

TRADE

STRONG GLOBAL DEMAND SPURS CHINA EXPORTS

Shipments of consumer goods rebound as retailers in advanced economies refill inventories before Christmas amid pandemic and production woes

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Volatile pandemic conditions worldwide and the constrained production of goods in Southeast Asia, caused by recent Delta variant outbreaks, combined to prop up global demand for Chinese goods last month, leading to a stronger-than-expected surge in exports.

Analysts and economists have been trumpeting their predictions that growth in China's exports will come off the boil in the second half of this year after they soared to levels higher than before the pandemic amid strong demand from locked-down developed countries.

But yesterday, official data showed August's exports were way up, surprising pundits with 25.6 per cent growth year on year.

This was higher than expectations for a growth rate of 17.3 per cent in a Bloomberg survey after July's subdued 19.3 per cent increase.

There were rebounds in exports of many Chinese-made consumer goods, including electronics, furniture, home appliances, toys and recreational products, as retailers in advanced economies started replenishing inventories before Christmas,

analysts said after the official data was released.

There was also an increase in exports of mechanical, electrical and hi-tech products.

"Exports to most advanced economies picked up by the most since the start of the year. In contrast, shipments to Asean [nations] saw smaller gains, perhaps reflecting disruption to factory activity amid the wave of Delta outbreaks across the region," Capital Economics assistant economist Sheana Yue said.

China's imports also exceeded expectations, growing by 33.1 per cent last month from a year earlier, up from the 28.1 per cent growth seen in July. A Bloomberg survey had predicted a 26.9 per cent gain.

"Inbound shipments of semiconductors edged down,

which suggests some supply shortages continue to linger. But this was offset by the rebound in agricultural commodity imports as the recovery in pig stocks boosted demand for soybeans," Yue said.

"Imports of industrial metals and oil rebounded sharply, too, the latter possibly due to the issuance of new import quotas on crude oil."

Despite the recent strength of agricultural imports, shipments from the United States were not higher than before the US-China trade war and had plateaued in recent months, Yue added.

Exports of steel in August grew by 37.4 per cent year on year, but the pace of growth has slowed compared with July.

This possibly reflected changes in key policies that took effect last month, when China raised export tariffs for pig iron and ferrochrome, and removed export tax rebates for 23 steel products to slow domestic production and curb emissions.

Other strong trade movements were imports of grains, coal and iron ore, but exports of textiles, including face masks, fell by 14.9 per cent year on year.

Zhou Hao, an economist at Commerzbank, said it was hard to interpret the August trade data,

but it could mean expectations of a "hard landing" for Chinese trade and the economy later this year might need to be adjusted.

"The demand from the US and Europe [for Chinese goods] was still good. The imports were largely affected by the price factor," Zhou said.

"The robust export of mechanical and electrical products, especially integrated circuits, showed China still replaced manufacturing in Southeast Asia to some extent."

He added that the latest figures suggested China's export growth rate might not slow as rapidly as expected, but he also warned there could be headwinds later.

Citic Securities, HSBC and Oxford Economics also welcomed the positive turn in Chinese trade, pointing to it as a potential cushion to the expected slowdown.

"China's trade revived with full spirit in August," Citic Securities analysts said in a note. "The still-strong trade data in August changed the overall weak economic expectations, to some extent alleviating market concerns about the economic slowdown."

Oxford Economics' economists Tommy Wu and Louis Kuijs also see the potential for more growth in exports later this year, while HSBC Greater China economist Erin Xin said manufacturing investment would be a key driver for growth for the rest of the year.

25.6%

The year-on-year growth in China's exports in August, beating forecasts for a 17.3 per cent gain and surpassing July's 19.3 per cent rise