

China Trade Data Anomaly Explained

Official trade data for China showed exports growing YOY by 14.7%, ahead of forecasts of 9% and imports of 16.8%, ahead of forecasts of 13%. Closer inspection of the data reveals interesting themes. Notably, the bulk of the rise in exports was to Asia, as was the bulk of imports. Ex Asia, the numbers for imports and exports were less exuberant, particularly for exports.

What's going on?

China Exports by Destination

China Imports by Source

It appears that there has been a lockstep rise in exports and imports. What plausible explanation could there be? Here is one.

1. Companies in China buy RMB for USD at the onshore rate of 6.20.
2. Companies in HK sell RMB for USD at an offshore (CNH) rate of 6.18.

What are the implications?

1. Exports in all other regions were weak. They may have even shrunk YOY.
2. The strength in RMB is hurting China exports. So also is the re-shoring of manufacturing to developed markets.
3. This could signal continued weaker growth in China.
4. What is interesting is the rise in imports from North America, strengthening the thesis that the US is becoming a competitive exporter.