

China: Strong exports and imports signal a recovery but chip shortage is a concern

China's strong export and import growth YTD in February means not only recovery in China but also a recovery in some major export markets. Risks to China's trade, and may be even global trade, is the shortages of semiconductor chips, which are used in many goods. Without semiconductors, production and trade may be disrupted



Source: Shutterstock

60.6% YoY

China's exports YTD February

Better than expected

22.2% YoY

China's imports YTD February

Better than expected

Strong export growth is not only a result of the low base effect

Exports grew 60.6% year-to-date year-on-year in February, better than the consensus of 40.0%. That is partly due to the low base effect from February 2020, which ended up in partial lockdowns in China. There is little seasonal effect from the Chinese New Year as the data released combined January and February. This tells us that global demand has started to recover.

China exported US\$80.53 billion to the US, which is a growth of 87.3% YTD YoY. The EU received US\$73.72 billion from China, as it grew 62.6% YTD YoY in February.

China shipped mainly home electric appliances, vehicles and automatic data processors (e.g. computers).

Combining the data, we note that the recovery in exports is no longer only in products for work or study from home. It also includes vehicles, which reflects a better confidence in job and salary prospects by consumers in the export markets. However, exports of travel luggage still reported a contraction of 4.8% by volume due to limited international travels.

Imports as strong as exports and still beat estimates

Imports grew 22.2% YTD YoY in February, beating the consensus of 16.0%. China's imports from the US grew the most at 64.4% YTD YoY in February. China is showing its commitment of fulfilling the Phase One trade agreement.

Apart from this observation, we noted that ASEAN was the number one trade partner of China's imports. This could continue as China is increasingly a more expensive place for factories that produce low-value added goods. This should lead to more imports of low-value added parts from ASEAN to continue the supply chain production in China as well as consumption in China by products produced in ASEAN.

This in fact is a good news for China, it has more land for higher value added production.

Global trade concerns from shortages of semiconductors

But there is a concern as we didn't see a very high jump in the exports of semiconductors (30.8% YTD YoY, less than overall exports of 60.6%), which could be due to global shortages of the item. Production capacity cannot increase in several months' time as each semiconductor producers can only operate to full capacity unless they can expand production lines swiftly, which is very unlikely. Semiconductors is a major trade item of Mainland China, Taiwan, South Korea and Japan in Asia, and shortages mean export growth will have a limit and prices would go up. This could affect a large part of production of many goods, which in turn will affect exports and imports of many economies in the next several months.

