

ECONOMY

CHINA TRADE FIGURES POINT TO GLOOMY 2019

Exports and imports fall against expectations in December, reflecting the impact of trade war and indicating need for greater stimulus measures

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China's export and import figures were much worse than expected last month, underscoring the rapid weakening of the economy. Yesterday's figures suggest the negative impact of the US-China trade war may be greater than the authorities previously estimated, and point to the need for a more rapid and larger economic stimulus to stabilise growth. However, overall exports in

2018 were the largest in seven years and the trade surplus with the United States reached a record high, boosted by gains in the first half of the year and the effects of order "front-loading" in the second half.

Trade results this year could be quite different, depending on whether China and the US reach a trade deal that rolls back tariffs.

Exports in December fell to US\$221.25 billion, down 1.4 per cent from November and 4.4 per cent on the same month in 2017, data from the General Adminis-

tration of Customs showed. The December drop - the biggest since December 2016, when growth hit its slowest since 1990 - was unexpected, with analysts forecasting a 2 per cent rise, according to a Bloomberg survey.

The data gives the first indication of the full impact of the trade war. Exports in previous months were supported by front-loading of orders to beat the planned rise in US tariffs to 25 per cent scheduled to take effect on January 1 before presidents Xi Jinping and Donald Trump agreed to a 90-day

tariff ceasefire in their meeting on December 1.

Imports fell to US\$164.19 billion in December, a drop of 10 per cent on the previous month and down 7.6 per cent on a year earlier.

Analysts had expected a 4.5 per cent rise, according to the Bloomberg survey. The December drop was the biggest since July 2016.

The fall in imports is another bad sign for economic outlook, indicating a rapid weakening of domestic demand. China's total trade surplus rose by US\$57.06 billion, above the Bloomberg survey estimate of US\$51.6 billion.

China trade figures point to 2019 gloom

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However, analysts expect the worst is yet to come for the economy, especially in the first half of this year, due in part to sagging demand from the domestic market.

"In all, the import slowdown is consistent with other signs that growth in China's domestic economy continued to weaken," said Louis Kuijs, head of Asia economics at Oxford Economics, in a note published yesterday.

Nomura's analysts said the impact of order front-loading was almost over and a significant slowdown in export growth could mean weaker growth in intellectual property filings and a rapidly rising unemployment rate.

Export numbers suggest the yuan, which depreciated more than 10 per cent last year, might come under renewed downward pressure, giving Beijing another reason to strike a compromise with the US, Nomura said.

Liu Liu, an analyst at China International Capital Corporate, said that a significant slowdown in global trade growth would hurt China's overall economic performance this year, as already indicated by the purchasing managers index for December.

"The PMI showed that manufacturing activity contracted in December for the first time in 19 months as domestic and export orders continued to shrink.

"Domestic and foreign demand is facing downward pressure in 2019, and the growth rate of Chinese imports and exports is expected to decline," Liu said.

Private companies, heavily weighted towards producing goods for foreign trade, have already been hit by sluggish growth.

\$323.32b

China's trade surplus, in US dollars, with the United States in 2018 - an increase of 17.2 per cent from the previous year

The contribution of private enterprises to the growth of total foreign trade exceeded 50 per cent last year, well above state owned firms' share of 17.4 per cent, customs spokesman Li Kuikwen said. Beijing has promised to boost its support for the private sector. For the full year, China's total trade reached US\$4.62 trillion, a 12.6 per cent rise from 2017. Total exports rose to US\$2.46 trillion, gaining 9.9 per cent, while imports reached US\$2.14 trillion, up 15.8 per cent from 2017. The overall trade surplus fell 16.2 per cent to US\$351.76 billion in 2018.

However, the trade surplus with the US expanded to US\$323.32 billion, up 17.2 per cent from the previous year.

Washington started to levy tariffs on Chinese imports in July, over allegations Beijing was engaged in unfair trade practices, forced technology transfer and intellectual property theft. China hit back with tariffs on billions of dollars' worth of US goods.

Beijing will reportedly set a growth target this year of 6 to 6.5 per cent, down from the "about 6.5 per cent" target last year, due to the trade war and a campaign to cut debt and risky lending.