



Economic Insight

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China's August export and import growth exceeded market expectations

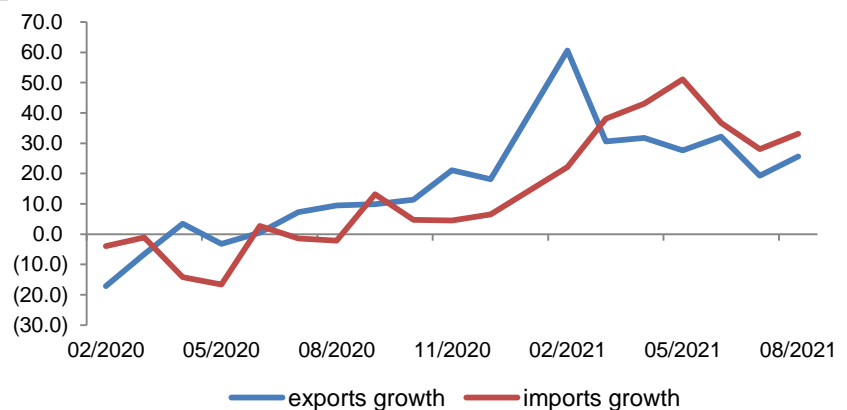
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- In USD terms, China's Aug export growth was 25.6%, stronger than the 19.3% in July and the consensus forecast of 17.3%. The acceleration in export growth was largely due to the recovery of consumption in major global economies, early Christmas stocking, and the shift of orders from Southeast Asian countries to China due to the pandemic
- Import growth rose to 33.1% in Aug from 28.1% in July in USD terms, well above the consensus forecast of a 26.9% increase. Rebound in import growth can be attributed to the high international commodity prices, in addition to the low base
- The trade balance remained high in Aug, rising slightly to US\$ 58.3bn from US\$ 56.6bn in July, exceeding the market expectation of US\$ 53.2bn. The high merchandise trade surplus in Aug and July and the sharp narrowing of service trade deficit in July indicate that the net exports of goods and services are likely to provide support for economic growth in 3Q21
- Looking ahead, the acceleration of overseas vaccination and economic stimulus policies will continue to support China's external demand. However, with the gradual increase of the base last year and further recovery of overseas supply chains, we expect China's export growth to gradually decline. Imports are likely to maintain a strong growth with the high international commodity prices; consequently, we expect trade surplus to narrow gradually. We maintain our growth forecasts for China's exports and imports at 25.0% and 30.0% for 2021E

China's Aug export growth was 25.6%¹ in USD terms, stronger than the 19.3% in July and the consensus forecast of 17.3% (Exhibit 1). In Aug, the export value approached the US\$ 300bn mark— a record high, thanks to the recovery of consumption in major global economies, early Christmas stocking, and the shift of orders from Southeast Asian countries to China due to the pandemic. Notably, the COVID-19 recurred in various parts of China in Aug; the Ningbo Port was suspended for two weeks due to the outbreak. The growth once again demonstrated China's resilience in the global industrial chain and supply chain.

Exhibit 1: China's export and import growth (%)



Source(s): China Customs, ABCI Securities

¹ All growth rates are year-on-year except specified otherwise



In Aug, China's export shipment to five major destinations – the ASEAN, EU, the US, Hong Kong, and Japan, grew by 16.6%, 29.4%, 15.5%, 24.2%, and 19.5%, respectively, compared to 14.5%, 17.2%, 13.4%, 17.7%, and 12.6% in July. China's export growth to the five major destinations accelerated in Aug, especially to EU, which was consistent with the high composite PMI of the Eurozone in Aug. More specifically, the export growth of products related to coronavirus prevention rebounded in Aug, reflecting the increase in demand for China's anti-pandemic related products due to the overseas recurrence. Export of medical instruments and equipment grew by 17.9% in Aug, while export of plastic products was up 6.7%; for textile products, the figure contracted by 14.9%. In July, the export growth of these commodities was -17.1%, -1.4%, and -26.8%, respectively. Meanwhile, export growth of integrated circuits rebounded to 38.9% in Aug from 25.5% in July. The export of clothing, toys and other products in Aug also advanced from July.

Import growth rose to 33.1% in Aug from 28.1% in July in USD terms, well above the consensus forecast of a 26.9% increase. Rebound in import growth can be attributed to the high international commodity prices, in addition to the low base. Excluding the price factor, the import growth of major commodities all rose in Aug by import volume. By volume, imports of integrated circuits, grains, soybeans, iron ore and crude oil changed by 25.8%, 18.9%, -1.2%, -2.9%, and -6.2%, respectively, compared to 19.3%, 8.9%, -14.0%, -21.4%, and -19.6% in July. Import growth from the US quickened to 33.3% in Aug from 25.6% in July.

The trade balance remained high in Aug, rising slightly to US\$ 58.3bn from US\$ 56.6bn in July, exceeding the market expectation of US\$ 53.2bn. We believe the higher-than-expected trade surplus in Aug would provide support to RMB in the near term. The high merchandise trade surplus in Aug and July and the sharp narrowing of service trade deficit in July indicate the net exports of goods and services are likely to provide positive support for economic growth in 3Q21. Notably, China's trade surplus with the US further widened to US\$ 37.7bn in Aug from US\$ 35.4bn in July.

Looking ahead, the acceleration of overseas vaccination and economic stimulus policies will continue to support China's external demand. However, with the gradual increase of the base last year and further recovery of overseas supply chains, we expect China's export growth to gradually decline. Imports are likely to maintain a strong growth with the high international commodity prices; consequently, we expect trade surplus to narrow gradually. We maintain our growth forecasts for China's exports and imports at 25.0% and 30.0% for 2021E.



Disclosures

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Definition of equity rating

Rating	Definition
Buy	Stock return rate \geq Market return rate ($\sim 10\%$)
Hold	- Market return rate ($\sim 10\%$) \leq Stock return rate $<$ Market return rate ($\sim 10\%$)
Sell	Stock return $<$ - Market return ($\sim 10\%$)

Notes: Stock return rate: expected percentage change of share price plus gross dividend yield over the next 12 months

Market return rate: average market return rate since 2008 (HSI total return index 2008-20 CAGR at 9.2%)

Time horizon of share price target: 12-month

Stock rating, however, may vary from the stated framework due to factors including but not limited to: corporate governance, market capitalization, historical price volatility relative to corresponding benchmark index, average daily turnover of the stock relative to market capitalization of the stock, competitive advantages in corresponding industry, etc.

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