

China Economy

Exports strongly rebounded with uncertainty ahead

China's exports of goods sharply rebounded in March as overseas economy temporarily improved in the first two months and domestic supply chains rapidly resumed after reopening. However, the recent bank turmoil should bring downside pressure on credit supply, economic activity and inflation in the overseas. China's exports may still face some uncertainty ahead as overseas recession risk rises and disinflation accelerates. China's imports of goods also improved as domestic demand gradually resumed. We expect China's exports of goods to drop 3.5% in 2023 after rising 7% in 2022 and the imports of goods to rise 0.5% in 2023 after growing 1% in 2022.

■ Exports beat expectations as overseas economy temporarily improved.

China's exports rose by 14.8% YoY in March after declining by 6.8% YoY in 2M23. Economic condition temporarily improved as consumer confidence and consumption of goods rebounded in advanced economies in the first two months after relief of food & energy costs. Developing economies performed better this year with low comparison base as they reopened and recovered more slowly than advanced economies after the pandemic. Therefore, China's exports to US and EU respectively dropped 17% and 7.1% YoY in 1Q23, compared to the declines of 21.8% and 12.2% in 2M23. Meanwhile, the exports to ASEAN and Africa respectively picked up 18.6% and 19.3% YoY after rising 9% and 5.8% YoY. China's exports to Latin America also improved sharply while those to Russia maintained strong growth at 47.1% YoY in the first quarter.

■ Exports also benefited from domestic supply chain resumption and trade cooperation enhancement.

China's supply chains resumed rapidly after reopening as the country strengthened its advantage in supply chain stability. Meanwhile, China enhanced trade cooperation with other countries after the 20th Party Congress, supporting export order recovery after China's economic reopening. By product, exports of steel products and chemical products further picked up thanks to China's comparative advantage in energy supply after the Russia-Ukraine war. Meanwhile, exports of auto & parts maintained strong growth thanks to China's rapid development of new energy vehicle supply chains. Exports of travel bag & similar articles sharply rebounded as international travel and tourism recovered.

■ Imports also improved as domestic demand gradually recovered.

China's imports fell 1.4% YoY in March after dropping 10.2% YoY in 2M23. Imports volume rebounded more rapidly as the price retreated. Imports volume of iron ore and coal respectively picked up 9.8% and 96.1% YoY in 1Q23 after rising 7.3% and 70.8% YoY in 2M23. Meanwhile, imports volume of crude oil rose 6.7% YoY after dropping 1.3% YoY and that of natural gas narrowed its YoY decline from 9.4% in 2M23 to 3.6% in 1Q23. Imports volume of airplanes and medicine increased strongly by 57.7% and 33.4% YoY in 1Q23 after growing 41.2% and 25.7% YoY in 2M23. Domestic demand for beauty cosmetics also improved as its imports volume narrowed its YoY decline from 16.4% in 2M23 to 8% in 1Q23. However, imports volume of integrated circuits and machine tools continued to decline sharply as demand for electronics and business capex remained weak. Imports volume of autos

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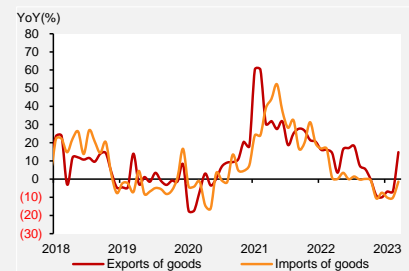
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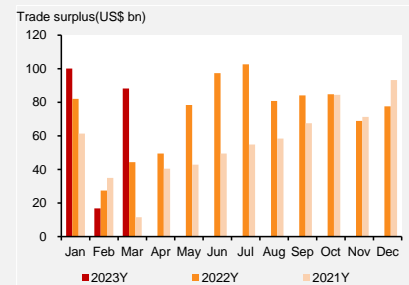
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Source: Wind, CMBIGM

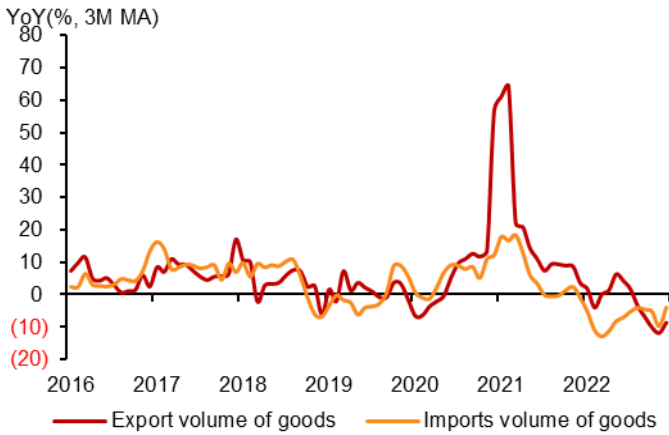


Source: Wind, CMBIGM

also shrank significantly as domestic brand gained more shares in the auto supply chains.

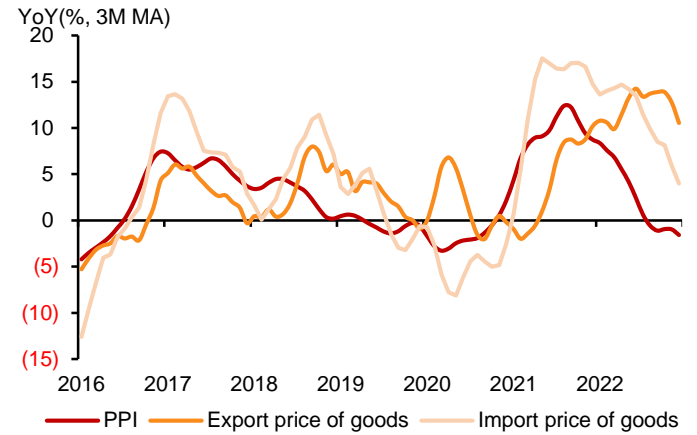
- **We expect exports to drop 3.5% and imports to rise 0.5% in 2023.** The improvement of China's exports may be unsustainable as the recent bank turmoil should slow down overseas credit growth, economic activity and inflation. China's exports should face some fluctuations this year as we expect the exports to drop 3.5% in 2023 after rising 7% in 2022. China's economic reopening and resumption should support the imports volume recovery. However, the retreat of commodity prices may restrain imports growth. We expect China's imports to rise 0.5% in 2023 after growing 1% in 2022.
- **China will maintain easing credit policy to boost domestic demand.** China will not tighten its credit policy as overseas economy faces high uncertainty while domestic demand resumption is in a gradual manner with limited deflation risk. China will maintain easing credit policy and continue to send pro-business signals in order to restore business confidence and growth momentum.

Figure 1: Growth of Export and Import Volume



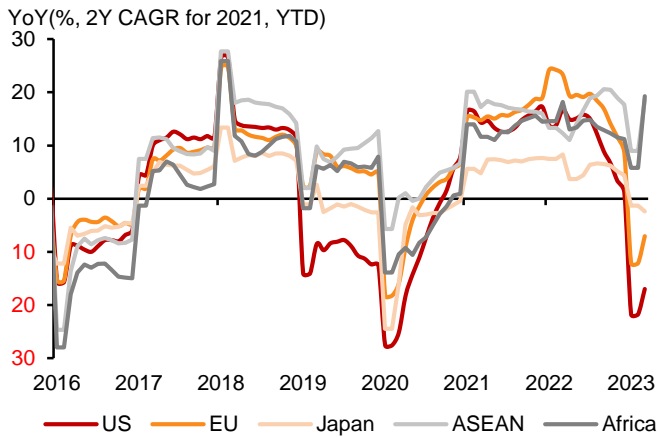
Source: Wind, CMBIGM

Figure 2: Growth of Export and Import Prices



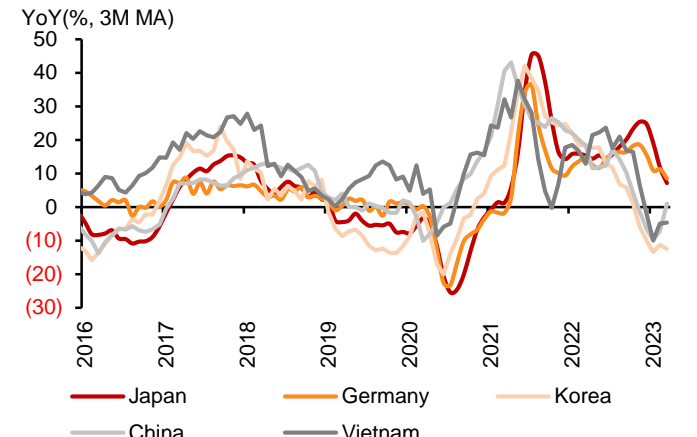
Source: Wind, CMBIGM

Figure 3: China Exports to Main Partners



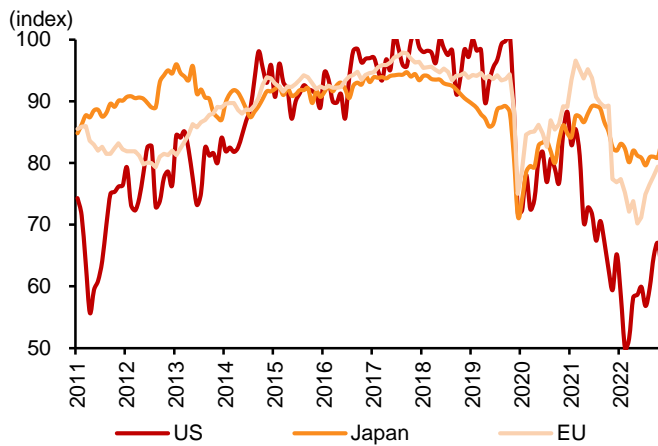
Source: Wind, CMBIGM

Figure 4: Exports Growth in Major Economies



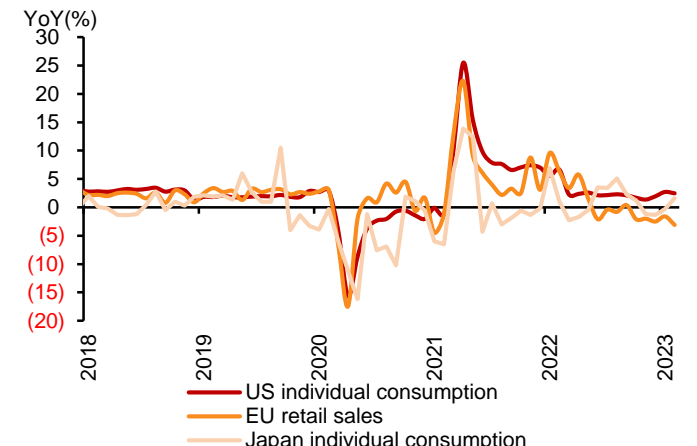
Source: Wind, CMBIGM

Figure 5: Consumer Confidence in Major Economies



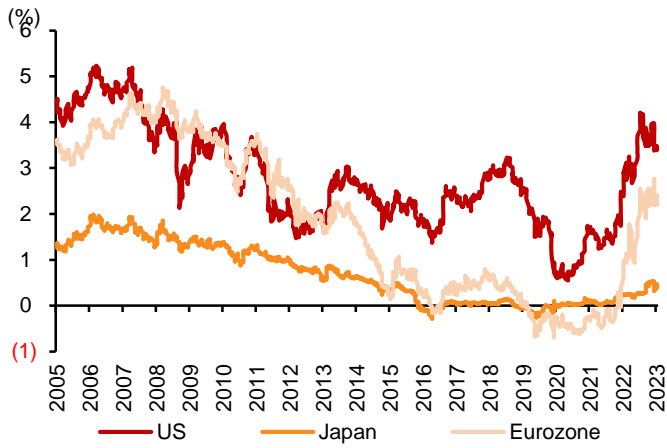
Source: Wind, CMBIGM

Figure 6: Consumption Growth in Major Economies



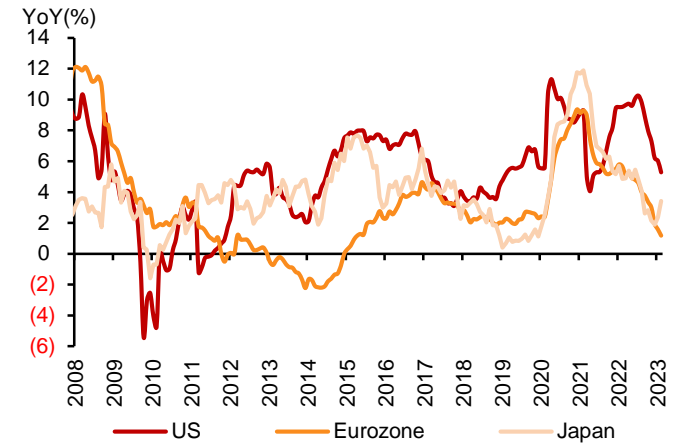
Source: Wind, CMBIGM

Figure 7: 10Y T-Bond Rates in Major Economies



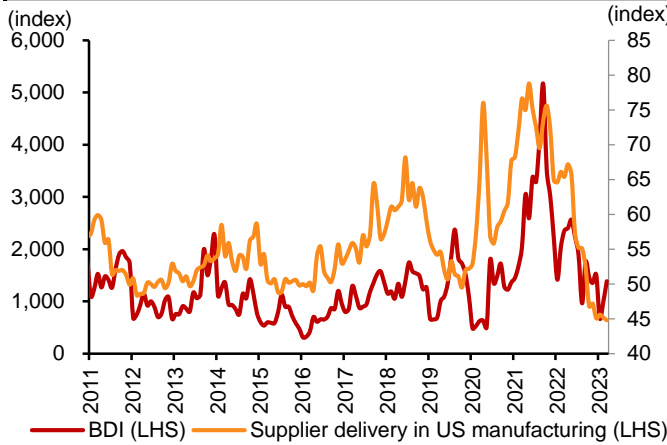
Source: Wind, CMBIGM

Figure 8: Banks' Credit Growth in Major Economies



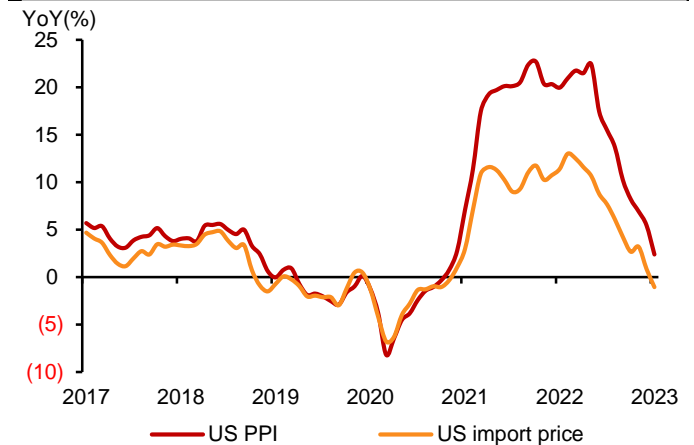
Source: Wind, CMBIGM

Figure 9: Global Supply Chain Pressure



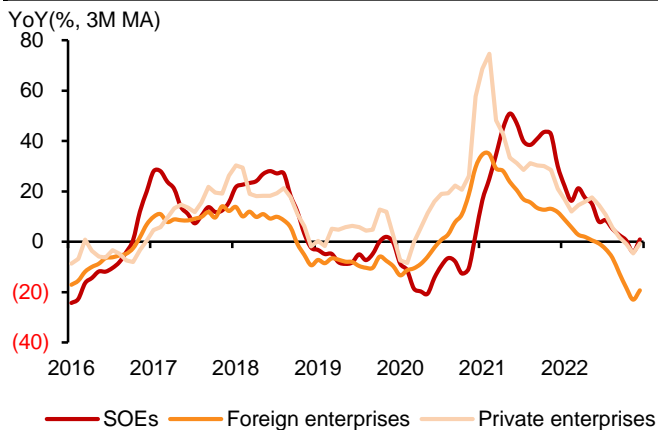
Source: Wind, CMBIGM

Figure 10: Growth of US PPI & Import Price



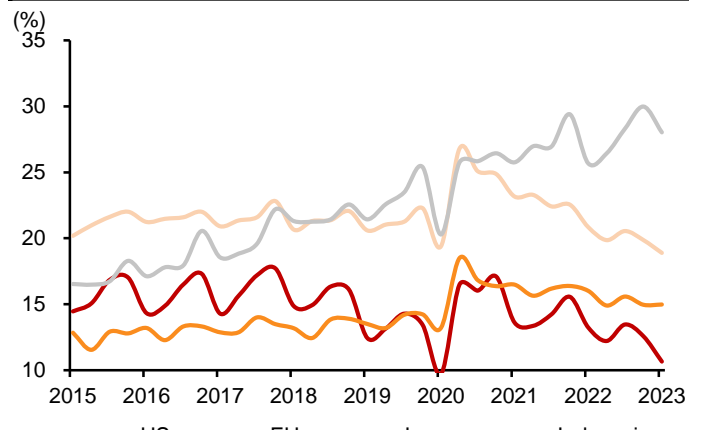
Source: Wind, CMBIGM

Figure 11: China Exports by Enterprise



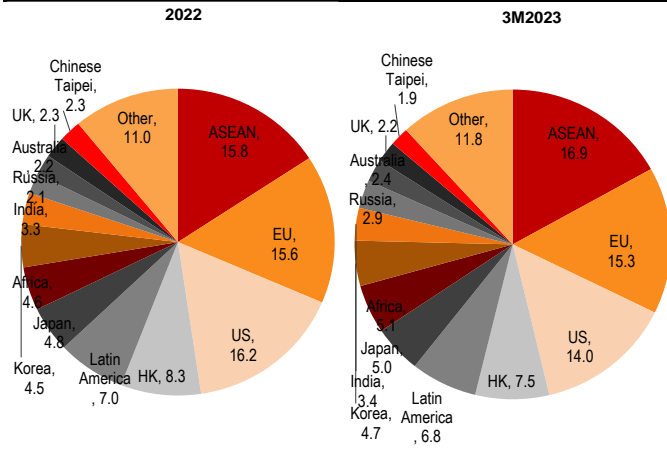
Source: Wind, CMBIGM

Figure 12: China's Market Shares in Partners' Imports



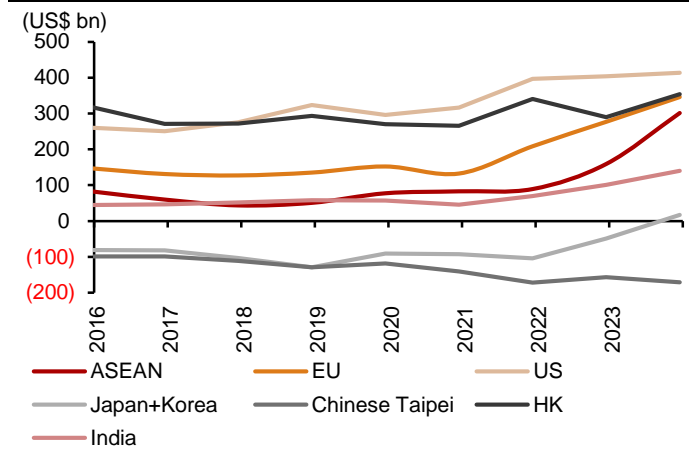
Source: Wind, CMBIGM

Figure 13: Mix of China's Exports by Destination



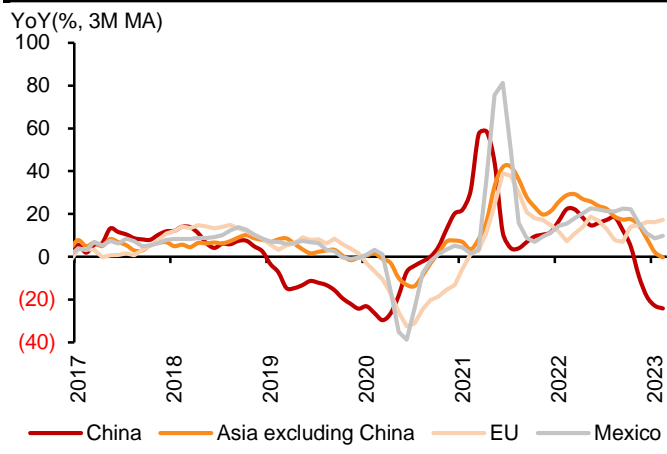
Source: Wind, CMBIGM

Figure 14: China's Trade Surplus with Main Partners



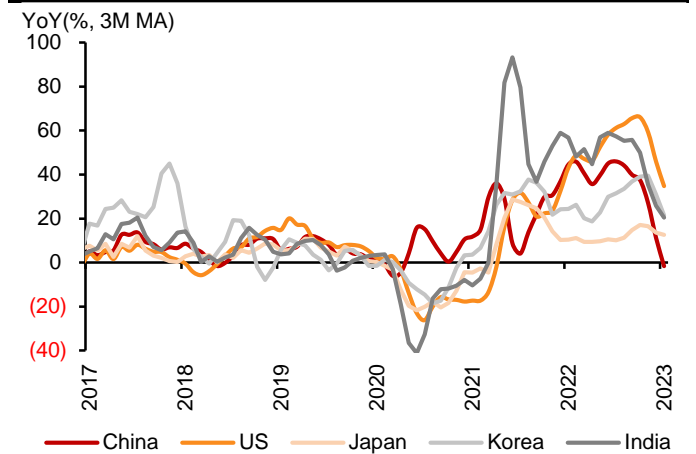
Source: Wind, CMBIGM
Note: Data for 2M23 is simply annualized

Figure 15: Growth of US Imports by Source



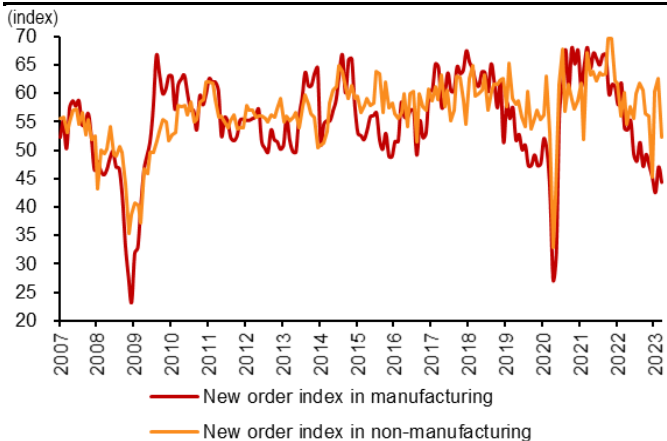
Source: Wind, CMBIGM

Figure 16: Growth of EU Imports by Source



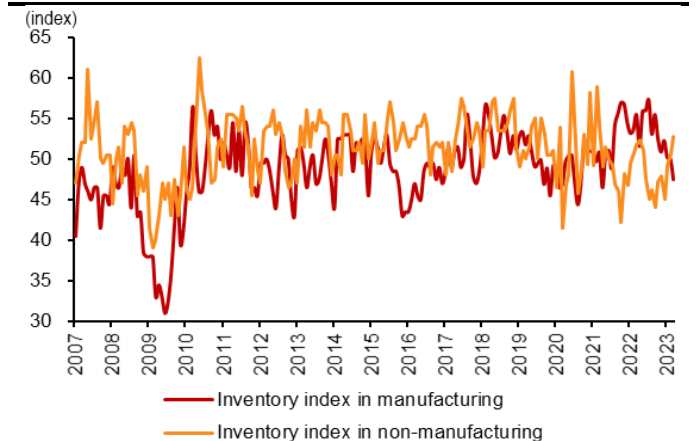
Source: Wind, CMBIGM

Figure 17: US PMI: New Order Index



Source: Wind, CMBIGM

Figure 18: US PMI: Inventory Index



Source: Wind, CMBIGM

Figure 19: Growth of China Exports by Product

	YoY(%)					2/3 Y CAGR(%)			
	2019	2020	2021	2022	1Q23	2021	1Q22	1H22	2022
Textile Yarn, Fabrics & Related Products	0.9	29.2	(5.6)	2.0	(12.1)	10.4	11.3	9.6	7.6
Travel Goods, Hand bags & Similar Articles	0.5	(24.2)	35.1	28.2	29.1	1.2	7.5	8.0	9.5
Garment & Accessories	(4.0)	(6.4)	24.0	3.2	(1.3)	7.7	8.0	8.2	6.2
Shoes & Boots	0.0	(21.2)	35.3	20.4	(0.2)	3.3	8.2	8.8	8.7
Toy	24.2	7.5	37.7	5.6	3.7	21.7	19.1	21.5	16.1
Furniture & Parts Thereof	0.8	11.8	26.4	(5.3)	(6.8)	18.9	12.6	11.8	10.2
Lamps, Lighting Fixtures & Similar Products	9.6	14.3	31.2	(6.1)	(1.7)	22.5	15.7	14.2	12.1
Plastic Products	11.2	19.6	29.1	9.3	2.9	24.3	19.7	20.2	19.1
Steel Products	(11.3)	(15.4)	80.2	18.7	36.7	23.5	11.4	19.8	21.9
Unwrought Aluminum	(7.4)	(14.1)	48.7	33.7	(23.8)	13.0	19.3	22.2	19.5
Integrated Circuits	20.0	14.8	32.0	0.3	(17.6)	23.1	21.1	19.6	15.0
Shipping	(6.3)	(15.3)	26.2	(0.4)	4.9	3.4	(2.5)	2.6	2.1
Motor Vehicles	4.1	(3.6)	119.2	74.7	81.6	45.4	50.5	43.0	54.6
Auto Parts & Accessories	(3.6)	(6.2)	33.7	7.4	11.3	12.0	10.2	9.7	10.4
General Machinery		7.5	26.4	6.1	2.3	16.6	15.8	13.8	13.0
Automatic Data Processing Equipment		11.6	21.0	(7.5)	(29.9)	16.2	12.1	9.6	7.7

Source: Wind, CMBIGM

Figure 20: Growth of China Import Volume & Price by Product

	YoY(%)					2/3 Y CAGR(%)			
	2019	2020	2021	2022	1Q23	2021	1Q22	1H22	2022
Grain	(3.6)	28.0	18.1	(10.7)	4.7	23.0	19.1	10.6	4.6
Soybean	0.0	13.3	(3.8)	(5.6)	13.5	4.4	6.6	0.9	2.3
Iron ore	0.5	9.5	(3.9)	(1.5)	9.8	2.6	1.2	(0.6)	2.6
Copper ore	11.6	(1.0)	7.6	8.0	5.1	3.2	4.6	4.9	2.3
Coal	6.3	1.5	6.6	(9.2)	96.1	4.0	(11.4)	(12.8)	(2.7)
Crude oil	9.5	7.3	(5.4)	(0.9)	6.7	0.8	1.9	(2.0)	2.1
Natural gas	6.9	5.3	19.9	(9.9)	(3.6)	12.4	4.9	3.7	(1.7)
Steel products	(6.5)	64.4	(29.5)	(25.9)	(40.5)	7.7	3.6	(7.7)	6.8
Copper products	(6.0)	34.1	(17.2)	6.2	(12.6)	5.4	7.7	1.2	12.5
Plastics in primary form	12.4	10.1	(16.4)	(10.0)	(6.6)	(4.1)	(2.8)	(7.3)	(0.3)
Rubber	(6.2)	13.6	(9.4)	8.7	10.7	1.5	5.8	2.7	7.3
Integrated circuits	6.6	22.1	16.9	(15.3)	(22.9)	19.5	17.0	4.9	1.1
Machine tool	0.0	18.8	(0.7)	(14.4)	(9.8)	8.6	6.7	9.7	0.6
Auto	(6.6)	(11.4)	0.6	(6.5)	(27.4)	(5.6)	(1.6)	7.3	(6.1)
Airplane	(48.6)	(35.4)	29.4	(27.3)	57.7	(8.6)	(30.3)	7.5	(22.3)
Medicine		(0.6)	3.1	28.8	33.4	1.2	10.4	9.4	8.6
Beauty cosmetics		3.7	5.2	(11.8)	(8.0)	4.4	2.3	(1.7)	(2.9)

Source: Wind, CMBIGM

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