

China: Exports slow but imports jump

China's trade growth showed slower exports but faster imports. What's behind this divergence?



Workers on a copper foil production line in Jiangxi Province

Export and import growth diverged in May

Exports in May grew 27.9%YoY, which is slower than the consensus expectation of 32% growth. The main reason for the shortfall is that all export items related to semiconductor chips have slowed. Auto processing products and parts, the biggest export item, fell 4%YoY in terms of export value. This is most likely the result of the semiconductor chip shortage.

In contrast, imports grew 45.53%YoY in May. This was largely the effect of higher commodity prices from last year as import volumes actually decreased on a monthly basis.

Port disruption added pressure to trade

Since the end of May, there have been around 10 Covid cases daily in Guangdong, where most electronics factories are located.

Shipments from the port in Shenzhen that process most of the electronic throughput have been affected by Covid. Port workers now have to have Covid tests and port operations have been disrupted. Some factories in Guangdong were also affected by Covid, mostly caused by workers queuing up for testing. As such we expect June trade and production data will be affected. This could push up prices of electronic goods in general and affect China's export prices and eventually import prices in the US and Europe. Supply chains in Asia will also likely be disrupted.