

## China: surprise rebound in exports and imports

Exports and imports showed unexpected positive growth, signalling a recovery in external demand. But the smaller trade balance confirms our view that GDP growth in 2Q20 should still be negative on a yearly basis



### Exports and imports unexpectedly rebound

Export grew 0.5% year-on-year while the consensus was -2.0% YoY, and imports grew even faster at 2.7% YoY when the consensus was -9.0% YoY.

Looking at the export items, we found that clothing and footwear exports have increased, which signals that external demand is recovering. The data shows positive signs of a global economic recovery in the second half of the year.

Import growth was mainly due to imports of grains (excluding soybean), which should serve the purpose of securing food as floods, which began in June, threaten to destroy land and crops. This growth in imports should not be interpreted as a response by China to quickly fulfil the phase one trade deal. China's imports rose around 11% month-on-month from the US but 34% from Brazil in June.

## Trade balance was smaller

The trade balance shrank to \$46.2 billion in June from \$62.93 billion in May. Net exports were smaller in June and will not change the trend of a contraction in GDP growth in 2Q20.

This confirms our view of GDP growth in 2Q20 at -3.1% YoY.

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