

Flash Comment

China: plunge in exports in March mainly due to Chinese New Year

- The foreign trade data for March were weaker than expected. Exports (in USD) in March contracted 15.0% y/y after surging 48.3% y/y in February, while imports contracted 12.7% y/y after contracting 20.5% y/y in February. The foreign trade surplus plunged to just USD3.1bn in March from USD60.6bn in the previous month.
- The sharp contraction in exports in March in our view mainly reflects distortions from the relative late Chinese New Year public holiday in February. Exports are usually frontloaded just ahead of the closedown of production in connection with the Chinese New Year (full impact in February) and it usually takes some time for exports to reach China's ports after production is gradually restarted, so exports have probably been relatively weak in early March. For January-March as a whole exports expanded 4.6% y/y, which probably paints a truer picture of the underlying strength of China's exports. This suggests relatively subdued growth in China's exports and certainly some slowdown compared with a strong H2 14 but nowhere close to the severe contraction suggested by today's trade numbers.
- China's export growth should rebound to the 5-7 % y/y range in April and the trade balance surplus will probably again exceed USD40bn.
- It remains our view that the current weakness in the Chinese economy is primarily driven by weaker domestic demand and only to a lesser degree by weaker exports. This is likely to be reflected in continued subdued import growth with declining import prices also weighing substantially on import growth.
- Policy-wise we expect more monetary easing but we do expect China to start targeting a weaker CNY to support growth.

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Exports have slowed in recent months....



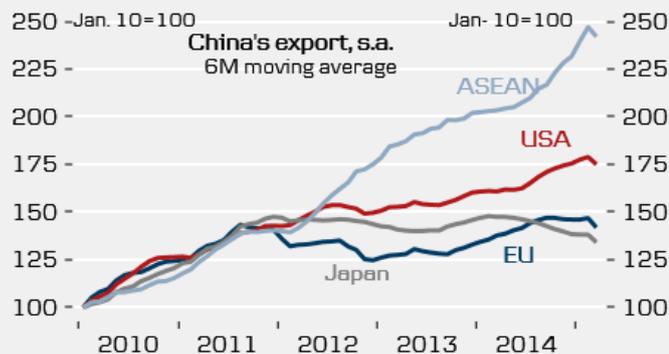
Source: Macrobond Financial, Danske Bank Markets

but sharp contraction in March mainly due to Chinese New Year holiday



Source: Macrobond Financial, Danske Bank Markets

ASEAN and US have been the main export engines



Source: Macrobond Financial, Danske Bank Markets

Export orders have slowed but overall more resilient



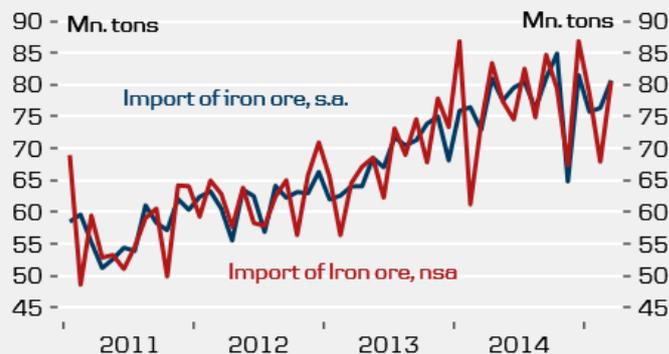
Source: Macrobond Financial, Danske Bank Markets

Imports have been weak in recent months



Source: Macrobond Financial, Danske Bank Markets

Import volumes of iron ore recovered slightly in March



Source: Macrobond Financial, Danske Bank Markets

A substantial terms of trade gain for China



Source: Macrobond Financial, Danske Bank Markets

Trade balance surplus has increased markedly, drop in March temporary



Source: Macrobond Financial, Danske Bank Markets

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