

Slowdown in exports points to uncertainty

**Pace of growth in April
drops while imports
decline as worldwide
demand stutters**

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China's exports were set to struggle, analysts said, after growing at a slower pace in April, with a decline in imports also adding to the uncertainties over the post-Covid economic recovery.

Exports rose 8.5 per cent last month from a year earlier to US\$295.42 billion, beating expectations but down from a 14.8 per cent increase in March, according to data released by China Customs yesterday.

Imports, meanwhile, fell short of expectations and shrank by 7.9 per cent in April from a year earlier to US\$205.21 billion. That followed a decline of 1.4 per cent in March, amid weak demand and lower commodity prices.

"It seems increasingly clear that the global economic slowdown is weighing on China's exports," said Iris Pang, chief economist for Greater China at ING. "Falling imports – an input for future exports – suggest that a further deterioration of exports in the coming months is highly likely. It is looking more likely that, in response, the government will step in to support the manufacturing sector's labour market through fiscal stimulus."

The weak trade data is consistent with April's official manufacturing purchasing managers' index, which fell to 49.2 having remained above the 50-point mark separating expansion and contraction for the first three months of the year.

The further fall in imports may be partly driven by slowing global demand, which affects purchases of parts and components for the so-called processing trade, said Zhang Zhiwei, chief economist at Pinpoint Asset Management.

The processing trade involves importing all or part of the raw materials and re-exporting the finished products after processing or assembly.

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Zhang said the mixed messages from recent economic data – including a strong service sector driven by increased spending over the recent five-day Labour Day holiday and a much weaker manufacturing sector – were unlikely to push the government to change its policy stance.

"The top priority for the government is to reduce the unemployment rate, in our view," he said after the jobless rate among those aged 16-24 climbed to 19.6 per cent in March, while the overall unemployment rate dipped slightly to 5.3 per cent.

"The government may wait and see if the recovery in the service sector is strong enough to bring the unemployment rate to the pre-Covid level."

On a monthly basis, exports fell by 6.4 per cent and imports fell by 9.7 per cent in April.

Economists from Goldman Sachs said the sequential decline in exports was in line with historical patterns for this year's earlier-than-normal Lunar New Year, as pent-up orders during the holiday were released in March.

April's export volumes also reversed almost all of March's increase after accounting for seasonality and changes in export prices, said economists from Capital Economics.