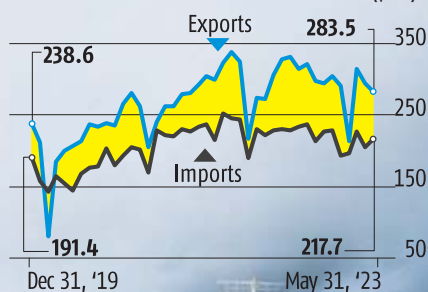


China's trade slowdown points to global worries

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Source: Bloomberg

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Chinese exports fell for the first time in three months in May, adding to risks in the world's second-largest economy as global demand weakens.

Overseas shipments shrank 7.5 per cent from a year ago to \$284 billion, official data showed Wednesday, worse than the median forecast for a 1.8 per cent drop. Exports to most destinations contracted, with double-digit declines to places including the US, Japan, Southeast Asia, France and Italy. Imports declined 4.5 per cent to \$218 billion, better than an expected drop of 8 per cent, leaving a trade surplus of \$66 billion. Chinese purchases from most regions declined in May, with contractions of more than 20 per cent in imports from Taiwan and South Korea — a sign of weakness in global electronics demand.

The expansion in exports earlier this year was one bright spot for the economy, helping to underpin the recovery after China dropped its pandemic rules. However, recent data shows the recov-

ery has weakened, with manufacturing activity contracting in May and home sales growth slowing after a pickup earlier in the year.

The trade report is “yet another disappointing data which will raise growth concerns and intensify expectations of more policy support,” said Khoon Goh, a strategist at Australia & New Zealand Banking Group.

China's falling exports and imports in May offer more evidence that weak demand — both from abroad and at home — is crippling the recovery.

The drop in exports shows how a slowing global economy is starting to affect China, with Wednesday's data showing the value of exports fell from April, the second straight month-on-month decline. Economists surveyed by *Bloomberg* predict China's exports to contract for the full year.

Speculation is growing that Beijing may have to deliver more stimulus to bolster growth. Some economists expect the central bank to cut the reserve requirement ratio for banks in coming months, while others argue an interest rate cut may be necessary, possibly as early as next week.

