建银国际
CCB International

CCBI SECURITIES | RESEARCH

中国经济评论: 出口小幅回弹但外围风险仍存

China Economics Update: Exports rebound amid headwinds

中国 5 月出口数据好于预期，录得正增长，对美出口的收缩被对其他国家出口正增长所抵消。但进口继续下滑，主要受大宗商品价格走弱和电子产品供应链贸易减速所影响。

China's exports held up better than expected, registering positive growth with weak US exports more-than-offset by other markets. Imports decelerated due to weaker commodity prices and decelerating tech supply-chain trade.

我们预计今年下半年出口将缓慢复苏。我们的亚洲贸易领先指标显示未来几个月出口将企稳。但贸易战阴云不散，整体复苏动能偏弱。高科技和劳动密集型贸易都可能承压。

We expect exports to recover slowly later this year. Our leading indicator comprising regional data points to stabilization of exports in coming months. Yet the trade war rages on, depressing overall momentum. Both high-tech and labor-intensive trade are likely to stay under pressure.

我们的基准情形是中美双方持续谈判，避免贸易战升级。在此情形下，人民币汇率料将保持稳定。若 G20 后贸易战升级，将对出口构成进一步下行压力，人民币也将面临更多贬值压力。

Our baseline remains that the Sino-US trade negotiations will continue and that new tariffs will be delayed. As such, the renminbi exchange rate is likely to remain stable. However, an escalation of the trade war after the G20 summit in late Jun remains a threat to our benign outlook as it would put the renminbi under further depreciation pressure.

Li Cui
(852) 3911 8274
cuili@ccbintl.com

Claire Huang
(852) 3911 8012
clairehuang@ccbintl.com

Ying Xue
(852) 3911 8013
xueying@ccbintl.com

					May-2019			2019F	
Trade indicators	**May-18**	**Feb-19**	**Mar-19**	**Apr-19**	**BBG**	**CCBIS**	**Actual**	**BBG**	**CCBIS**
Trade balance (US$ b)	23.4	4.12	32.6	13.8	22.3	**28.7**	41.6	-	-
Exports YoY (%)	12.6	-20.8	14.2	-2.7	-3.9	**-2**	1.1	3.0	2.0
Imports YoY (%)	26.0	-5.2	-7.6	4.0	-3.5	**-5**	-8.5	3.2	1.0

Source: Bloomberg, CCBIS estimates

Exports recovered mildly after Apr decline led by capital-intensive goods

China's exports rose 1.1% YoY in May after a decline of 2.7% YoY in Apr, beating the market and our expectation of a further decline (Bloomberg cons: -3.9%, CCBIS: -2%), and only slightly slower than growth in 1Q19 (+1.4% YoY).

By destination, exports to Asian countries recovered and exports to the US declined at a slower pace. Exports to ASEAN and Taiwan rose further and exports to Japan and Korea registered positive growth after a notable decline the previous month. Shipments to the US fell at a slower pace of 4.2% YoY vs -13.1% YoY in Apr, contributing to over 35% of the recovery in headline growth. Advanced shipments before the tariff hike on 10 May could explain some of the rebound, although the response time for exporters between the announcement and the actual hike was only a week. Meanwhile, exports to the EU were stable.

By category, capital-intensive goods led the rebound. Exports of capital-intensive goods rose 0.5% YoY vs -3.7% YoY in Apr, explaining around 60% of the recovery in headline growth (Fig 1). However, exports of fuel and metals declined further. By product, autos, mobile phones and computers saw smaller YoY contractions. Meanwhile, export growth of LCD panels and electric motors turned positive after a sharp decline in Apr.

Imports declined more than expected on softer commodities and supply-chain trade

Imports fell 8.5% YoY in May after growing 4.0% YoY the previous month, resulting in some downside surprise to the market and also missing our below-consensus forecast (Bloomberg cons: -3.5%; CCBIS: -5%).

By import type**, the decline was driven by general imports,** which fell 8.6% YoY after a mild recovery of 4.0% YoY in Apr. Processing imports also declined further. **By product, fuel and high-tech imports slowed the most.** In particular, crude oil imports moderated after an earlier surge, and iron ore imports declined further. Within high-tech imports, semiconductor imports declined notably in both value and volume terms. Finally, soybean imports fell over 31% YoY after a mild increase in Apr.

Capital outflows pick up moderately

China's FX reserves increased by US$6.0b to US$3,101b, slightly above market expectations. The increase was driven by a strong trade surplus, the highest in five months despite the small negative valuation effect. Combining trade balance and FX reserve data, we estimate that non-FDI capital outflow picked up to US$42.7b from US$25.8b in outflows in Apr and average outflows of around US$23b in 1Q19.

Our view

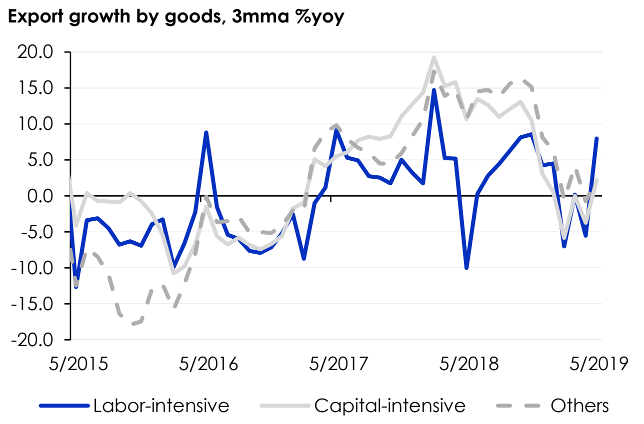
Signs emerge that trade is stabilizing. The sharp decline in supply-chain imports, particularly in the case of semiconductors, indicates downward pressure on related trade and exports. However, improvement in regional leading indicators suggests the deterioration might slow in coming months (Fig 2). We expect exports to recover and register low-single-digit growth throughout the remainder of 2019F.

Policy headwinds remain strong. The trade war remains a threat to the outlook for exports. An escalation would risk arresting recent improvement. Our baseline remains that trade negotiations will continue and that additional tariffs on US$300b in Chinese goods will be delayed. We take Mnuchin's tweet[1] as a sign that the China-US trade talks have not completely fallen apart.

In an interview over the past weekend, PBoC Governor Yi indicated that there is no specific rate the yuan needs to be held to and that China has "tremendous" policy room should the trade war worsen. The comments were read by the market as a sign there is more wiggle room to trade the renminbi towards depreciation. We maintain our view that the USDCNY will remain largely stable at around 6.9. However, in a risk scenario that the US levies tariffs on all remaining Chinese imports, the USDCNY could experience further depreciation with a "7" handle.

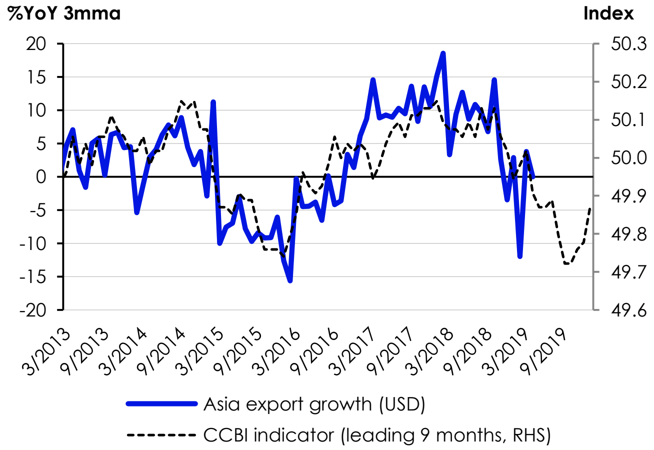
[1] Mnuchin: "Had constructive meeting with PBOC Governor Yi Gang, during which we had a candid discussion on trade issues."

Fig 1. Exports of both labor- and capital-intensive goods rebounded



Source: CEIC, CCBIS

Fig 2. Asia trade indicators have improved



Source: CEIC, CCBIS

Table 1. China trade details

In US$ terms (% YoY)	May 2018	1Q18	2Q18	3Q18	4Q18	1Q19	Apr 19	May 19
Total exports (in US$ terms)	**12.6**	**13.9**	**11.5**	**11.7**	**3.9**	**1.4**	**-2.7**	**1.1**
Total exports (in RMB terms)	**3.2**	**7.2**	**2.6**	**9.8**	**8.5**	**6.7**	**3.1**	**7.7**
Exports by destination								
Shipments to EU	8.5	12.5	9.8	11.6	6.2	8.1	6.5	6.1
Shipments to US	11.6	13.6	11.3	12.9	6.3	-9.0	-13.1	-4.2
Shipments to ASEAN	17.6	15.9	18.0	15.2	7.4	9.1	0.7	3.5
Exports by product								
Garments	-6.1	1.0	-4.3	4.5	0.2	-4.4	-11.3	-0.1
Steel products	18.7	0.0	18.9	18.3	9.9	2.2	-9.3	-17.5
Mobile phones	12.6	19.3	15.2	11.6	-0.9	-19.2	-18.6	-4.0
Hi-tech products	17.7	19.9	16.6	12.8	4.0	-2.5	-5.9	0.5
Total imports (in US$ terms)	**26.0**	**19.1**	**20.5**	**20.4**	**4.4**	**-4.8**	**4.0**	**-8.5**
Total imports (in RMB terms)	**15.6**	**12.2**	**11.2**	**19.1**	**9.1**	**0.3**	**10.3**	**-2.5**
Imports by method of trade								
General imports	28.6	21.2	23.7	23.2	4.8	-3.9	4.0	-8.6
Processing imports	12.2	11.7	8.2	17.0	0.7	-10.3	-5.1	-10.3
Entrepôt imports	25.7	28.2	18.5	10.1	5.6	-0.9	10.8	-0.6
Imports by commodity								
Iron ore (vol)	2.9	0.1	-2.8	-1.3	1.8	-3.2	-2.6	-11.0
Copper ore (vol)	37.3	9.2	25.4	26.2	-0.5	20.0	6.6	16.7
Coal (vol)	0.6	16.5	2.8	18.5	-19.9	-2.4	13.5	23.0
Crude oil (vol)	5.0	7.4	4.9	5.7	23.7	8.9	10.8	3.0

Source: CEIC, CCBIS

Table 2. China FX reserve indicators

	May 2018	1H18 avg	2H18 avg	Mar 2019	Apr 2019	May 2019
FX reserves						
FX reserves (EOP, US$ b)	3,110.6	3,112.1	3,062.5	3,098.8	3,095.0	3101.0
Change in FX reserves (US$ b)	-14.2	-4.6	-6.6	8.6	-3.8	6.0
Estimated valuation effects (US$ b)	-28.4	-3.2	-2.8	-11.6	-1.2	-1.6
Adjusted for valuation (US$ b)	14.2	-1.5	-3.8	12.0	-2.6	7.7
Non-FDI capital flows (US$ b)	-19.8	-36.8	-52.3	-26.6	-25.7	-42.7
Domestic liquidity						
PBoC net liquidity injections (RMB b)	193.8	408.9	399.5	-426.7	82.2	677.0
Total change in liquidity (FX inflows + PBoC injections) (RMB b)	284.0	436.8	410.7	-346.1	64.9	729.8

** The amount of liquidity injected includes RRR cuts and TMLF. EOP = end of period*

Source: CEIC, CCBIS

Rating definitions:

Outperform (O) – expected return > 10% over the next twelve months
Neutral (N) – expected return between -10% and 10% over the next twelve months
Underperform (U) – expected return < -10% over the next twelve months

Analyst certification:

The author(s) of this document, hereby declare that: (i) all of the views expressed in this document accurately reflect his/her personal views about any and all of the subject securities or issuers and were prepared in an independent manner; and (ii) no part of any of his/her compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this document; and (iii) he/she receives no insider information/non-public price-sensitive information in relation to the subject securities or issuers which may influence the recommendations made by him.

The author(s) of this document further confirm that (i) neither he/she nor his/her respective associate(s) (as defined in the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission issued by the Hong Kong Securities and Futures Commission) has dealt in/traded or will deal in/trade the securities covered in this document in a manner contrary to his/her outstanding recommendation, or neither he/she nor his/her respective associate(s) has dealt in or traded in the securities covered in this document within 30 calendar days prior to the date of issue of this document or will so deal in or trade such securities within 3 business days after the date of issue of this document; (ii) neither he/she nor his/her respective associate(s) serves as an officer of any of the companies covered in this document; and (iii) neither he/she nor his/her respective associate(s) has any financial interests in the securities covered in this document.

Disclaimers:

This document is prepared by CCB International Securities Limited. CCB International Securities Limited is a wholly-owned subsidiary of CCB International (Holdings) Limited ("CCBIH") and China Construction Bank Corporation ("CCB"). Information herein has been obtained from sources believed to be reliable but CCB International Securities Limited, its affiliates and/or subsidiaries (collectively "CCBIS") do not guarantee, represent and warrant (either express or implied) its completeness or accuracy or appropriateness for any purpose or any person whatsoever. Opinions and estimates constitute our judgment as of the date of this document and are subject to change without notice. CCBIS seeks to update its research as appropriate, but various regulations may prevent it from doing so. Besides certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate according to the analyst's judgment. Forecasts, projections and valuations are inherently speculative in nature and may be based on a number of contingencies. Readers should not regard the inclusion of any forecasts, projections and valuations in this document as a representation or warranty by or on behalf of CCBIS that these forecasts, projections or valuations or their underlying assumptions will be achieved. Investment involves risk and past performance is not indicative of future results. Information in this document is not intended to constitute or be construed as legal, financial, accounting, business, investment, tax or any professional advice for any prospective investors and should not be relied upon in that regard. This document is for informational purposes only and should not be treated as an offer or solicitation for the purchase or sale of any products, investments, securities, trading strategies or financial instruments of any kind in any jurisdiction. CCBIS makes no representations on the availability of the securities covered in this document (or related investment) to the recipients. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Neither CCBIS nor any other persons accept any liability whatsoever for any loss or damages (whether direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential) arising from any use of this document or its contents or otherwise arising in connection therewith. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. The opinions and recommendations herein do not take into account prospective investors' financial circumstances, investment objectives, or particular needs and are not intended as recommendations of particular securities, financial instruments or strategies to any prospective investors. The recipients of this document should consider this document as only a single factor in marking their investment decision and shall be solely responsible for making their own independent investigation of the business, financial condition and prospects of *companies* referred to in this document. Readers are cautioned that (i) the price and value of securities referred to in this document and the income derived from them may fluctuate; (ii) past performance is not a guide to future performance; (iii) any analysis, ratings and recommendations made in this document are intended for long-term (at least for 12 months) and is not linked to a near-term assessment of the likely performance of the securities or companies in question. In any event, future actual results may differ materially from those set forth in any forward-looking statements herein; (iv) future returns are