



Economic Insight

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China's trade stayed strong in Mar

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- In USD terms, China's Mar exports grew 30.6%, thanks to the increase in external demand supported by the gradual recovery of the world's major economies from the pandemic due to vaccination and the low base effect
- Import growth rebounded sharply to 38.1% in Mar from 22.2% in the first two months in USD terms. The rebound in imports in Mar was mainly attributable to the accelerating growth in domestic demand and the sharp rebound in international commodity prices, in addition to the low base last year
- As imports grew faster in Mar, trade surplus fell to US\$ 13.8bn in Mar. However, due to the high trade surplus recorded in the first two months, the trade surplus in 1Q21 reached US\$ 116.4bn, up by a drastic 781.8%. The net exports of goods and services in 1Q21 have brought solid support to China's economic growth
- Looking ahead, we estimate export growth will gradually decline due to the higher base and further recovery of the overseas supply chain. Import growth will maintain an uptrend due to the high commodity prices and strengthening domestic demand; consequently, trade surplus may narrow

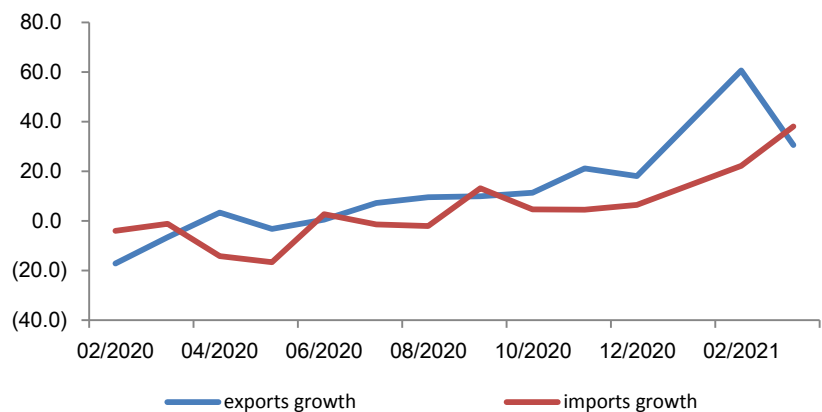
China's Mar export growth was down from the exceptionally high at 60.6%¹ in 2M21 to 30.6% in USD terms - a substantial increase nonetheless (Exhibit 1). The rapid export growth was in line with the advancement observed in the new export orders index within the official manufacturing PMI in Mar. The export growth was largely driven by a reviving external demand from the world's major economies, thanks to the vaccination rollout, as well as the low base in 2020. Data shows that the manufacturing PMI of the US, the Eurozone, and Japan rose to 64.7, 62.5, and 52.7 in Mar, which in turn propped up China's exports. In addition, the spot CNY against USD depreciated by an average of 0.6% in Mar compared with the previous two months, which also supported China's exports. China's export growth in Mar is still robust excluding the base effect. Compared with Mar 2019, China's exports in Mar increased by 21.3%, indicating an average growth of 10.3% in two years.

China's export shipment to five major destinations – the ASEAN, EU, the US, Hong Kong, and Japan, grew by 14.4%, 45.9%, 53.3%, 33.3%, and 7.6%, respectively, in Mar. China's exports to main markets, especially the US, have stayed high, reflecting that the new round of the US rescue plan has increased the demand for Chinese goods. It is worth noting that the export of anti-epidemic products slowed in Mar - export growth of plastic products in Mar was 22.5%, that of textile yarn, fabric and products was 8.4%, and that of medical instruments and devices was 39.0%; conversely, the export growth of integrated circuits rebounded to 33.0% in Mar from 30.8% in the first two months.

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



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



Source(s): China Customs, ABCI Securities

Import growth rebounded sharply to 38.1% in Mar from 22.2% in the first two months in USD terms, well above the consensus forecast of a 24.4% increase. Excluding the base effect, imports in Mar this year increased by 36.9% over Mar 2019, implying an average increase of 16.7% over the two years. Import growth from the US advanced to 75.1% in Mar from 66.4% in 2M21. The rebound in imports in Mar was mainly attributable to the accelerating growth in domestic demand and the sharp rebound in international commodity prices, in addition to the low base in 2020. Excluding the price factor, the import growth of major commodities all rose sharply in Mar by import volume, thanks to the reviving domestic demand. By volume, imports of crude oil, iron ore, integrated circuits, soybeans, and grains grew 20.8%, 18.9%, 30.0%, 81.5%, and 87.0%, respectively.

Due to the strong import growth in Mar, trade surplus fell to US\$ 13.8bn for the month, much lower than the market expectation of US\$ 52bn. However, due to the high trade surplus recorded in 2M21, trade surplus in 1Q21 reached US\$ 116.4bn, up 781.8% YoY. Net exports of goods and services in 1Q21 have brought support to China's economic growth. Notably, the country's trade surplus with the US was as high as US\$ 21.4bn in Mar.

Looking ahead, with the gradual increase of the base last year and the further recovery of overseas supply chains, we expect China's export growth may gradually decline. Imports are likely to maintain a strong growth with the strengthening of domestic demand and the rising international commodity prices; consequently, we expect trade surplus to narrow further.



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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