

China Macro Flash

Canton Trade Fair Signals Challenges Ahead for China's Exports

■ The Canton Trade Fair signals challenges for China's exports through 1H 2013

– The recent autumn trade fair in Guangzhou foreshadows a downward trend in China's exports. By Nov 3, the total contracted value of exports amounted to US\$ 32.6 billion, a fall of 9.3% compared with the figure in the last spring fair. A 36% drop in the contracted exports to Japan is particularly striking. China's export growth rebounded to 9.9% in Sep, reflecting past export orders and likely due to the Christmas factor. We estimate that export growth may stay in single digits in 2013.

- **China's exports are undergoing a structural change** – The contracted exports from the trade fair confirm the fundamental changes undergoing in China's exports in terms of goods and destinations. The contracted exports to the EU and US recorded large falls associated with a weak demand; contracted exports to Japan plummeted, a reflection of the recent Sino-Japan territorial disputes. A lower-than-average decline in contracted exports is observed for BRIC, the middle-east and ASEAN countries. Exports of branded products declined by 5.4%, 3.9% less than the overall contracted exports. The Ministry of Commerce also reports a clear shift in the contracted exports from low value-added labor intensive commodities to high value-added commodities. The increase in the contracted exports of food and pharmaceuticals could reflect low demand elasticity.

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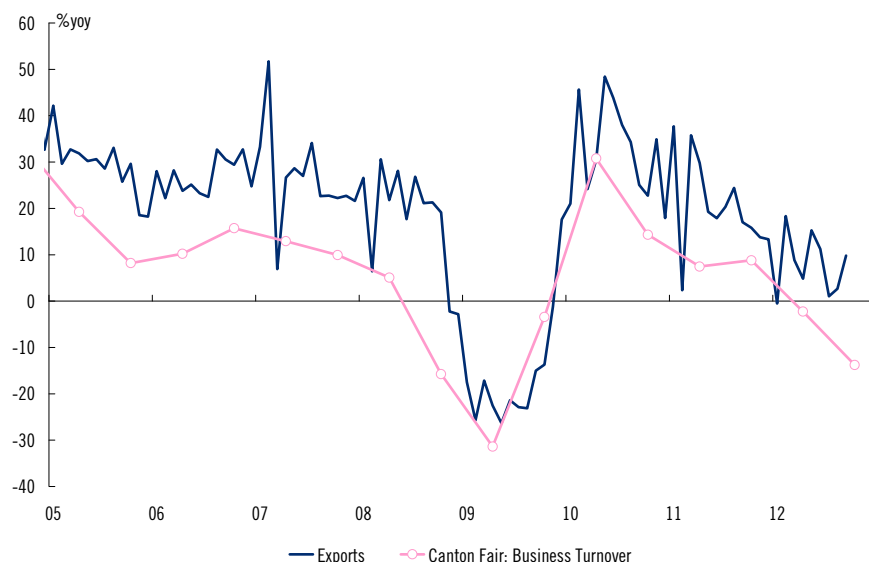
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Figure 1. The Canton Trade Fair signals challenges for exports



Source: CEIC and Citi Research

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Figure 2. Changes in the Contracted Export Value over the Last Spring Fair

By Regions	%	By Commodities	%
<u>Total</u>	-9.3	<u>Total</u>	-9.3
EU	-10.5	Machines	-11.6
USA	-9.4	Textile	-15.5
Japan	-36.6	Leather cases	-37.7
ASEAN	-7.9	Food	14.5
Middle East	-5.7	Pharmaceutical	26.9
BRIC Countries	-0.7		

Source: The China Foreign Trade Center and Citi Research

Appendix A-1

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