

## China export boom

Chinese exports grew significantly from improved external demand. The trade balance jumped and will continue to help to support GDP growth.



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### External demand improved in July

The 7.2%YoY jump in exports was unexpected. The consensus was looking for -0.6%YoY. Looking at the details of exports by item, we see that there is an overall improvement in exports in July from June, not just medical supplies which had previously been the main contributor to export growth. Back in June, we already saw some monthly improvement in demand for textiles and garments. This July data shows that there have also been improvements in electronic parts, handsets, computers, clothing, and automobiles.

One item that did not increase on a monthly basis was exports of baggage, which reflects the ongoing difficulties faced by international travel.

But the jump in external demand in July may not last long because some Covid-19 clusters have emerged since late July, as caution was relaxed too early in some places.

### Imports were brought down by commodities

China imported less crude oil and fewer agricultural items. For crude, this was not a big surprise to

us since China had piled up a large stock of crude inventories in previous months.

But we had not expected China to import less grain and soybeans in July compared to June because China's flood should have cut some local food supply. It could be that inventories of agricultural items were more than sufficient for China to survive through the flood.

## **Trade surplus will continue to support GDP growth**

The July trade surplus amounted to \$62.33 bn, which is the second-highest since October 2015, the highest was recorded this May. In May the trade surplus increased due to a big fall in imports of -16.6%YoY but the surplus in July was the result of a big jump in export growth.

The different reason behind the trade surplus implies that the global economy may now be showing signs of recovery.