

Strong China trade figures despite port shutdowns

Export and import growth beat estimates. Semiconductor related sectors such as autos are once again under the spotlight and could provide China with a comparative advantage in production



Source: Shutterstock

Semiconductor production capacity is key to growth

Exports grew 25.6% year-on-year in August from 19.3% YoY in July despite port suspensions due to Covid. Imports also performed well, growing 33.1% YoY from 28.1% YoY in July.

Car and steel exports were the main factors driving headline growth. It appears that China is still churning out the types of semiconductors needed for auto manufacturing. If China can keep this up, this could be a useful growth engine in the coming months.

Importing more energy

China imported more coal and LNG in August. Although this is not an encouraging sign for achieving net-zero carbon emissions, China does not expect emissions to peak until 2030 anyway. More energy imports are to be expected as the global economy recovers from Covid as China's export machine will need the raw materials and energy to power this.

More growth expected if Covid is brought under control but mind the policy risk

If Covid infections are brought under control, the global recovery could return as a theme later this year. China should gain from the global recovery as illustrated by this set of trade data.

But the domestic economy is still clouded by policy risks.

We are not changing our 2021 GDP forecast, which remains at 8.9%.