

Flash Comment

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China: Export growth still slowing despite robust July figure

China's export growth jumped surprisingly in July to 26.9% y/y (Consensus: 16.8% y/y) from 17.6% y/y in June. The latest export prices released are from May, but we estimate export prices are currently increasing by 11% y/y in USD terms. Hence, real export growth was probably around 15% y/y in July (see chart 2). Ignoring short-term volatility, real export growth has averaged 13.2% y/y in the past three months. For 2007 as a whole, real export growth was 21.2% y/y. Hence the overall picture remains one of slowing export growth, although the slowdown is apparently not as pronounced as suggested by the very weak June trade figures.

Import growth in July increased to 33.7% y/y (Consensus: 27.2% y/y) from 31.1% y/y. We estimate import prices in USD-terms are currently increasing by 22% y/y, and so reckon that real import growth was slightly below 12% y/y in July (see chart 2). Real import growth has been 13.5% on average over the past three months – only slightly down from the 14.2% y/y growth in real imports for 2007 as a whole. Hence, no sign as yet of a major slowdown in real imports, as they remain well supported by robust domestic demand. That said, imports of some commodities, such as coal and crude oil, have weakened in recent months after temporarily surging in early 2008 due to harsh winter storms and the earthquake in Sichuan (see chart 3). Gross volume imports of crude oil declined by 7.1% y/y in July, while net volume imports of crude oil declined by 8.3% y/y (see chart 4).

Chart 1: Trade balance stabilising

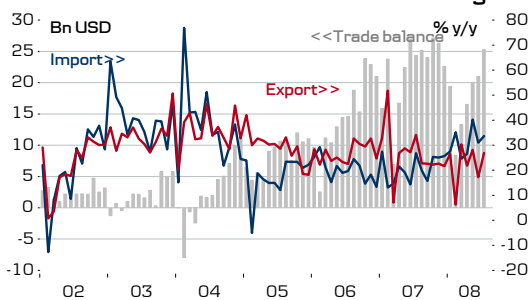


Chart 2: Real export growth slowing

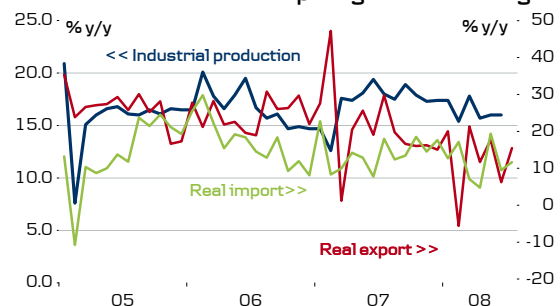


Chart 3: Import of major commodities

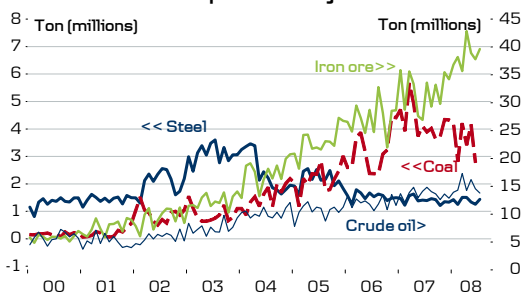
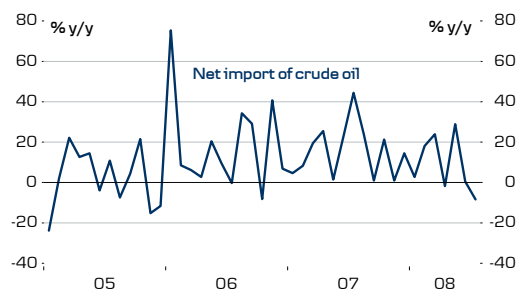


Chart 4: Net import of crude oil slowing





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