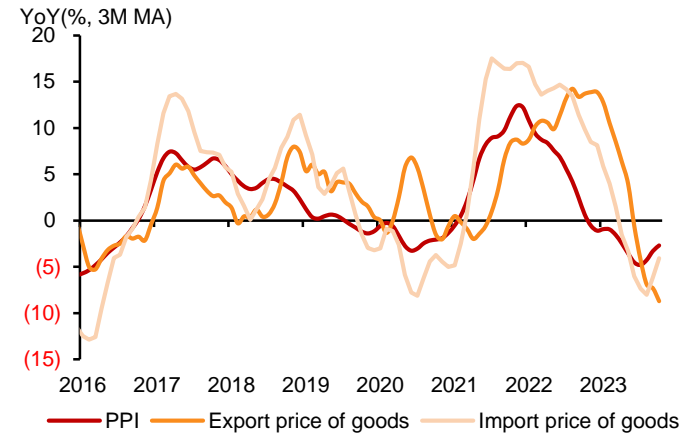
- **Imports of goods dropped due to subdued domestic demand in terms of volume.** China's imports of goods dropped 0.6%, remarkably below market expectation, after briefly rising 3% in Nov due to weak domestic demand. For a breakdown of the value of imports, the volume growth of crude oil dwindled to negative 9.2% from 13.5% while the decline of import price narrowed to 3.9% in Nov from 4.5%. For integrated circuits, the import volume edged down to 0.5% growth in Nov, while their import price resurged to 7.9% after dropping 11.7% in Oct. Iron ore and copper ore both declined in terms of volume from 4.6% and 23.5% to 3.9% and 1.4% while their price rose 24.2% and 10.1% from 16.7% and 9.2% in Oct. For grain, soybean and natural gas, their import volume eased while coal and medicine rebounded. At the same time, the import volume of machine tools continued with YoY declines as domestic capex remained weak.
- **Exports and imports of goods are expected to drop 4.3% and 4.9% in 2023 and increase 3.6% and 3.3% in 2024.** Overseas consumer sentiment deteriorated again recently due to the prolonged restrictive rates, casting a shadow on the future of China exports. In addition, Sino-US conflicts and "de-risk" strategy from the US and Europe continue to drag on the exports recovery. However, due to the base effect and improvement of the price factor, China's exports and imports of goods should continue to improve from a YoY perspective. We expect China's exports and imports of goods to drop 4.3% and 4.9% in 2023 before increasing 3.6% and 3.3% in 2024.
- **Trade weakness calls for continued policy support to boost the economy.** The Nov trade and PMI data signaled China's economy may have weakened again recently. The policymakers may maintain the GDP growth target at 5% for 2024. However, it is more difficult to achieve the 5% growth next year as the lower base effect should diminish. China may adopt more expansionary fiscal policies and further loosen monetary policy & property policy to boost growth. The broad fiscal deficit ratio may reach 8% of GDP in 2024. The PBOC may launch additional cuts in RRR, deposit rates and LPRs in the next several quarters. Municipal governments may further loosen property policy to stabilize the property sector. We maintain the GDP growth forecast for 2023 at 5.3% and that for 2024 at 4.8%.

**Figure 1: Growth of export and import volume**



Source: Wind, CMBIGM

**Figure 2: Growth of export and import prices**



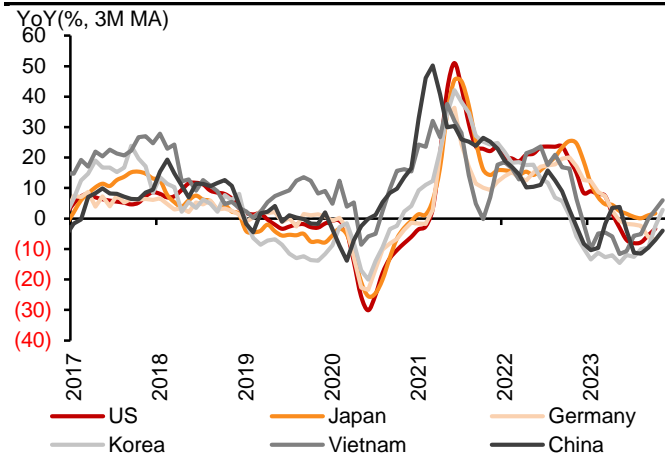
Source: Wind, CMBIGM

**Figure 3: China exports by destination**

	YoY Growth (%)										Share (%)					
	2018	2019	2020	2021	2022	1Q23	1H23	3Q23	Oct	Nov	2018	2019	2020	2021	2022	11M23
World	9.9	0.5	3.6	29.6	5.6	(1.7)	(3.2)	(5.5)	(6.4)	0.5	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)	(17.9)	(16.4)	(8.2)	7.3	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)	(12.6)	(14.5)	16.4	17.2	15.1	15.4	15.9	14.9
Japan	7.2	(2.6)	(0.4)	16.3	4.4	(2.4)	(4.7)	(8.3)	(13.0)	(8.3)	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)	(15.1)	(7.1)	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)	(1.5)	5.8	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	(4.9)	3.0	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)	(6.0)	4.9	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	17.2	33.6	1.9	2.0	2.0	2.0	2.1	3.3
Australia	14.2	1.8	10.9	24.2	19.0	10.4	0.7	(5.5)	5.9	(9.1)	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)	(7.5)	(4.1)	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)	(13.3)	1.3	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)	(17.0)	(3.6)	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	(2.9)	-	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)	(5.2)	1.4	12.1	11.2	10.5	10.4	8.4	8.0
Chinese Taipei	10.6	13.2	9.1	30.4	4.2	(22.1)	(24.7)	(20.5)	(4.4)	6.4	2.0	2.2	2.3	2.3	2.3	2.0

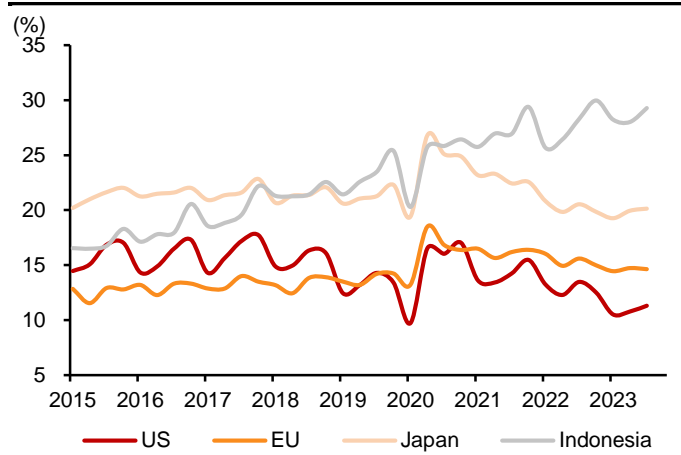
Source: Wind, CMBIGM

**Figure 4: Exports growth in major economies**



Source: Wind, CMBIGM

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



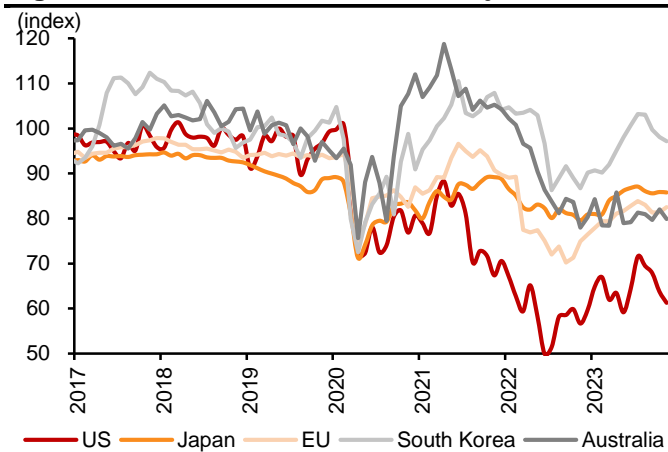
Source: Wind, CMBIGM

**Figure 6: China exports by product**

	YoY(%)											Share (%)					
	2018	2019	2020	2021	2022	1Q23	1H23	3Q23	Oct	Nov	2018	2019	2020	2021	2022	11M23	
Textile Yarn & Related Products	8.1	0.9	29.2	(5.6)	2.0	(12.1)	(10.9)	(10.3)	(5.8)	(1.3)	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	(13.6)	(5.0)	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)	(10.2)	(4.4)	6.3	6.1	5.3	5.1	4.9	4.7	
Toy	4.5	24.2	7.5	37.7	5.6	3.7	(11.2)	(12.9)	(17.4)	(16.8)	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)	(9.1)	3.6	2.2	2.2	2.3	2.2	2.0	1.9	
Lamps, Lighting Fixtures & Similar Products	5.6	9.6	14.3	31.2	(6.1)	(1.7)	(4.0)	(5.4)	(15.2)	(6.0)	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)	(11.3)	(3.4)	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)	(7.1)	(11.7)	2.4	2.2	1.8	2.4	2.7	2.5	
Unwrought Aluminum	25.8	(7.4)	(14.1)	48.7	33.7	(23.8)	(31.6)	(30.5)	(17.8)	(3.0)	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)	(14.1)	(16.6)	12.0	3.4	4.1	4.5	4.6	4.3	4.0	
Ship	4.6	(6.3)	(15.3)	26.2	(0.4)	4.9	7.7	19.1	34.2	115.7	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	45.0	27.9	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	3.4	10.1	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	(1.2)	1.5			1.6	1.6	1.6	1.7	
Automatic Data Processing Equipment			11.6	21.0	(7.5)	(29.9)	(24.3)	(22.8)	(20.2)	(10.9)			8.1	7.6	6.7	5.5	
Fertilizer	16.2	2.7	(8.3)	73.2	(1.6)	18.1	3.0	(12.3)	(34.0)	13.2	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)	(32.6)	(22.3)	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)	(61.0)	(36.3)	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)	21.8	54.6				4.8	4.4	4.0	4.1	
Home appliance			23.5	22.3	(13.3)	(4.4)	(2.0)	1.1	8.0	11.8			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)	(7.5)	(2.0)	0.5	0.5	0.7	0.6	0.5	0.5	

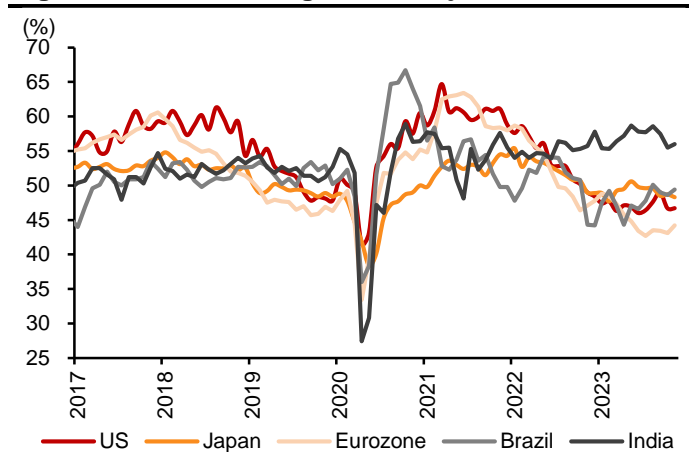
Source: Wind, CMBIGM

**Figure 7: Consumer confidence in major economies**



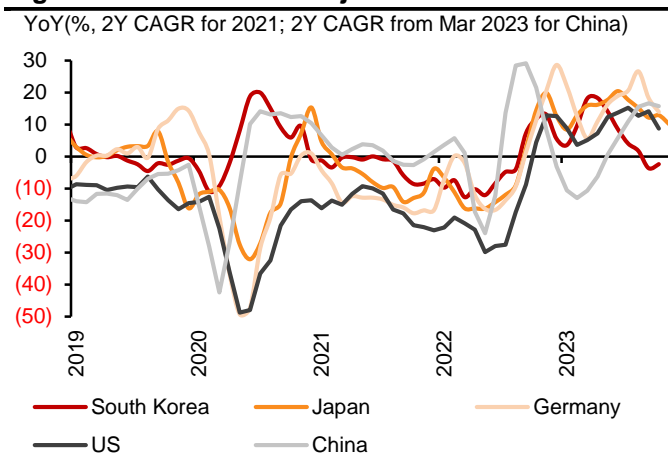
Source: Wind, CMBIGM

**Figure 8: Manufacturing PMI in major economies**



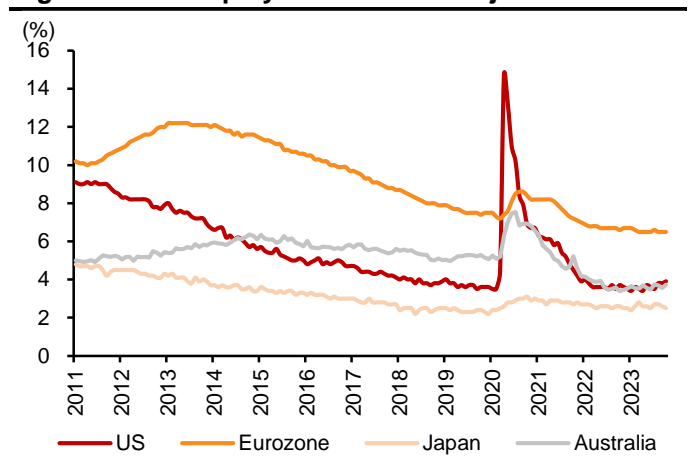
Source: Wind, CMBIGM

**Figure 9: Auto sales in major economies**



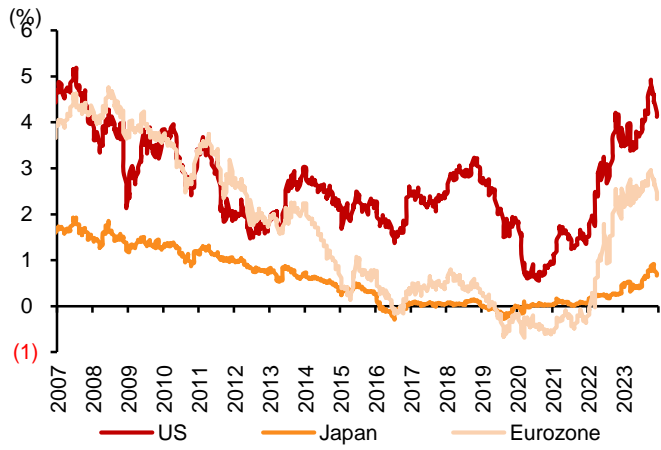
Source: Wind, CMBIGM

**Figure 10: Unemployment rates in major economies**



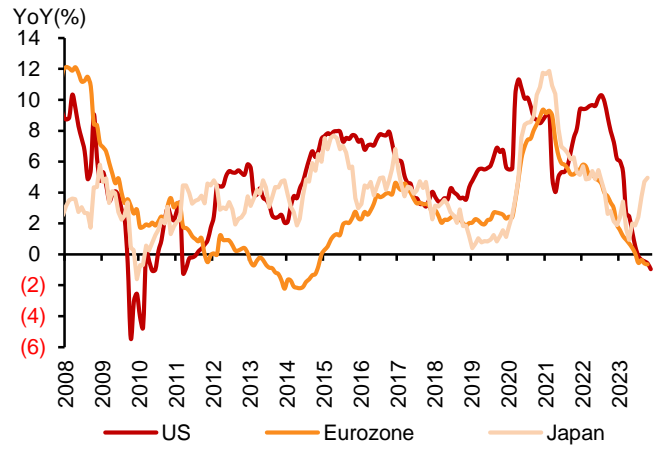
Source: Wind, CMBIGM

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



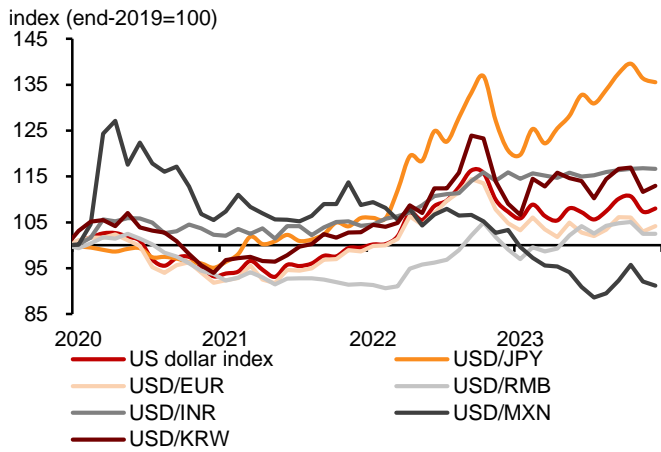
Source: Wind, CMBIGM

**Figure 12: Banks' credit growth in major economies**



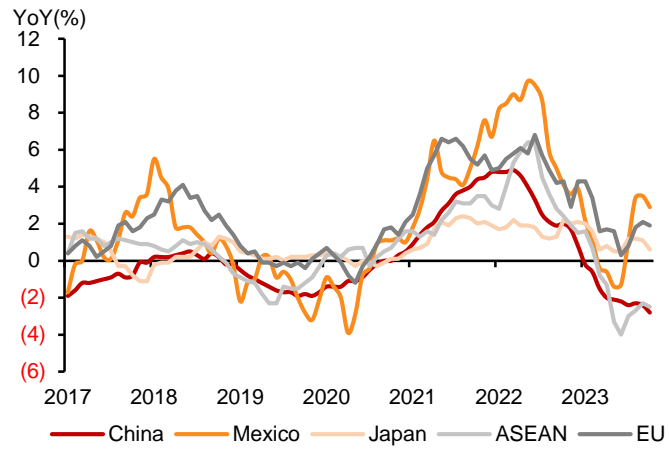
Source: Wind, CMBIGM

**Figure 13: Exchange rates**



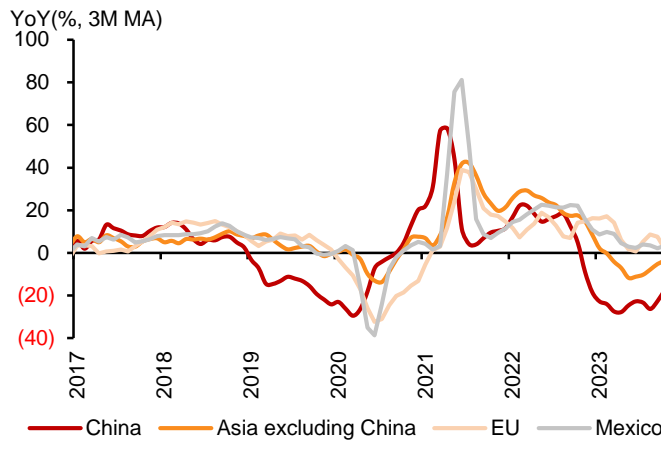
Source: Wind, CMBIGM

**Figure 14: US import price growth by source**



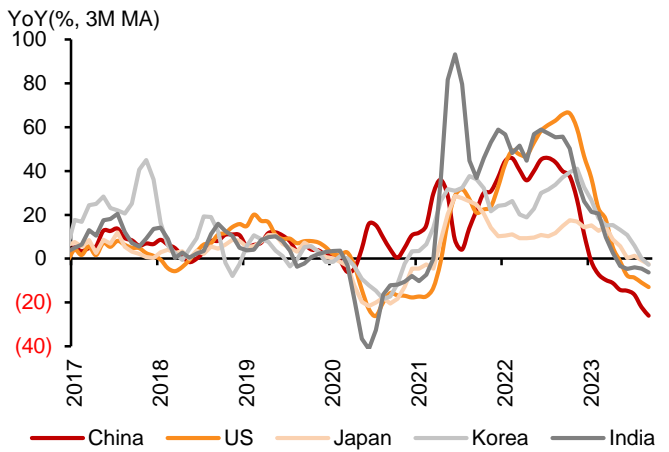
Source: Wind, CMBIGM

**Figure 15: Growth of US imports by source**

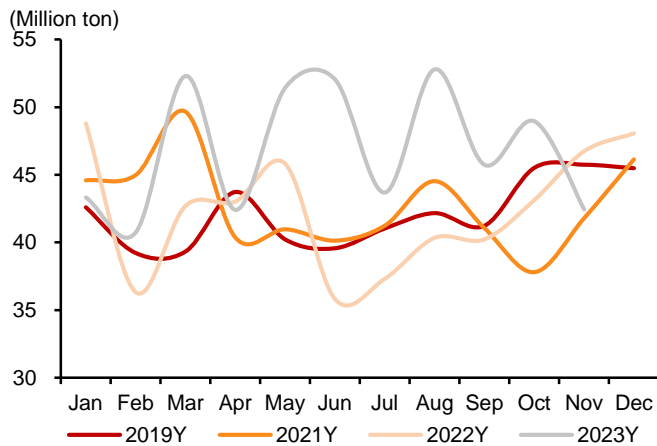


Source: Wind, CMBIGM

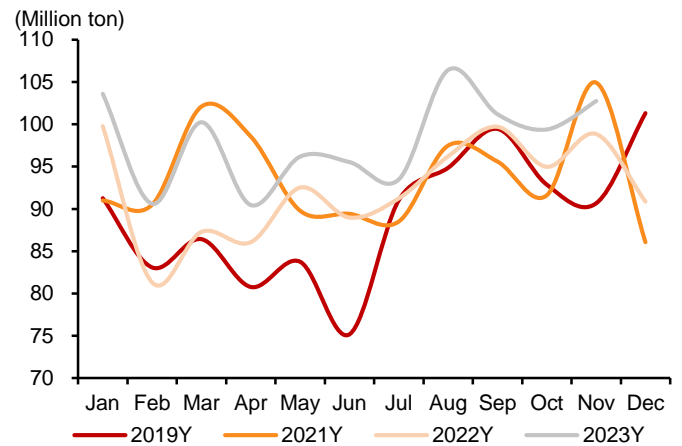
**Figure 16: Growth of EU imports by source**



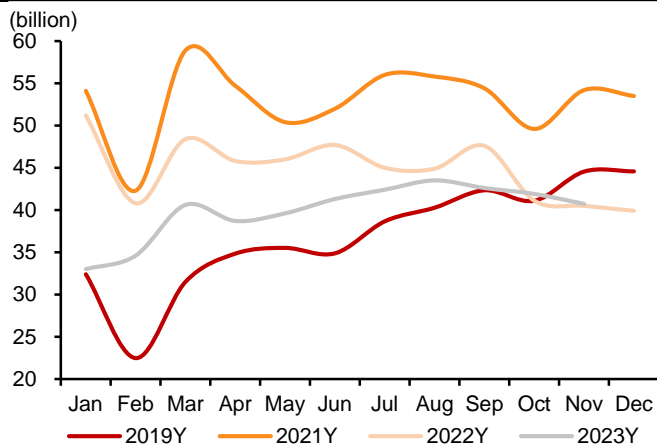
Source: Wind, CMBIGM

**Figure 17: Import volume of crude oil**

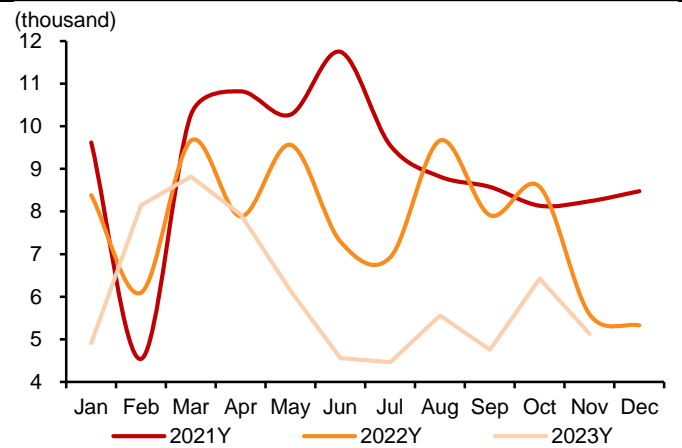
Source: Wind, CMBIGM

**Figure 18: Import volume of iron ore**

Source: Wind, CMBIGM

**Figure 19: Import volume of integrated circuits**

Source: Wind, CMBIGM

**Figure 20: Import volume of machine tools**

Source: Wind, CMBIGM

**Figure 21: China import volume & price by product**

	Import volume YoY (%)									Import price YoY(%)								
	2019	2020	2021	2022	1Q23	1H23	3Q23	Oct	Nov	2019	2020	2021	2022	1Q23	1H23	3Q23	Oct	Nov
Grain	(3.6)	28.0	18.1	(10.7)	4.7	4.5	5.5	38.1	34.0	(5.1)	(5.4)	26.3	23.7	11.6	2.4	(4.5)	(21.2)	(22.2)
Soybean	0.0	13.3	(3.8)	(5.6)	13.5	13.6	14.4	24.6	7.8	(7.2)	(1.3)	40.7	21.2	8.9	(1.9)	(9.4)	(17.6)	(14.4)
Iron ore	0.5	9.5	(3.9)	(1.5)	9.8	7.7	6.7	4.6	3.9	32.9	7.2	55.4	(28.6)	(11.9)	(11.8)	(8.3)	16.7	24.2
Copper ore	11.6	(1.0)	7.6	8.0	5.1	7.9	7.8	23.5	1.4	(4.8)	2.1	44.6	(8.5)	(13.5)	(6.6)	(2.0)	9.2	10.1
Coal	6.3	1.5	6.6	(9.2)	96.1	93.0	73.1	23.3	34.7	(11.1)	(14.8)	65.9	29.7	(16.8)	(22.7)	(24.6)	(22.3)	(22.2)
Crude oil	9.5	7.3	(5.4)	(0.9)	6.7	11.7	14.6	13.5	(9.2)	(8.3)	(32.2)	52.4	42.7	(10.2)	(20.2)	(21.1)	(4.5)	(3.9)
Natural gas	6.9	5.3	19.9	(9.9)	(3.6)	5.8	8.2	15.5	6.1	1.5	(23.8)	39.8	39.5	0.5	(4.5)	(12.9)	(32.5)	(25.4)
Steel products	(6.5)	64.4	(29.5)	(25.9)	(40.5)	(35.2)	(31.7)	(13.0)	(18.1)	(8.1)	(27.5)	57.9	23.1	15.1	10.2	6.3	(11.7)	(6.6)
Copper products	(6.0)	34.1	(17.2)	6.2	(12.6)	(12.0)	(9.5)	23.7	2.0	(7.8)	(0.9)	45.5	(2.5)	(12.7)	(12.2)	(8.5)	3.6	3.0
Plastics in primary form	12.4	10.1	(16.4)	(10.0)	(6.6)	(5.8)	(3.8)	0.0	(6.6)	(15.9)	(10.6)	39.4	2.0	(17.0)	(18.7)	(19.1)	(11.1)	(8.0)
Rubber	(6.2)	13.6	(9.4)	8.7	10.7	18.0	13.4	(1.6)	(7.4)	(4.5)	(7.2)	26.4	(1.7)	(21.4)	(21.9)	(20.8)	(9.1)	(3.7)
Integrated circuits	6.6	22.1	16.9	(15.3)	(22.9)	(18.5)	(14.6)	1.9	0.5	(8.2)	(6.1)	5.7	13.5	(4.9)	(4.8)	(6.1)	(11.7)	7.9
Machine tool	0.0	18.8	(0.7)	(14.4)	(9.8)	(15.4)	(23.5)	(25.1)	(8.1)	0.0	(30.8)	25.8	1.5	(6.0)	7.7	17.5	17.1	2.5
Auto	(6.6)	(11.4)	0.6	(6.5)	(27.4)	(22.4)	(16.9)	0.0	18.6	3.6	8.1	14.7	5.7	6.9	(1.8)	(2.4)	11.8	(7.9)
Airplane	(48.6)	(35.4)	29.4	(27.3)	57.7	140.0	54.2	(58.8)	5.9	12.5	(30.0)	12.3	13.5	0.6	4.9	7.6	31.2	(56.9)
Medicine	0.0	(0.6)	3.1	28.8	33.4	36.2	31.5	20.2	29.5	0.0	4.1	16.5	(25.7)	(5.5)	(17.2)	(18.5)	19.0	(7.1)
Beauty cosmetics	0.0	3.7	5.2	(11.8)	(8.0)	(10.7)	(14.2)	(10.4)	(14.2)	0.0	24.8	17.0	1.8	2.1	(4.4)	(4.4)	(16.1)	(11.8)

Source: Wind, CMBIGM



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## CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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