

# China Macro Flash

## Jan Trade Data Remain on Uptrend

- **Better export growth expected in 2013** – China's Jan exports surged 25% and imports rose 28.8% from a year ago, better than our and market expectations. Seasonally-adjusted, exports went up by 12.4% and imports up by 3.4%, lower than the growth rates in Dec 2012. With a monthly trade balance of US\$29.15 billion, in four out of past five months (except Nov 2012), China has achieved double-digit growth in exports (seasonally adjusted). The Jan trade figures have shown a consistent improvement for the near term.
- **Positive sign emerges in trade with Japan** – Caution has to be exercised in interpreting Jan trade figures for countries and commodities, as these figures are not seasonally adjusted. The pattern for export growth by country that emerged in 2012 continued into Jan 2013: high export growth to ASEAN, followed by exports to the US, with relatively low export growth to the EU and Japan. The figures for Jan are 48.8% YOY for exports to ASEAN, 14.6% to the US, 5.3% to the EU and 5.9% to Japan. A similar pattern has emerged for China's imports: fast growth for imports from the US, followed by ASEAN, and then the EU and Japan. However, in Jan China's exports to Japan increased by 1.5% mom, while exports to ASEAN, the US and the EU experienced negative MOM growth in Jan. China's imports from Japan rose from -19.5% in Dec 2012 to 15.4% in Jan, an increase of 35 ppts, while imports from the EU increased from -2.3% to 20.7%, an increase of 23 ppts. The trade data seem to be suggesting that the effect of territorial disputes on Sino-Japan trade may be waning. If the trend continues, a turnaround in trade with Japan could provide a boost to China's exports in 2013.
- **Exports of labor-intensive products also on an upward trend** – For exports, labor-intensive products have shown stronger growth in recent months. Growth accelerated from -1.1% in Nov, to 20.5% in Dec 2012, and further to 24.5% in Jan, a steady pick-up relative to growth rates of total exports at 2.9%, 14.1%, 25%, respectively, in Nov-Jan. Of labor intensive products, furniture exports grew by 54.5%, suitcases and handbags by 48%, footwear by 34.8% in Jan, significantly outpacing the growth rate of total exports in Jan. It appears that China's comparative advantages in the production of labor-intensive products may have not declined as quickly as expected, as long as labor productivity growth can offset or partially offset the increase of labor cost. Improved exports of labor-intensive products may give comfort to China's job markets, especially for those employed by medium and small enterprises in China's coastal regions.
- **Continued high trade surplus should support RMB appreciation** – China has enjoyed a trade surplus of around RMB 30bn for a second month. The pressure for RMB appreciation against the dollar will likely build up, offsetting the depreciation risk due to the weakening yen.

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**Enjiang Cheng**

+86-10-5937-6038  
enjiang.cheng@citi.com

**Minggao Shen**

+852-2501-2485  
minggao.shen@citi.com

**Shuang Ding**

+852-2501-2769  
shuang.ding@citi.com

**Serena Wang**

serena.wang@citi.com

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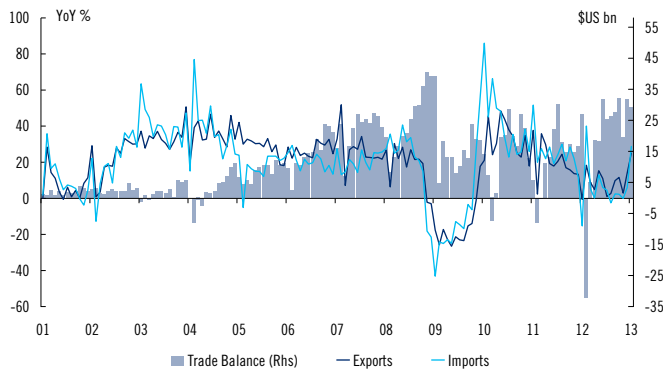
# Jan Trade Data Remain on Uptrend

Figure 1. China Data Release

	Date	For	Actual	Citi Fcst	Mkt Fcst	Prev
Exports (% YoY)	8-Feb	Jan	25.0	17.3	17.5	14.1
Imports (% YoY)			28.8	22.8	23.5	6.0
Trade Balance (\$US bn)			29.15	25.30	24.70	31.62

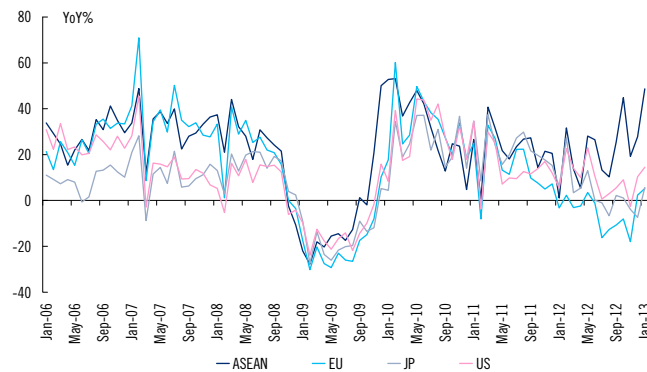
Source: Bloomberg and Citi Research estimates

Figure 2. Both exports and imports beat expectations



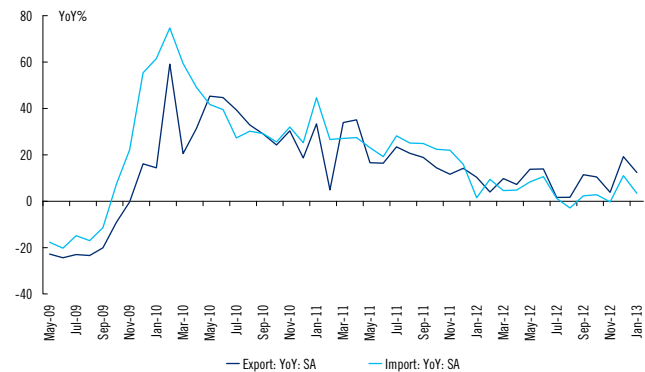
Source: CEIC and Citi Research

Figure 4. Exports by major destinations



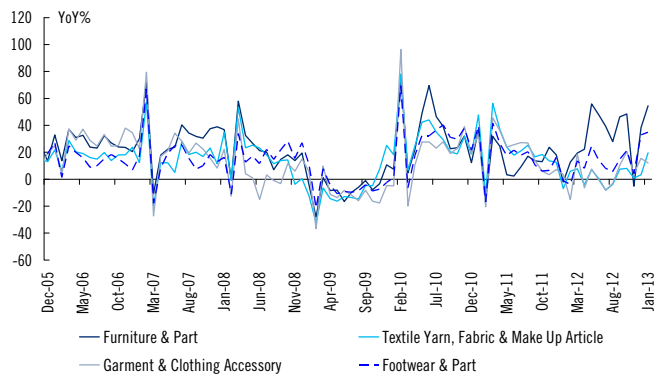
Source: CEIC and Citi Research

Figure 3. Exports and imports growth after seasonally adjustment



Source: CEIC and Citi Research

Figure 5. Exports of labor intensive products on the upward trend



Source: CEIC and Citi Research

## Appendix A-1

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