

China's imports provide a gloomy outlook for exports

China's exports rose at the fastest pace of the year in October, and this could be the best month in 2020. But slow import growth indicates that exports could be soft in the coming months



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China's exports have jumped but imports slowed

China's exports increased 11.4% year-on-year in October, but this is already a historical figure. The slow (4.7%YoY) growth of imports in October after 13.2% YoY growth in September implies that in the coming months exports could suffer from slow growth or even contract on a month-on-month basis.

Handset exports jumped

Exports of handsets grew 56% on a monthly basis in October, which was the main contributor to export growth. The supply chain of smartphone production has gradually moved out of China, but some production lines have stayed and resulted in this strong growth during a month of flagship smartphone releases.

Imports affected by export demand from Covid-19 outside China

Imports grew 4.7% YoY though contracted by US\$24 billion from September to October, which is equivalent to an 11.8% MoM fall. Almost every import item experienced a contraction on a monthly basis. Integrated circuits, the single biggest reported import item, contracted by 15% MoM, which also reflects that the strong growth of smartphone exports may not be sustained in the coming months.

This change could be the start of a new trend, rather than just a single data point, as export demand has been strongly affected by the return to Covid-19 lockdowns in some major countries outside China. It is possible that this will weaken Chinese export orders for Christmas.