

China's import growth lagged behind exports for a good reason

Import data in June does not reflect the current demand for goods in China as lockdowns eased in the month and shipments were made before that. Import growth should pick up in the August data



Source: Shutterstock

Port congestion at the time of lockdown led to miscalculation of import demand

Export growth (17.9% year-on-year in June from 16.9% in May) outpaced import growth (1.0% YoY in June from 4.1% in May).

It seems that demand for imported goods was weak in June. But this may not be the case. The calculated Chinese demand for goods before shipment to China was affected by lockdowns and port congestion between April and May. But lockdowns have since been lifted and demand for imports should have recovered mildly, something that could not have been reflected in the miscalculated demand prior to shipment.

Exports continued to recover due to easing traffic at ports.

Outlook is cautiously positive

We expect imports to grow faster and the export recovery to continue until the US economy slows

down. This has a precondition that long lockdowns in key cities in China will not be repeated. This is still uncertain but the government seems to be more flexible on quarantine arrangements.

Despite this risk, consumer demand has picked up in China as more local governments have handed out subsidies for consumption, e.g. electric vehicles and consumer electronics. The main concern is still job and wage growth for the rest of the year.