

China suffers new blow as exports see biggest drop in 3 yrs

BLOOMBERG

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China's exports fell for a third straight month in July amid a slump in global demand, while imports plunged as domestic pressures also undermine the economy's recovery.

Overseas shipments dropped 14.5 per cent in dollar terms last month from a year earlier — the worst decline since February 2020 — while imports contracted 12.4 per cent, the customs administration said Tuesday. That left a trade surplus of \$80.6 billion for the month. Economists polled by Bloomberg had forecast that exports would drop 13.2 per cent while imports would shrink 5.6 per cent.

The deepened slump in imports "is a reflection of weak domestic demand," said Zhang Zhiwei, chief economist at Pinpoint Asset Management Ltd. "The overall consumption and investment growth probably both stayed quite weak in China."

Some economists also said the decline in imports were driven by falling commodity prices.

Chinese stocks listed in Hong Kong led losses in Asia on Tuesday. The Hang Seng China Enterprises Index was down 1.6 per cent as of 11:39 a.m. local time. The onshore CSI 300 Index was little changed at the mid-day break. The yuan traded offshore yuan didn't move much, having lost 0.3 per cent earlier in the morning to sit at 7.2214 per dollar.

China's economic recovery this year was expected to be buoyed by strong consumption, but momentum is waning as confidence and domestic demand remains weak — issues underlined by the fifth consecutive month of falling imports. Data due Wednesday is expected to show consumer prices declined in July, adding to evidence of that lack of demand.

Asia was among the worst hit regions from China's falling demand, with imports from South Korea, Japan, Taiwan



and Southeast Asian countries falling by double digits. Imports from the US fell 11.2 per cent and were down 3 per cent from the European Union.

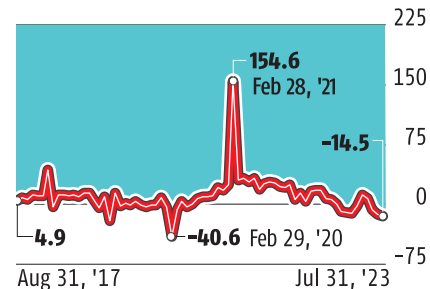
Exports, meanwhile, have been waning because of slowing demand overseas

— making it impossible to maintain the record level of shipments seen in 2021 and 2022 during the pandemic.

Shipments to the US plummeted 23.1 per cent in July, according to the customs data. Exports to other markets including

DOWNWARD TREND

China exports (y-o-y%)



Source: Bloomberg

pulled back, said Larry Hu, head of China economics at Macquarie Group Ltd.

Beijing has been looking for ways to stimulate growth this year, though the scope of support so far has been targeted and limited. Authorities have announced some policies to boost demand for houses, electric cars, and other products.

Last month, several departments outlined a plan to encourage more household spending on everything from electric appliances to furniture. Three agencies later detailed measures to increase manufacturing of small consumer goods — or the so-called light industry sector, which makes up more than a quarter of China's exports.

"The government policy so far has changed but more on the property sector, and not much on boosting demand," Zhang said. "So the economic situation is still quite challenging."

Macquarie's Hu said policy loosening on property and credit will help the economy in the second half.

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