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中国经济评论: 贸易回暖预计延续
China Economics Update: Trade recovery underway

中国 12 月外贸数据好于市场一致预期，也高过我们更为乐观的预测。进出口双双强劲反弹，部分受去年低基数拉动所致。

主要类别贸易项均有所复苏，且供应链贸易回弹明显，印证了我们对 2020 年外贸增速回升的判断。我们的领先指标表明至少在 2020 年上半年贸易复苏都有望延续。

贸易数据改善支持工业增加值回暖和人民币汇率。汇率升值可能比我们预计的更快。近期关注第一阶段贸易协议的细节，以评估外部风险的未来走势。

China's foreign trade growth came in firmer than the consensus expectation and our more bullish call. Both export and import growth rebounded strongly in Dec, in part due to the low base last year.

The strength is across-the-board, with a notable pickup of supply-chain trade flows, supporting our view of a trade recovery in 2020F. Our leading indicator continues to point to rebounding trade growth in Asia at least throughout 1H20F.

Improving trade dynamics support industrial growth and the renminbi exchange rate, as we expected. We see upside risk to our exchange rate forecast. The phase-one trade deal will help to ascertain the extent to which trade uncertainties will dissipate this year.

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					Dec-2019			2020F	
Trade indicators	**Dec-18**	**Sep-19**	**Oct-19**	**Nov-19**	**BBG**	**CCBIS**	**Actual**	**BBG**	**CCBIS**
Trade balance (US$ b)	56.8	39.0	42.5	38.7	45.3	43.2	**46.8**	-	-
Exports YoY (%)	-4.4	-3.2	-0.9	-1.1	2.9	5	**7.6**	1.3	4.1
Imports YoY (%)	-7.6	-8.5	-6.4	0.3	9.6	15	**16.3**	1.0	3.4

Source: Bloomberg, CCBIS estimates

Trade growth turned positive in 4Q on rising demand and easing trade tensions

Exports to EU and ASEAN continue to outperform; US decline eases

Chinese exports rose 7.6% YoY in Dec after a 1.1% YoY decline in Nov, the first positive signs of growth in five months, beating the market and our expectation (Bloomberg cons: 2.9%, CCBIS: 5%). The recovery was consistent with the strong rebound in China's PMI New Export Orders in the last two months, which points to rising external demand amid easing trade tensions. On average, exports rose 1.9% YoY in 4Q19, up from a 0.4% YoY decline in 3Q19.

The acceleration of shipments to ASEAN and the EU explains nearly 40% of the rebound in Dec headline growth. Exports to the US recorded a smaller contraction of 14.6% YoY after a sharp 23% YoY decline the previous month. Exports to Hong Kong (including some re-exports to the US) registered positive growth for the first time since Jan 2019. In 4Q19, exports to ASEAN strengthened from 3Q while exports to the EU held up, offsetting a larger decline in US exports (see Table 1 and Fig 1).

General imports surge as commodity imports hold steady

Imports also improved, rising a robust 16.3% YoY in Dec against a 0.3% YoY increase the previous month. The reading came as a positive surprise to the market but was close to our bullish forecast (Bloomberg cons: 9.6%, CCBIS: 15%). Imports in 4Q19 also saw positive growth of 3.2% YoY, up from a 6.5% YoY decline in 3Q19.

General imports growth surged to 22% YoY in Dec (vs 5% YoY in Nov) and commodity imports stayed strong led by industrial metals, which saw 17.5% YoY volume growth in Dec vs 5.4% YoY in Nov. Fuel imports were supported by price increases amid geopolitical uncertainty. Processing imports, which was the main drag on headline growth this year, resumed positive growth in Dec. In 4Q19, general imports enjoyed positive growth for the first time since 4Q18 and processing imports contracted at slower pace than in 3Q19.

Tech sector continues to recover with supply-chain trade picking up

China's high-tech exports rose 0.6% YoY in Dec, the first evidence of positive growth in seven months. Exports of computers and mobile phones saw a smaller YoY contraction in 4Q compared with 3Q19. Meanwhile, Chinese imports of semiconductors and machinery & electrical equipment rebounded strongly in 4Q, rising 10.2% YoY and 2.2% YoY, respectively, after a steady YoY decline since 4Q18. This indicates to us a continued supply-chain trade recovery amid easing trade tensions.

FX reserves rise on softer US dollar and wider trade surplus

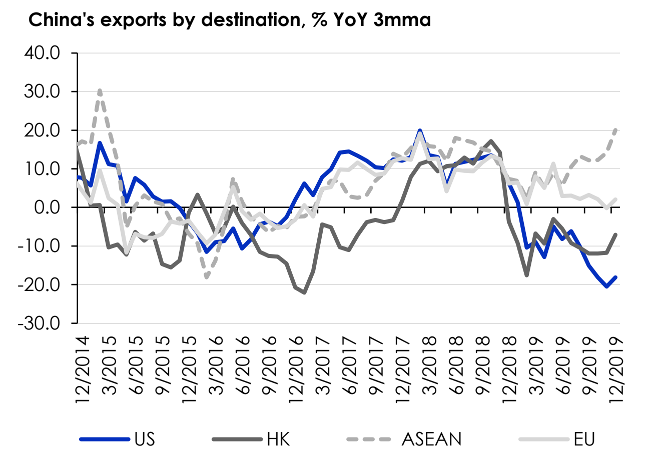
Foreign exchange reserves increased by US$12.3b to reach US$3,107.9b in Dec, below what the market had expected. The increase was mainly due to positive valuation effects (c. US$18b) from a weaker US dollar. Combining FX reverses and the trade surplus, we estimate that non-FDI capital outflows of around US$71b in Dec vs US$49b in outflows the previous month. Improving fundamentals and optimism over the US-China phase-one trade deal are likely to support the renminbi exchange rate in the near term.

Our view

Today's report supports our view of a trade recovery entering 2020F. Our leading indicator points to a continued pickup in trade growth at least throughout 1H20F, despite the likely noise around the Chinese New Year as the holidays will come earlier in 2020 than in 2019. We believe industrial production growth will firm up amid the improving external backdrop, which will in turn support risk sentiment and the renminbi exchange rate in the near-term. While we expect the renminbi to appreciate this year,[1] recent developments have added upside risk to our current forecast. The terms of the phase-one trade deal will dictate the extent to which near-term uncertainties have dissipated.

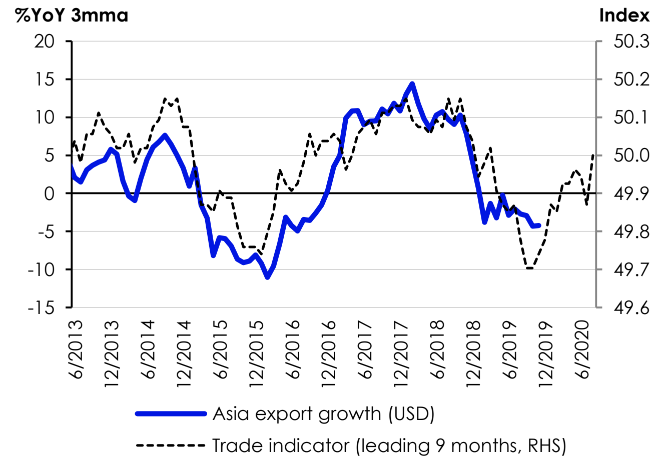
[1] *CCBIS-The Big Picture:* *Macro Outlook 2020-Pulling through the fog of the trade war* (5 Dec 2019)

Fig 1. Exports to ASEAN strengthened; exports to US declined at a slower pace



Source: CEIC, CCBIS

Fig 2. Leading indicator points to improving Asia trade



Source: CEIC, CCBIS

Table 1. China trade data breakdown

In US$ terms (% YoY)	Dec 2018	4Q18	1Q19	2Q19	3Q19	4Q19	Nov 2019	Dec 2019
Total exports (in US$ terms)	**-4.4**	**3.9**	**1.3**	**-1.0**	**-0.4**	**1.9**	**-1.1**	**7.6**
Total exports (in RMB terms)	**0.2**	**8.5**	**6.5**	**5.6**	**3.9**	**4.1**	**1.3**	**9.0**
Exports by destination								
Shipments to US	-3.5	6.3	-9.0	-8.2	-15.1	-18.1	-23.0	-14.6
Shipments to EU	-0.3	6.2	8.1	2.9	3.2	2.1	-3.8	6.6
Shipments to ASEAN	4.3	7.4	9.1	5.6	12.2	20.0	16.7	27.4
Exports by product								
Garments	-4.5	0.2	-4.4	-4.8	-4.8	-1.8	-4.9	5.4
Steel products	-0.2	9.9	2.2	-16.4	-12.6	-17.3	-18.7	-16.4
Mobile phones	-31.3	-0.9	-19.2	-14.5	-8.5	-7.7	-5.7	-5.4
Hi-tech products	-10.3	4.0	-2.5	-2.5	-3.0	-1.4	-1.5	0.6
Total imports (in US$ terms)	**-7.6**	**4.4**	**-4.1**	**-3.7**	**-6.2**	**3.2**	**0.3**	**16.3**
Total imports (in RMB terms)	**-3.1**	**9.1**	**1.0**	**2.8**	**-2.5**	**5.4**	**2.5**	**17.7**
Imports by method of trade								
General imports	-6.7	4.8	-3.9	-3.9	-4.6	8.2	5.0	22.1
Processing imports	-17.8	0.7	-10.3	-9.2	-15.5	-8.7	-13.4	2.8
Entrepôt imports	1.7	5.6	-0.9	4.4	9.6	12.2	20.4	15.2
Imports by commodity								
Iron ore (vol)	3.0	1.8	-3.2	-7.8	4.6	9.0	5.1	16.9
Copper ore (vol)	-11.3	-0.5	20.0	2.3	1.2	26.9	27.0	31.8
Coal (vol)	-55.0	-19.9	-2.4	14.3	16.3	-17.7	8.5	-72.9
Crude oil (vol)	29.9	23.7	8.9	9.7	11.5	9.2	6.7	3.9

Source: CEIC, CCBIS

Table 2. China FX reserve indicators

	Dec 2018	1Q19 avg	2Q19 avg	3Q19 avg	4Q19 avg	Dec 2019
FX reserves						
FX reserves (EOP, US$ b)	3,072.7	3,092.3	3,105.1	3101.1	3,102.9	3,107.9
Change in FX reserves (US$ b)	11.0	8.7	6.8	-8.9	5.2	12.3
Estimated valuation effects (US$ b)	16.5	-5.3	4.2	-12.4	10.3	18.2
Adjusted for valuation (US$ b)	-5.5	14.0	2.6	3.4	-5.2	-5.9
Non-FDI capital flows (US$ b)	-79.6	-22.7	-44.6	-45.9	-61.6	-70.8

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

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