

China trade slump in November

Both exports and imports continued to contract on a yearly basis, which is the result of supply disruption in China as well as weak demand from the US and Europe. Looking forward, weak external demand could drive China's exports even lower



Chinese container ship

Trade slump

China's exports and imports contracted by 8.7% and 10.6% year-on-year in November, respectively, after contracting by 0.3% and 0.7% in October.

Not everything is so bad. China's exports to ASEAN, which is now the number one export destination for China, still grew 2.9% YoY in November. China's exports to Europe, another big destination after ASEAN and the US, grew 1.5% YoY. China's exports to the US fell 13.2% YoY in the month. Bear in mind that the role of ASEAN for China is more of a joint supply chain than a final goods export destination. This implies that production activity for exports grew slightly in November. But final exports to the US and Europe were weak, especially exports to the US. This could mean that inventory will start to pile up as final goods sales were weak.

Early indicator hints that slump in exports may continue

Smartphone exports contracted 9.6% YoY in November. This could be a combined effect of supply disruption in China as well as weak demand in the US and Europe. But if we look further, it could be

more an issue of weak demand.

Imports from Taiwan contracted by 10.4% YoY in November. Parts and raw material imports into China for the production of electronic parts and electronic goods contracted. As we use semiconductors as an early indicator of growth, we believe that exports in the coming months should continue to contract.