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Trade war 'still within control', as exports rise

Figures show sharp jump in trade surplus, but Beijing confident of 'win-win' outcome

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The US-China trade war was "still within control", a Chinese government spokesman said, as the country's trade surplus widened significantly last month.

Exports soared while imports crashed, data released yesterday showed, with analysts pointing to the seasonal distortions of the Lunar New Year holiday, as well as possible central government intervention in the economy.

"The China-US trade frictions have caused certain impacts to the operations of Chinese companies, but we think the overall impacts are still within control," Li Kuiwen, a spokesman for China's General Administration of Customs, said. "We believe trade relations ... will surely achieve better mutual benefit and win-win results because of the joint efforts of the two countries."

Exports grew by 14.2 per cent in March, a big jump from the 20.8 per cent fall in January and February, the data for which was combined due to the holiday in February. This beat analysts' expectations, with a poll of economists by Bloomberg forecasting growth of 6.5 per cent.

Alicia Garcia-Herrero, chief economist for Asia-Pacific at Natixis, said this figure suggested Beijing was using export subsidies to counter the effect of tariffs. "It shows that the government is trying very hard to export," she said.

14.2%

Growth in China's exports in March, a sharp increase from the 20.8 per cent fall for the combined months of January and February

The trade war has seen about US$400 billion of goods from both China and the United States subjected to excess duties ranging from 10 per cent to 25 per cent. It is thought that a deal to end the trade war is within reach, but analysts have moved to cool expectations that this would give a major boost to China's exports.

"Exports have yet to fully recover from a sharp slowdown late last year," Julian Evans-Pritchard, China economist at Capital Economics, said.

"And while a US-China trade deal looks increasingly within reach, the reversal of US tariffs would only provide a small boost to exports of around 1 to 2 per cent. With global growth set to remain weak in the coming quarters a strong rebound in exports therefore looks unlikely."

Imports also surprised, this time on the negative front. They contracted by 7.6 per cent, a much greater dip than predicted by the Bloomberg poll, where analysts had forecast a 0.1 per cent growth. This is despite the fact that rising oil prices should have added to the value of China's imports, given that it buys most of its energy overseas.

The poor import figure raises concerns about consumer demand in China, with the stimulus measures taken by the government yet to filter into the real economy. It is also a sign of systemic weakness in the economy, given that a large part of the drop was due to lower imports of components used in manufacturing.

The cumulative effect is that China's trade surplus is rising. In March, the surplus grew to US$32.64 billion, up from US$4.08 billion – and US$20.5 billion of that was against the United States, according to customs data.