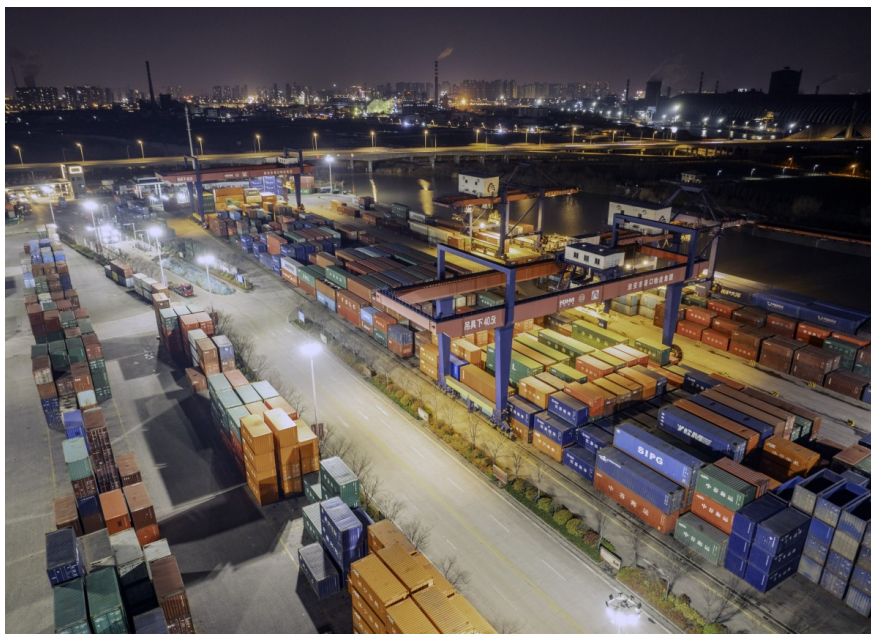


Upbeat Chinese trade data is an encouraging start to the year

Trade data started the year on a relatively encouraging note, with both exports and imports beating market expectations, though the data is impacted by a weak base effect.



A container terminal in Huai'an, China



Trade data beat expectations to start the year

China's General Administration of Customs released the Jan-Feb trade data, which was our first look at Chinese trade data for the year. Policymakers prefer to look at the first two months in aggregate to limit the Lunar New Year effect on data.

In line with our expectations after analysis of trade data of neighbouring economies, trade saw a

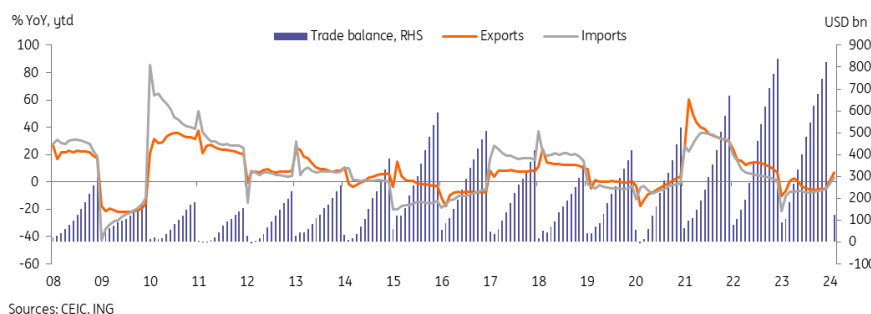
recovery to start the year, with exports up 7.1% YoY in USD terms and 10.3% in RMB terms, and imports up 3.5% YoY in USD terms and 6.7% YoY in RMB terms, leading to a trade surplus of USD 125.2 bn in the first two months of the year, around 8% higher than the comparable period for 2023.

By export destination, positive signs included exports to ASEAN, which showed the strongest growth at the start of 2024, up 9.2% to RMB 588 bn. Exports to the US also recovered, up 8.1% YoY to RMB 708 bn, though this may have been more of a base effect story. On the flip side, exports to the EU remained sluggish, with a 1.6% YoY growth to RMB 556 bn, and exports to South Korea dropped -6.8% YoY to RMB 150 bn.

We saw auto exports continue to outperform the headline with a 15.8% YoY growth in the first two months of the year. Clothing (16.3% YoY), textiles (18.9% YoY), and plastics (26.5% YoY) also performed strongly.

In imports, imports for some commodities led the way, with natural gas (23.6% YoY) and iron ore (8.1% YoY) outperforming the headline number. Imports of mechanical and electrical products also rose 11% YoY, which was hinted at in some of the earlier trade data from neighbouring economies. On the other hand, imports of soybeans dropped -8.8% YoY, another sign that the pork cycle will turn later in the year.

China exports and imports beat forecasts at the start of 2024



Two Sessions outlined some priorities for supporting trade in the year

The Two Sessions government work report and statements from officials stated that priorities for the year included supporting trade financing, improving cross-border settlement and exchange rate risk management mechanisms, increasing collaboration with trade partners across supply chains, and organising trade fairs would be a target for the year. New growth areas of intermediate goods and green trade would also be expanded throughout the year.

Positive start to the year but expect headwinds for trade in 2024

The start-of-the-year data showed some encouraging signs, and the weak base effect from 2023 should lead to a mild recovery of YoY trade numbers in 2024. We expect low-to-mid single-digit growth for both exports and imports in 2024, which will be an improvement in YoY terms from last year but insufficient to be a major contributor to growth.

We expect a relatively difficult trade environment moving forward, as global growth is largely expected to moderate this year, which will act as a headwind on Chinese exports. Besides a generally unfavourable global environment, there is also an additional risk that we will see China-specific trade barriers later in the year.

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