

China

Exports grow at fastest rate for 19 months

- Exports rise 15.3% on year ago
- Import trend remains weak but shows some improvement in September
- Trade surplus hits record high in Q3

A rebound in China's export performance in the third quarter adds to survey evidence to suggest that improving trade flows are helping the economy to recover from the soft patch seen earlier in the year. An upturn in imports also hints at some improvement in domestic demand.

Exports rebound on global economic upturn

Official data showed exports from China rising 15.3% on a year earlier in September. That was the strongest annual gain since February of last year.

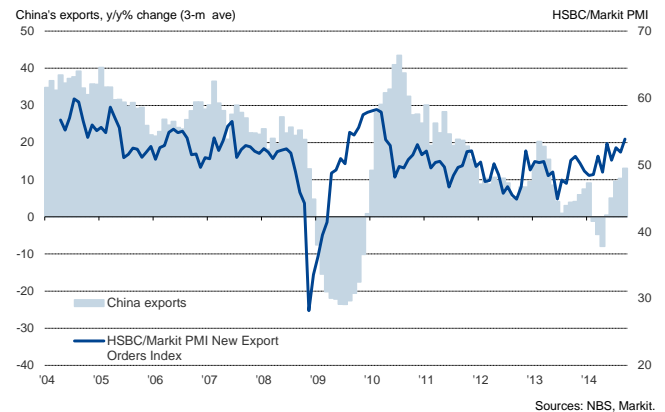
The upturn in exports corroborates survey evidence which suggest China's exporters are seeing stronger inflows of trade as global economic growth picks up. The HSBC PMI survey, produced by Markit, has signalled a revival in export growth in recent months, culminating in the latest reading for September hitting the highest since March 2010.

The improved export performance follows PMI data which have shown an upswing in global economic growth in the third quarter. The average JPMorgan Global PMI reading for the three months to September was the highest since the second quarter of 2010.

Import data hint at upturn in domestic demand

The brighter picture for exports was accompanied by news that imports returned to growth, raising hopes that domestic demand may be picking up after worrying weakness earlier in the year. However, although imports rose 7.1% on a year ago in September, the largest annual rise since February, the data are volatile and the average annual growth rate of imports seen over the last three months is a far more meagre 1.1%. This compares with an average increase in exports of 13.1% over this same period.

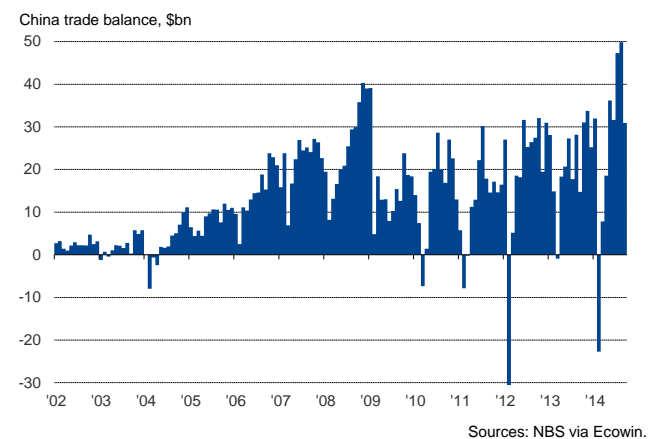
China exports



Imports and exports



Trade balance



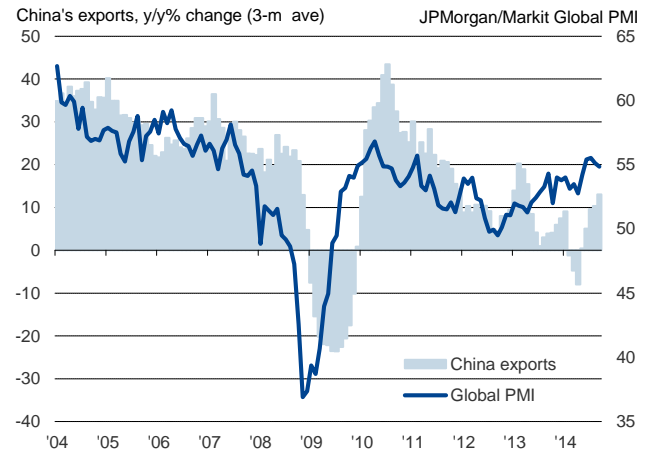
Record trade surplus

The increased divergence between the stronger export trend and the weakness of imports pushed China's trade surplus up to a record high in the third quarter.

The widening trade surplus will add to calls from other countries, notably the US, for the Chinese authorities to allow the renminbi to appreciate.

There are other signs however that, although remaining subdued, the domestic economy is at least picking up compared to earlier in the year. Not only did import growth pick up in September, but the HSBC Services PMI, also produced by Markit and which is a good barometer of the domestic economy (being far less influenced by international trade than the manufacturing PMI) has also indicated renewed signs of life. The index registered the highest quarterly average since the start of 2013 in the three months to September.

China exports and global economic growth



Sources: Markit, JPMorgan, HSBC, NBS via Ecwin.

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