

# SHANGHAI REOPENING BOOSTS EXPORT GROWTH

**Data for May shows 16.9 per cent increase, accelerating from 3.9 per cent in April, but economists say momentum set to fade amid rising uncertainties**

Ji Siqi and Orange Wang

China's export growth rebounded in May as manufacturing activity in Shanghai gradually returned to normal towards the end of its two-month coronavirus-induced lockdown, but any forward momentum is set to fade amid rising uncertainties, according to analysts.

Exports grew by 16.9 per cent last month from a year earlier to US\$308.25 billion, compared to 3.9 per cent growth in April, according to the data released by China Customs yesterday.

The May figure was above expectations for a rise of 7.3 per cent, according to Wind, a leading national provider of financial information services.

Imports, meanwhile, grew by 4.1 per cent to US\$229.49 billion, up from an unchanged reading in April and also above the expectation for a 0.6 per cent rise.

"Resuming international trade has been a priority for the local governments in Shanghai and the cities in Zhejiang and Jiangsu provinces. Their efforts paid off," said Zhang Zhiwei, chief economist at Pinpoint Asset Management.

The container throughput for foreign trade at eight major ports in China rose by 13 per cent in May, according to the China Ports & Harbours Association.

But despite the recovery, the momentum was still weaker than before the latest coronavirus outbreaks, and it was unclear if the double-digit export growth was sustainable for the rest of this year, Zhang said.

**Exports in May were to a large extent driven by orders placed before the outbreak**

ECONOMIST ZHANG ZHIWEI

"Exports in May were to a large extent driven by orders placed before the outbreak. The new export order indicator from the [purchasing managers' index] in the past two months is quite weak," he said.

The increase in export value in May from US\$273.62 billion in

April can also be attributed to overseas inflation, according to Golden Credit Rating.

"China's major export destinations such as the United States and Europe are experiencing high inflation ... This also supported the high growth rate of exports in May to a certain extent," the domestic rating agency said.

Overall, the 10 countries of the Association of Southeast Asian Nations retained their place as China's largest trade partner in May, followed by the European Union and the US.

China's exports to the Asean countries rose by 25.9 per cent compared with a year earlier to US\$49.3 billion in May, while imports dropped by 2 per cent to US\$32.5 billion.

Amid talk of the US considering removing some of the tariffs imposed on Chinese goods, imports from America grew by 21.2 per cent from a year earlier to US\$15.9 billion in May, while exports increased by 15.7 per cent to nearly US\$52 billion.

Iris Pang, chief Greater China economist at ING, said the discussions over the removal of tariffs were likely to be drawn out as it was both an economic and political policy issue, with any

changes unlikely to happen until the third quarter.

In May, the trade surplus with the US widened by 13.5 per cent from a year earlier to US\$36.1 billion from US\$32.2 billion in April.

China's imports from Russia surged by 79.6 per cent to US\$10.3 billion in May, but exports fell by 8.6 per cent to US\$4.3 billion.

Sheana Yue, China economist at Capital Economics, said the rebound in exports in May was likely to be a temporary blip as virus disruptions were eased.

"Given growing headwinds to exports, we continue to expect a fall in outbound shipments over the coming quarters. For a start, shifts in global consumption patterns that have supported Chinese exports will unwind coming out of the pandemic," Yue said.

"What's more, high inflation and rising interest rates in many key markets for Chinese exports will weigh on household purchasing power."

Li Xingqian, an official with the Ministry of Commerce, said on Wednesday some foreign trade orders, which returned last year due to the coronavirus outbreaks in neighbouring countries, had now left China and returned to these places.

But Li added that the scale was largely under control and the impact was limited.