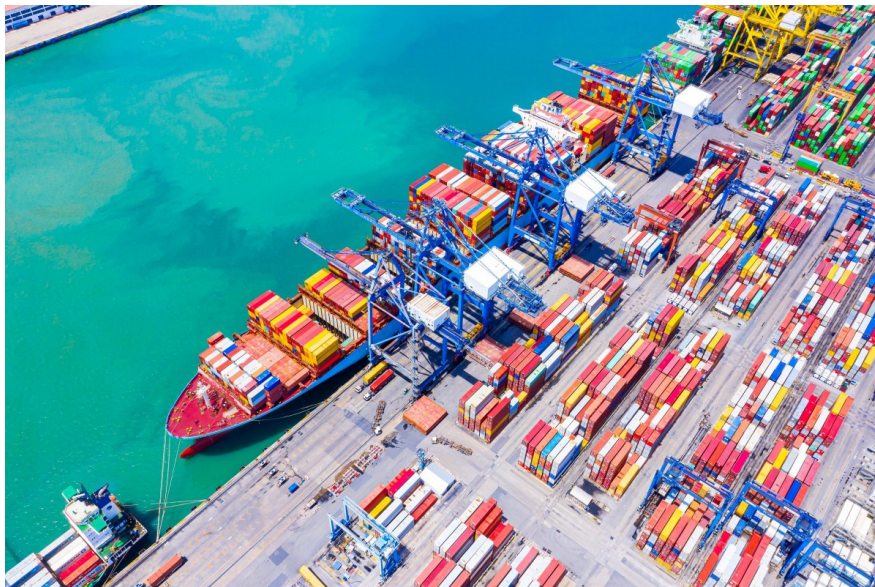


China surprises with big export jump in March

Exports rose 14.8% year-on-year in March. The consensus was for a contraction of around 7%. That is a real difference. But it seems like a general rebound could be short-lived. The jump in exports pushes up the trade balance, which will support first-quarter GDP



Source: Shutterstock

+14.8%

Higher than expected

China exports (year-on-year)

versus consensus -7%

Unexpected export growth

China's exports unexpectedly grew by 14.8% YoY in March, which was a sharp divergence from market forecasts of a 7% contraction. This is also in contrast to the downward trend in exports over the past five months. The growth in exports in March appears to have followed the pattern of

previous growth. It was mostly driven by electronic parts and products, the largest contributor to Chinese exports. This item grew by 12% YoY and its contribution to total exports remained stable at 58%. This is the first time that electronics exports have recorded growth since the contraction began in October 2022.

Imports fell slightly by 1.4% YoY, but still recorded a monthly increase of 15.3%. Imports of electronic components, an import item which should be considered as part of processing trade and is indicative of future export growth, fell by 16% year-on-year. Its contribution to total imports also declined from an average of 38% in 2022 to 35% in March. This is supposedly due to more energy imports since 2022. But, in any case, the slowdown in imports signals that exports should also slow down in the coming months.

Implications

There are two:

1. **Growth divergence vs supply chain effect on exports.** Exports to ASEAN, which rose 18.6% YoY, were in contrast to the fall in exports to the US and Europe by 17% and 7%, respectively in the first quarter. This could indicate a divergence of growth in the world, that is, an uptrend in intra-Asia trade amid rising Asian demand and a downtrend in the US and Europe. We are also aware that this could be due to a broader supply chain network growing from just Mainland China to Mainland China plus ASEAN. But if this is the case, then the supply chain from Mainland China to ASEAN should also be affected by the gloomy outlook of the US. As such, we believe that it is more likely to be that Asian demand is still rising even though the western side of the world is experiencing an economic downturn.
2. **GDP report.** The jump in exports paired with a slight fall in imports resulted in a jump in the trade balance to USD88.19 billion in March. This amounts to a trade balance of USD204.7 billion (CNY1409 billion) for the first quarter. This should give first-quarter GDP a bit of support. Our GDP forecast for the first quarter is 3.8% YoY.