

China Trade in Dec 2020

Strong momentum continued

Latest trade figures surprised on the upside. Export of goods rose 18.1% whereas import increased 6.5% YoY in Dec. Annual export/import growth was +3.6%/-1.1% YoY, respectively, in 2020 (our estimate was 2.0%/-1.1%). China was among the few countries realizing positive export growth against the backdrop of COVID-19 this year, booking trade surplus at US\$ 535bn.

- **Electronics and durable household items lifted export.** New product launches in 4Q as well as increasing demand boosted export growth of mobile phones (+18.1% in Dec 2020 and 0.9% in 2020). Computers, ICs and audio & video equipment also expanded export growth in Dec, up 11.6%, 39.4% and 30.7% YoY, respectively. Export of household appliances increased vigorously by 58.6% YoY and that of furniture rose 31% YoY in Dec 2020, as overseas demand for durable household items stood up high. On the other hand, textile yarn and fabrics decelerated export growth to 12.6% YoY in Dec, after recording above 30% growth since Apr.
- **Import increased over a broad spectrum of goods,** as domestic demand continued to pick up. Import of iron ore and unwrought copper increased 29.8%/21.9% in Dec-20, respectively, indicating strong industrial and construction activities. Electronics and mechanical products also accelerated growth, such as integrated circuits (+26.5% YoY in Dec 2020 and 14.6% in 2020), and automobiles (+56% in Dec 2020 and -4.2% in 2020). We think with the resumption of overseas supply chain, booming domestic demand and open-up policies, goods imports may continue to strengthen in China.
- **Other highlights in 2020 trade data.** 1) By geography, ASEAN has surpassed EU to become China's largest trading partner, ranking first by import origination and third by export destination. 2) Duty-free goods imports reached US\$ 3.97bn in 2020, up 21.6% YoY. 3) China has been grabbing a larger share in global goods exports since this year thanks to speedier production recovery, accounting for 14.4% of World's total exports at end-3Q20 vs. 13.1% at YE19 based on 4-quarter rolling sum.
- **Trade outlook in 2021.** On one hand, synchronized recovery of global economy is likely to strengthen trade growth overall. On the other hand, production recovery in competing countries could make it more difficult for Chinese goods to gain market share. We forecast export/import growth will resume to 8%/10% in 2021 on this year's lower base amid COVID-19. Risks include 1) deceleration of export growth in 2H21 after pent-up demand for durable goods is fulfilled; 2) stronger RMB denting profitability and attractiveness of export industries.

Trade Data Summary

in US\$ billion	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	2020A	2021E
Export value	235.3	239.8	237.2	268.1	281.9	2,590.7	
YoY growth (%)	9.5	9.9	11.4	21.1	18.1	3.6	8.0
Import value	176.3	202.8	178.7	192.7	203.8	2,055.6	
YoY growth (%)	-2.1	13.2	4.7	4.5	6.5	-1.1	10.0
Trade balance	58.9	37.0	58.4	75.4	78.2	535.0	

Source: China Customs, CMBIS

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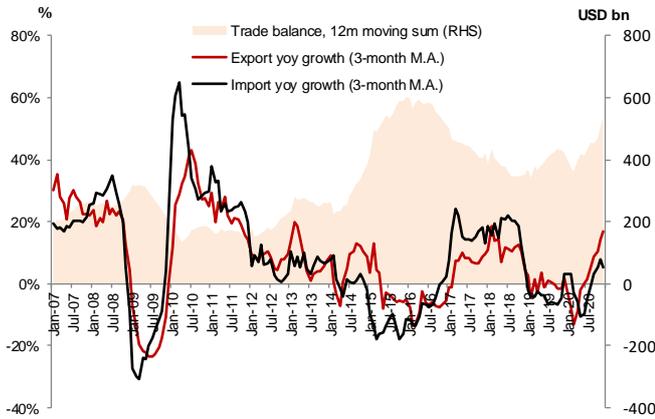
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Figure 1: Export/import increased 18.1%/6.5% YoY in Dec 2020, respectively



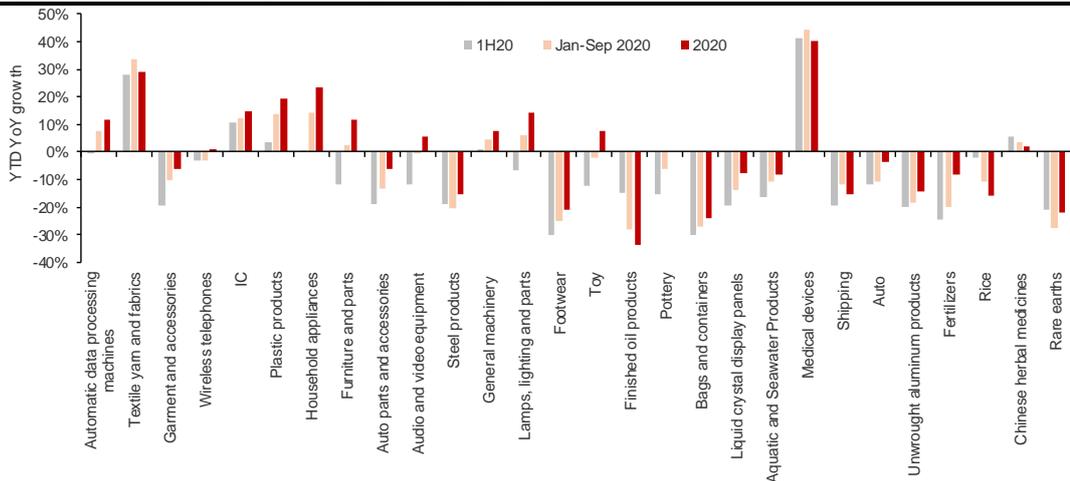
Source: China Customs, Wind, CMBIS

Figure 2: China is grabbing a larger share in World's goods exports



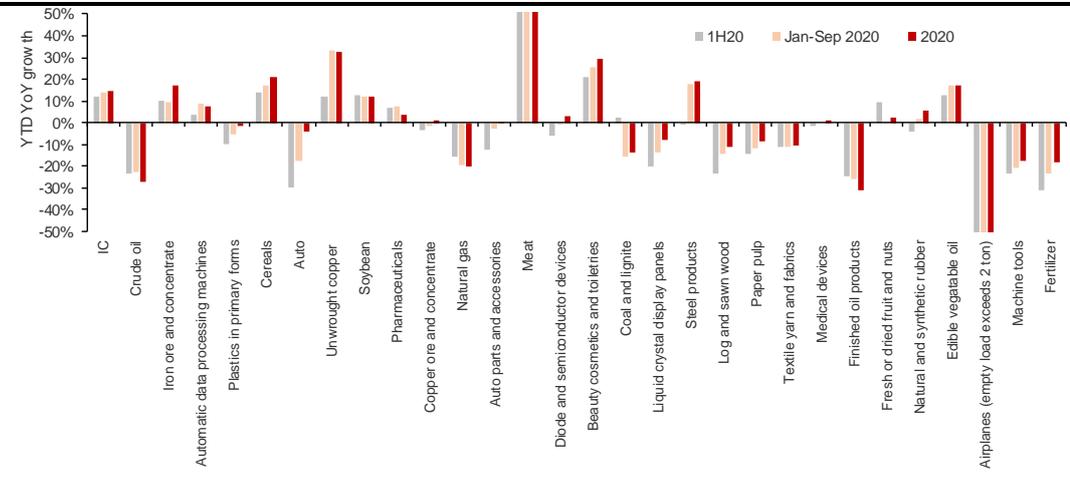
Source: WTO, CMBIS

Figure 3: YTD export growth by category of goods



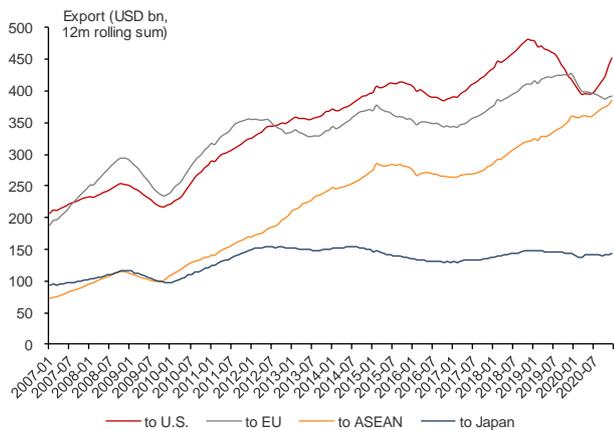
Source: China Customs, Wind, CMBIS

Figure 4: YTD export growth by category of goods



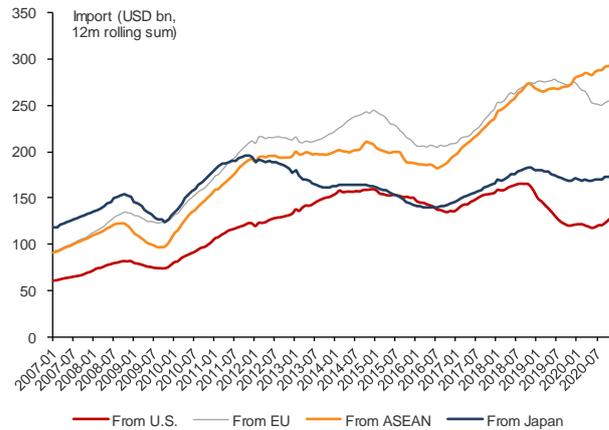
Source: China Customs, Wind, CMBIS

Figure 5: Export from China by destination



Source: China Customs, Wind, CMBIS

Figure 6: Import to China by origination



Source: China Customs, Wind, CMBIS

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