China: Modest recovery of April trade data as impact from NEVs and AI race remains clear

After a disappointing March, trade data recovered modestly in April. Auto exports continued to outperform, and imports were driven by demand from the AI race

Source: Shutterstock

USD 72.35 bn

China's April trade surplus

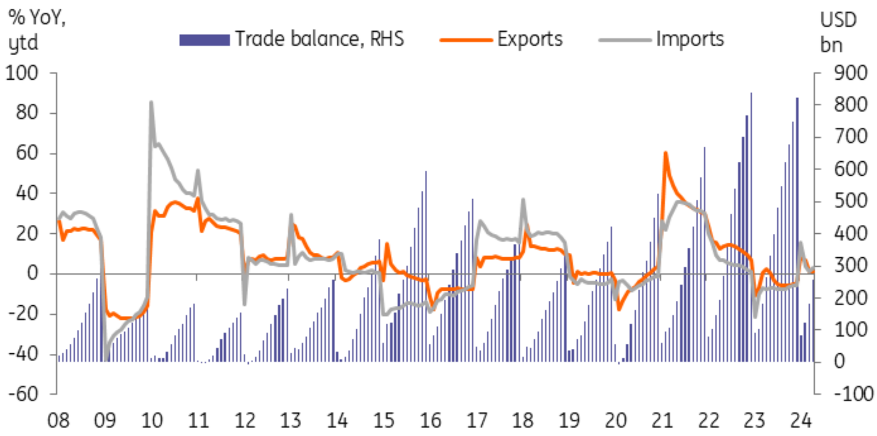
As expected

Recovery of trade continues to be modest

After the weak data in March, April trade data picked up slightly. Exports grew 1.5% YoY, while imports grew 8.4% YoY, leading to a trade balance of USD 72.35b.

The April data kept year-to-date (ytd) export growth unchanged at 1.5% YoY, with imports rising to 3.2% YoY. The trade balance through the first four months of the year amounted to USD 255.7bn, lower than the USD 266.0bn in the same period last year. In RMB terms, which is more relevant for gauging GDP growth, the trade balance was RMB 1817.3bn ytd - a little weaker than the RMB 1829.0bn level over the comparable period in 2023.

Export and import growth returned to positive levels in April



Sources: CEIC, ING

Major trade themes continued to play out over the past month

By export destination, ASEAN continued to grow in importance for China. April export growth to the region was 20.4% YoY, bringing the year-to-date growth level to 6.3% YoY. Through the first four months of the year, ASEAN remained the largest export destination for China, accounting for 16.9% of total exports. As expected, exports to the US remained weak, down -1.6% YoY in April for a year-to-date decline of 1.0% YoY. Exports to the EU also struggled, down 3.3% YoY in April and -4.8% YoY in the year to date. It remains to be seen if President Xi's trip to Europe, where improving trade ties were emphasized, will help bring about a trade recovery in the coming months.

By export product, the performance of various categories remained uneven. Automobiles continued to see strong growth amid China's strong competitiveness in the NEV sector, up 21.2% YoY ytd. The impact of auto sector price competition can also be seen in the export data; volume growth was even higher at 26.0% YoY ytd. Household appliance exports have also been a surprising area of strength, up 12.6% YoY ytd. With domestic demand for household appliances likely to recover after the rollout of trade-in policies, the sector could see a recovery this year. In contrast, steel exports fell sharply by -13.4% YoY ytd, and mobile phone exports also dropped -8.5% YoY ytd. PMI data has shown export orders expanded for two consecutive months, which is a favourable sign, but we anticipate that global external demand conditions are likely to be relatively lukewarm at best this year.

For imports, strength was heavily concentrated in a few categories. The main theme in our view is the goal to compete in the AI race. Automatic data processing equipment imports grew 49.9% YoY ytd, integrated circuit imports rose 11.9% YoY ytd, and the high-tech product category rose 11.5% YoY. Many of the other import product categories saw growth remain heavily in contraction in the year to date. Agricultural imports were down -8.7% YoY ytd, coal imports were down -11.0% YoY ytd, and cosmetics imports were down -15.4% YoY ytd.

These themes, especially on the import side, should continue to play out in the coming months. Considering import demand could remain resilient but exports face a higher level of risk in coming months, we expect a smaller contribution from trade to growth starting in the second quarter.

Author

Lynn Song
Chief Economist, Greater China
lynn.song@asia.ing.com