CHINA
DATA RESPONSE
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CAPITAL ECONOMICS 凯投宏观

Foreign Trade (Nov.)

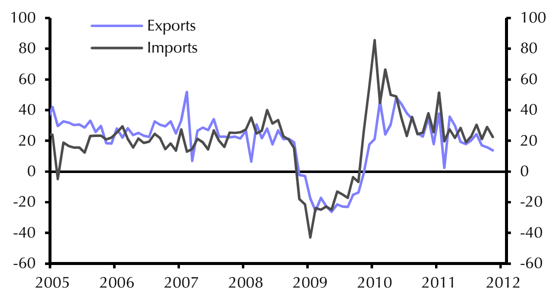
Broad-based strength in imports

Mark Williams
Chief Asia Economist
Direct Line: +44 (0)20 7811 3903
Switchboard: +44 (0)20 7823 5000
Fax: +44 (0)20 7823 6666
mark.williams@capitaleconomics.com

Qinwei Wang
China Economist
Direct Line: +44 (0)20 7808 4987
Switchboard: +44 (0)20 7823 5000
Fax: +44 (0)20 7823 6666
qinwei.wang@capitaleconomics.com

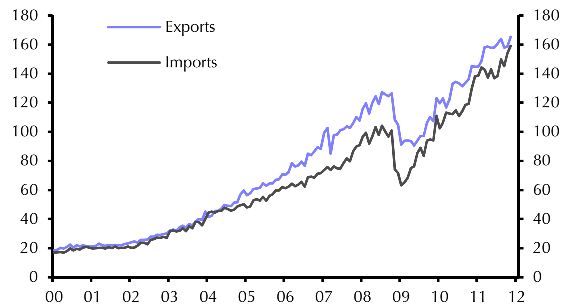
- **China's latest trade data provide some room for optimism despite the downbeat headline figures. Restocking may explain most of the pick-up in commodity imports, but non-commodity imports increased too, which is an encouraging sign of resilience in domestic demand after a run of bad data.**
- Export growth fell from 15.9% y/y in October to 13.8% in November, according to the data released on Saturday. (See Chart 1.) The fall was due to an unusually strong base for comparison. Growth actually exceeded both our and consensus expectations (Bloomberg median 10.9%; CE 9.5%). According to our calculations, exports increased by 4% m/m, once seasonal factors are taken into account. (See Chart 2.)
- While the data were better than expected, they do not provide convincing evidence that prospects for exporters have picked up. The level of exports over the last three months was unchanged from the three months before. Momentum has been slowing for a while. (See Chart 3.)
- This slowdown has been driven by the weakness of shipments to the EU, which continued in November. By contrast, the latest data show healthy growth in shipments to the US. (See Chart 4.) A usually-reliable leading indicator suggests US demand should hold up well for a while yet. (See Chart 5.) **The US looks poised to retake its position as China's largest export market for the first time since early 2007**.
- But exporters overall seem downbeat about the outlook: imports for processing or re-export have been weak since early in the year. (See Chart 6.) With global demand set to slow further, **we expect China's export growth to halve between this year and next**.
- Imports were also stronger than expected, with growth falling from 28.7% y/y to 22.1% (Bloomberg 18.8%; CE 19.0%), but rising again in m/m terms. (See Charts 1-3 again.)
- Some of that strength was due to high commodity imports, which may reflect restocking on lower prices rather than any significant pick-up in final demand. (See Chart 7 and today's companion note sent to clients of our Commodities service for more.)
- However, that is not the whole story. **Domestic non-commodity imports (i.e. stripping out both processing imports and commodities) also picked up last month** – a rare sign of strength after the recent run of weak activity data. (See Chart 8.)
- The weight of evidence still suggests the economy is slowing, but the resilience of import demand, coupled with the relative strength of the US economy, should provide some reassurance that China's economy is not facing anything like a re-run of late-2008.
- The net result was that the trade surplus fell slightly. Most of the movement appears to be in the balance of trade with the rest of emerging Asia and with Africa (we do not yet have a full breakdown for November). **The surplus with the EU edged down, but the politically-sensitive surplus with the US has continued to rise**. (See Chart 10.)

Chart 1: Merchandise Trade (% y/y)



Sources – CEIC, Capital Economics

Chart 2: Merchandise Trade ($bn, seas. adj.)



Sources – CEIC, Capital Economics

China Trade Charts

Chart 3: Merchandise Trade (seas. adj., % 3m/3m, ann.)

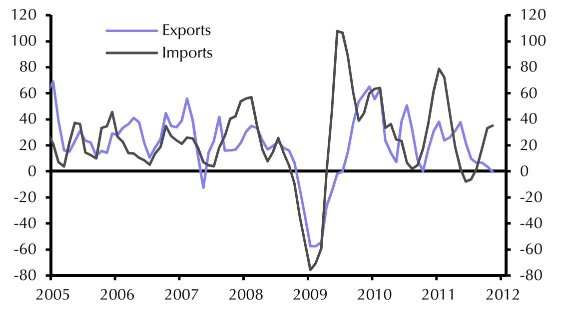


Chart 4: Exports by Destination ($bn, seas. adj.)

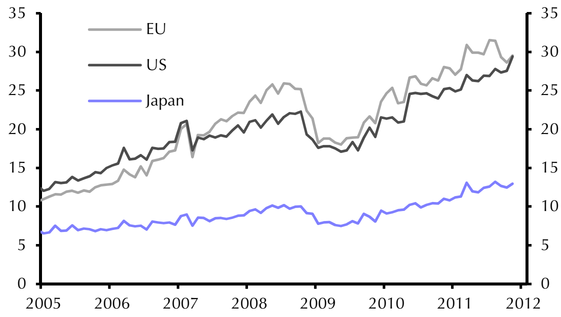


Chart 5: US ISM & China's Exports to the US

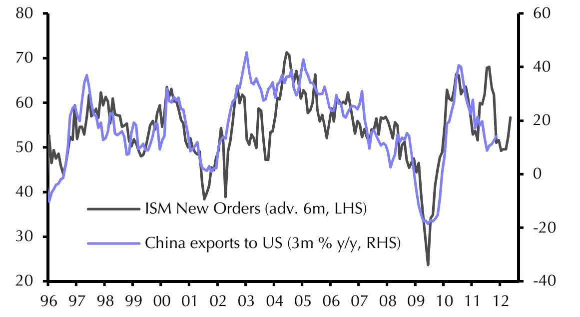


Chart 6: Imports by Intended Use ($bn, seas. adj.)

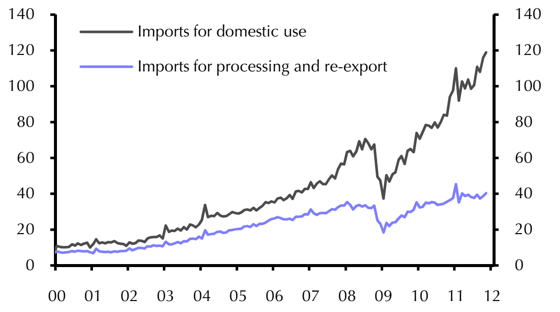


Chart 7: Commodity Imports (% y/y)

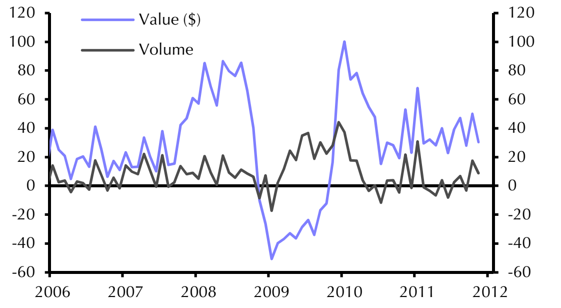


Chart 8: Imports for Domestic Use ($bn, seas. adj.)

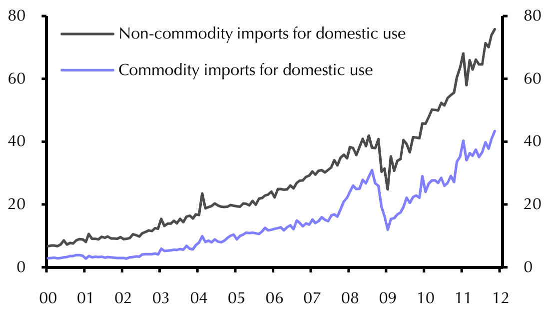


Chart 9: Trade Surplus ($bn)

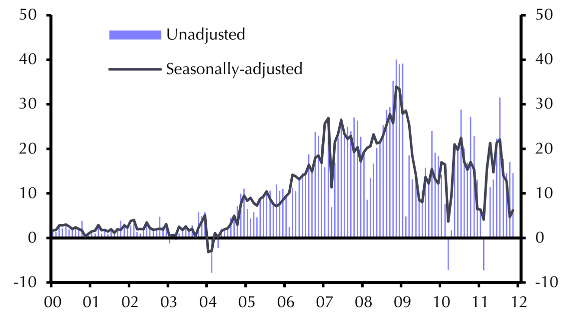
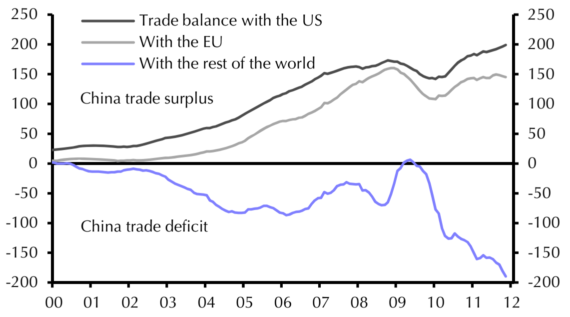


Chart 10: Trade Surplus ($bn, 12m sum)



Sources – CEIC, Thomson Datastream, Capital Economics

North America
2 Bloor Street West, Suite 1740
Toronto, ON
M4W 3E2
Canada
Tel: +1 416 413 0428

Europe
150 Buckingham Palace Road
London
SW1W 9TR
United Kingdom
Tel: +44 (0)20 7823 5000

Asia
#26-03, 16 Collyer Quay
Singapore 049318
Tel: +65 6595 5190