

## China: Why imports outperformed exports

Exports contracted 2.7% year-on-year in April while imports enjoyed a rise of 4.0% YoY. These numbers reflect the negative outlook for smart devices and automobile sales globally, and at the same show that China is importing more crude oil for domestic use



Source: Shutterstock

### Weak exports reflect structural changes in smart devices and automobiles

Exports shrank by 2.7% YoY in April. Two sectors, which are undergoing structural change, continued to see exports contract:

- Smart devices fell 19% year-to-date. This export item alone contributed more than 5% of total imports.
- Automobiles and related parts fell 1.2% YTD and 3.5% YTD, respectively.

## Imports were supported by crude oil

In contrast, imports grew 4% YoY. But don't get too excited; the details show that most items actually contracted on a year-on-year basis. Crude oil imports are an exception, growing 16% YoY, probably to fulfil the strategic needs of the government.

The structural changes in smart devices and automobiles are also evident in imports. Both smart device-related and automobile-related imports experienced negative growth year-to-date. Integrated circuits shrank 6.5% YTD and automobiles fell 9.3% YTD.

## Escalating trade war will make the trade situation worse

We are not particularly optimistic on China's export and import data in coming months.

- First, the escalation of the trade war means it is likely there will be more tariffs imposed on China's exports, and China's retaliation means more expensive imported goods from the US. So both China's exports and imports will be hit.
- Second, the structural change in smart devices and automobiles will continue. Consumers have been delaying purchases of new smart devices because of a lack of new technology and as they await the rollout of 5G. For automobiles, ride-hailing apps globally, especially in China, have reduced demand for cars. Unless there are big improvements in the convenience of driving and charging a new energy car or even mass production of driverless cars, we believe this structural change in private cars will continue.
- Third, if the trade dispute escalates further, we expect the US to push even harder on its Western allies not to use China-made 5G products and parts, which will dampen China's future exports.

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