

China's exports jump on port recovery

China's trade data was better than expected in May. This results from the resumption of operations at Shanghai's ports in the last week of May. We believe this recovery can continue if there are no further lockdowns. Tariffs will be a talking point again, but changes probably won't happen soon



Chinese container ship

China's exports jump

Exports rose 16.9% year-on-year in May, rebounding from only 3.9% year-on-year in April. Imports rose 4.1% year-on-year in May, up from 0% the previous month. The increase in both exports and imports was mainly due to the reopening of the port of Shanghai, China's largest port, in the last week of May.

The trend of 10-20% annual growth should continue

As the rebound came mainly from the reopening of Shanghai's port facilities, we see the May figures as a continuation of the 14.7% year-on-year export growth in March. If China's future lockdowns follow Beijing's model, they should be more flexible, shorter in duration and should put less pressure on the economy.

Markets to focus again on tariffs

As the US is considering "reconfiguring" tariffs on imports from China, this will be a focus of discussion in the markets. However, we believe that the discussion in the US on this topic is likely to be drawn out as this is an issue of both economic and political policies towards China. The lifting of tariffs may not happen until the third quarter of 2022.

However, even without the removal of tariffs, if global demand continues to be as strong as it has been since 2021, China's exports should maintain an average annual growth rate of 15%, at least through 3Q22.