

ECONOMICS – CHINA

Trade

Exports Remain Stable, But Russia-Ukraine Conflict Adds Headwinds

China's exports in the first two months of the year gave the economy a much-needed support. Exports growth softened to 16.3% yoy on seasonal holiday lull, but still grew at a faster-than-expected rate, while imports growth had a bigger decline to 15.5% yoy on weaker domestic demand. Given the greater policy support, the Russia-Ukraine conflict is likely to add headwinds to trade flows, with surges in commodity costs damping external demand and worsening supply-chain snags.

WHAT'S NEW

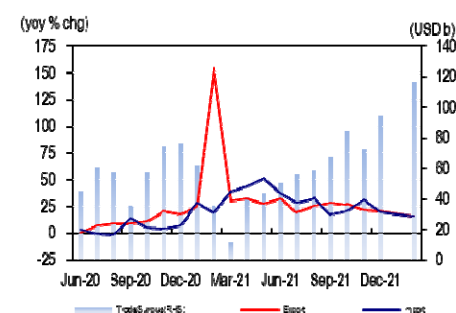
- External demand held up.** Despite exports recording a slower yoy growth rate of 16.3%, this still beats estimates of a 14.0% growth. A fall in monthly shipments from December partly reflected a seasonal holiday lull. Overall, the trade surplus amounted to US\$116b in January and February combined. The US maintains its position as China's largest trading partner on a single-country basis amid the phase 1 trade deal being described as a "historic failure", while ASEAN continued to be China's largest trade partner by region, followed by the EU.
- Imports continue to recede.** At 15.5% yoy, Jan-Feb's import figures fell 4ppt from Dec 21 and undershot consensus' forecast (Bloomberg consensus: 17.0% yoy). Import of key commodities, particularly iron ore plunged from last year's record levels (Jan 20: 176.84m tonnes), showing construction activity has yet to visibly improve amid the government's push to expedite infrastructure investment. Key products also saw similar trends of slowdown, with high-tech products logging the greatest decline at 11.0%, as China's industrial sector continues to struggle with higher input costs.
- Growing uncertainties.** Amid the gauge of new export orders in the latest PMI data improving along with the government's latest pledge to ensure stable commodity prices, trade data is expected to weaken further. A higher year-earlier base will cut into export growth, while the improving COVID-19 situations may cause global demand to see a shift to services from goods. What's more, the escalating Russia-Ukraine conflict could add headwinds to trade flows from surging commodity costs damping global demand and global supply-chain snarls are getting worse. We therefore expect the government to further loosen policies in order to achieve its growth target of 5.5% this year.

KEY EXPORTS AND IMPORTS DATA

	(US\$b)		yoy % chg	
	Jan-Feb 22	Dec 21	Jan-Feb 22	Dec 21
Exports	544.7	340.5	16.3	20.9
Imports	428.8	246.0	15.5	19.5
Trade Surplus	116.0	94.5		
Exports to Key Markets				
US	91.5	56.4	13.8	21.2
EU	91.4	52.8	24.2	25.6
Japan	27.1	14.6	7.5	8.6
Hong Kong	46.9	38.3	3.7	11.5
ASEAN	76.3	47.8	13.3	22.3
Import of Key Commodities				
Iron Ores	19.0	8.8	-34.6	-28.9
Crude Oil	50.7	26.7	43.0	65.4
Copper Ores	10.2	5.1	19.6	32.4
Coal	5.9	5.3	121.5	334.0
Imports of Key Products				
Agricultural Products	35.3	19.9	10.2	15.5
Hi-tech Products	126.2	105.3	11.0	23.1
Mechanical & Electrical Products	174.1	203.3	9.1	18.1

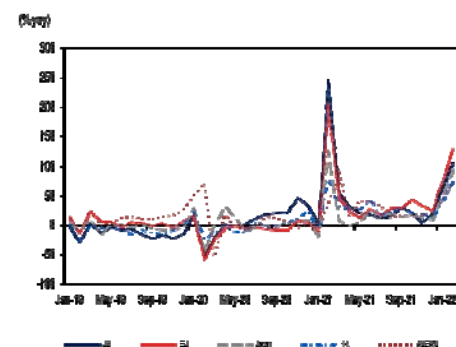
Source: Wind, Customs, UOB Kay Hian

EXPORTS AND IMPORTS



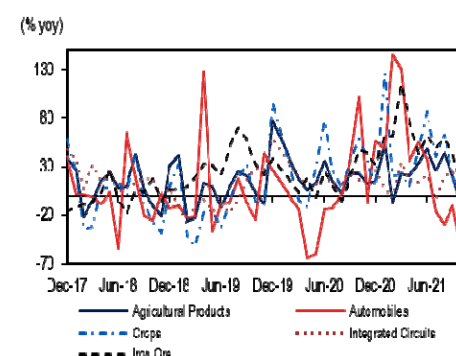
Source: Customs, Wind, UOB Kay Hian

EXPORTS TO KEY MARKETS



Source: Customs, Wind, UOB Kay Hian

IMPORTS OF KEY PRODUCTS



Source: Customs, Wind, UOB Kay Hian

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