

October 15, 2021

# Economic Acumen

Commentary by CEBI Research Team

## In Brief

- China's September exports posted a YoY growth of 19.9% from August's 15.7% in Yuan terms but overseas shipments embraced month-on-month slowdown, indicating the impact of electricity shortage and logistics disruptions.
- September's imported goods cooled to rise of 10.1% YoY after a surge of 23.1% in August, reflecting cooling demand for foreign consumer products and lower demand for imported raw materials amid significant surge in prices.
- Continued worldwide supply chain disruption, power supply crunch, seasonal floods and bad weather force factories to cut production, threatening to weigh on growth of external trade.
- China's policy makers have stepped up efforts to increase power supply and restore proper logistics channels so as to push forward the normalization of factory production and ensure proper delivery of overseas shipments.

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## China's overseas shipments facing month-on-month slower growth momentum in September

China's September exports extended an upward trend on the back of consumption rebound of major trading partners and low base, demonstrating a YoY growth of 19.9% in Yuan terms, which stayed above the consensus estimate of 13.3% and August's 15.7%. However, overseas shipments embraced month-on-month slowdown as September's exports MoM growth decelerated to 4.2% from August's 4.9%, indicating the impact of electricity shortage and logistics disruptions. For imports, September imported goods cooled to rise of 10.1% YoY after a surge of 23.1% in August, which stood below the consensus estimate of 14.6%. The deceleration of imports was mainly due to cooling demand for foreign consumer products and lower demand for imported raw materials amid significant surge in prices. For the third quarter of 2021, China exports and imports showed slower growth momentum at 14.5% and 16.2% from 2Q2021's 20.1% and 31.8%. In sum, continued worldwide supply chain disruption, power supply crunch, seasonal floods and bad weather force factories to cut production, threatening to weigh on growth of external trade. Looking forward, western nations adopt "strategy of living with Coronavirus" to reopen their economies and lift the relevant containment measures. They are preparing to stock up more consumer goods to boost consumption and strengthen economic recovery. We are of the view that China's policy makers have stepped up efforts to increase power supply and restore proper logistics channels so as to push forward the normalization of factory production and ensure proper delivery of overseas shipments. Amid the outbreak of Delta Variant (DV) curbing production in Southeast Asian countries, China emerges to be the major global production base for trading nations and foreign demand for Chinese products remains robust, thus lending support to the external trade sector for the rest of 2021.

**September overseas shipments hit by pandemic-related supply chain disruptions.** China's export growth decelerated on a month-

on-month basis in September despite the fact that new orders for the upcoming Christmas season were on the rise. September's shipments including electronic and medical products, grew at their slower pace, reflecting that the manufacturing productivity of Chinese enterprises were disrupted by inputs and power shortage, thus derailing from rising demand for Chinese products from major trading partners. During the first nine months of 2021, the U.S. and European Union (EU) increased their demand for Chinese products by 22.6% and 21.8% YoY but the growth momentum demonstrated signs of slowdown, reflecting worldwide shipment disruptions and shortage of semiconductor chips. In sum, rising risks of supply chain disruption endanger the stability of China's production capacities, thus affecting continued recovery of trading activities. In the face of uneven global economic recovery, China's policy makers will maintain favorable policy support to stimulate growth of China's external trade sector in 2021.

**China's total trade pointing to slower growth for the rest of 2021.**

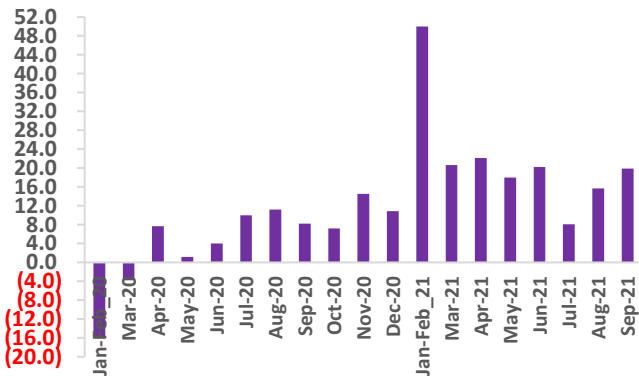
The latest release of China's October official New Export Orders and imports indexes, the sub-index of manufacturing PMI, stayed below the expansion threshold of 50 at 46.2 and 46.8, signaling that overseas new orders of Chinese products and China's demand for foreign products are weakening, which undermine rebound momentum of external trading activities. China's exporters have benefited from resilient demand for medical supplies and electronic products, allowing them to take greater market share from foreign competitors that are hampered by anti-disease controls. However, supply chain disruptions along with power shortage have delayed or canceled the delivery of shipments that weight on total trade growth. In addition, China's automakers and other large manufacturers slowed their purchases of industrial materials as prices of imported iron ore, copper and other industrial raw materials are surging rapidly. We are of the view that China's external trade will demonstrate growth deceleration for the rest of 2021.

**Persistent supply chain disruptions and elevated inflation pressures trimming global economic growth and clouding global trade outlook.**

The outlook for world trade continues to be overshadowed by downside risks, including elevated risks and obstacles to a balanced global recovery, continued weakness in services trade, lagging vaccination timetables for developing countries and supply chain bottlenecks. In sum, global trade continues to be dominated by the U.S., Europe, China and the Asia Pacific. This is due to cross-border supply chains, as a region's importance for trade depends not only on GDP but also on how frequently goods and services cross their borders. The latest economic forecast for global growth by International Monetary Fund (IMF) for 2021 has been trimmed by 0.1% to 5.9%, indicating that the worsening pandemic dynamics have darkened the outlook for low-income developing economies, while wealthy countries are struggling with supply disruptions. The growth projections of major trading hubs, including

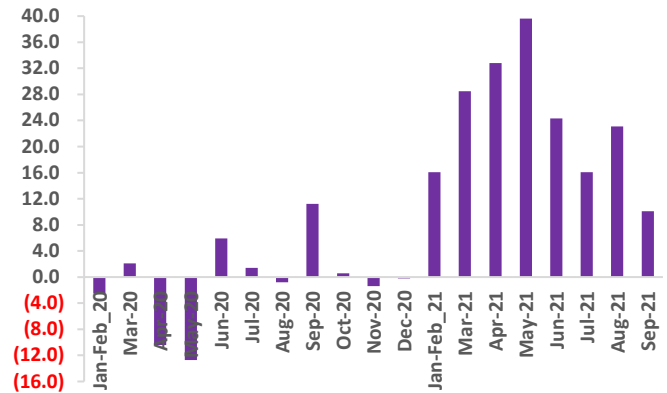
the U.S. and China, have been downgraded by 1% to 6% and 0.1% to 8% respectively. Looking forward, the ongoing pandemic and worldwide production headwinds continue to pose the greatest threat to these trading hubs, which undermine worldwide economic recovery momentum as well as create an unstable and unfavorable environment for global external trade.

**Fig. 1: China Exports (RMB) YoY%**



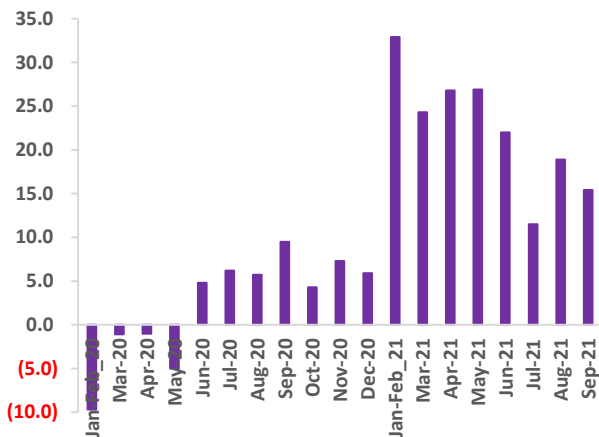
Source: General Administration of Customs (GAC)

**Fig. 2: China Imports (RMB) YoY%**



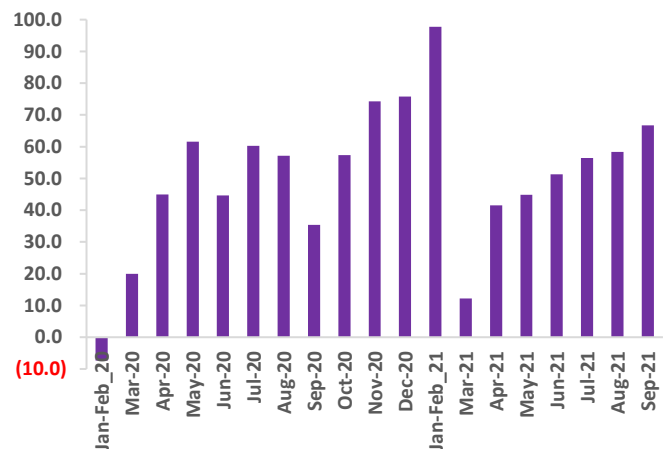
Source: General Administration of Customs (GAC)

**Fig. 3: China's total trade (YoY%)**



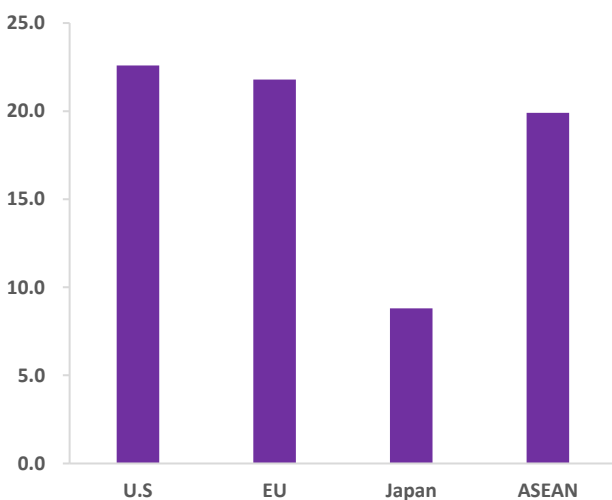
Source: General Administration of Customs (GAC)

**Fig. 4: China Trade Balance (USD bn)**



Source: General Administration of Customs (GAC)

**Fig. 5: China Exports by Major Countries (YTD %)**



Source: General Administration of Customs (GAC)

**Fig. 6: PMI-New Export Order and Import Index**



Source: National Bureau of Statistics (NBS)

## China economic indicators

	1Q2020	2Q2020	3Q2020	4Q2020	2020	1Q2021	2Q2021	3Q2021
Real GDP (YoY%)	(6.8)	3.2	4.9	6.5	2.3	18.3	7.9	-
PMI Manufacturing (%)	45.9	50.8	51.2	51.8	51.9	51.3	51.0	50.0
PMI Non-Manufacturing (%)	45.3	53.7	55.1	56.1	55.7	53.4	54.5	51.3
Exports (RMB YoY %)	(11.7)	4.2	9.8	10.8	4.0	38.7	20.1	14.5
Imports (RMB YoY %)	(1.0)	(5.5)	4.8	0.3	(0.2)	19.3	31.8	16.2
Trade Balance (RMB/bn)	95.8	1065.4	1078.0	1395.0	3634.3	718.2	890.8	1171.2
Exports (USD YoY %)	(13.6)	(0.2)	8.4	16.6	3.6	48.8	30.7	24.4
Imports (USD YoY %)	(3.1)	(9.4)	3.7	5.7	(0.6)	29.2	43.6	25.9
Trade Balance (USD/bn)	12.6	151.2	152.8	207.4	524.0	110.0	137.7	181.5
CPI (YoY %)	4.9	2.7	2.3	0.1	2.5	0.0	1.1	0.8
PPI (YoY %)	(0.6)	(3.3)	(2.2)	(1.3)	(1.8)	2.1	8.2	9.6
FAI (YTD/ YOY %)	(16.1)	(3.1)	0.8	2.9	2.9	25.6	12.6	-
Real Estate Investment (YTD YoY %)	(7.7)	1.9	5.6	7.0	7.0	25.6	15.0	-
Industrial Production (YoY %)	(8.4)	4.4	5.8	7.1	2.8	24.5	9.0	-
Retail Sales (YoY%)	(19.0)	(3.9)	(0.4)	3.2	(3.9)	33.9	13.9	-
New Lending (RMB/bn)	7096.6	4990.9	4166.7	3378.7	19632.9	7667.9	5084.5	3958.4
M2 (YoY %)	10.1	11.1	10.9	10.1	10.1	9.4	8.6	8.3
Aggregate Financing (RMB bn)	11111.0	9757.4	8747.4	5176.0	34791.8	10283.2	7509.5	6931.3

	Sept 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	July 21	Aug 21	Sept 21
Real GDP (YoY%)	4.9	-	-	6.5	-	-	18.3	-	-	7.9	-	-	-
PMI - Manufacturing %	51.5	51.4	52.1	51.9	51.3	50.6	51.9	51.1	51.0	50.9	50.4	50.1	49.6
PMI - Non-manufacturing%	55.9	56.2	56.4	55.7	52.4	51.4	56.3	54.9	55.2	53.5	53.3	47.5	53.2
Exports (RMB YoY %)	8.2	7.2	14.5	10.9	16.5	139.3	20.6	22.1	18.0	20.2	8.1	15.7	19.9
Imports (RMB YoY %)	11.2	0.6	(1.4)	(0.2)	20.0	11.6	28.5	32.8	39.6	24.3	16.1	23.1	10.1
Trade Balance (RMB/bn)	248.0	395.7	502.8	509.2	406.8	233.5	77.9	267.8	291.3	331.5	361.8	376.3	433.2
Export (USD YoY %)	9.4	10.9	20.6	18.1	24.6	154.7	30.5	32.2	27.8	32.2	19.3	25.6	28.1
Import (USD YoY %)	12.7	4.4	3.9	6.5	28.5	18.7	38.9	43.7	51.2	36.7	28.1	33.1	17.6
Trade Balance (USD/bn)	35.3	57.3	74.3	75.8	62.0	35.8	12.2	41.5	44.8	51.3	56.5	58.3	66.8
CPI (YoY %)	1.7	0.5	(0.5)	0.2	(0.3)	(0.2)	0.4	0.9	1.3	1.1	1.0	0.8	0.7
PPI (YoY %)	(2.1)	(2.1)	(1.5)	(0.4)	0.3	1.7	4.4	6.8	9.0	8.8	9.0	9.5	10.7
FAI (YTD/ YOY %)	0.8	1.8	2.6	2.9	-	35.0	25.6	19.9	15.4	12.6	10.3	8.9	-
Real Estate Investment (YTD/ YoY %)	5.6	6.3	6.8	7.0	-	38.3	25.6	21.6	18.3	15.0	12.7	10.9	-
Industrial Production (YoY %)	6.9	6.9	7.0	7.3	-	35.1	14.1	9.8	8.8	8.3	6.4	5.3	-
Retail Sales (YoY%)	3.3	4.3	5.0	4.6	-	33.8	34.2	17.7	12.4	12.1	8.5	2.5	-
New Lending (RMB/bn)	1895.7	689.8	1433.7	1255.2	3578.3	1359.4	2730.3	1468.5	1496.4	2119.6	1083.2	1215.2	1660.0
M2 (YoY %)	10.9	10.5	10.7	10.1	9.4	10.1	9.4	8.1	8.3	8.6	8.3	8.2	8.3
Aggregate Financing (RMB bn)	3469.3	1392.9	2135.5	1647.6	5187.0	1723.8	3372.4	1856.7	1951.9	3700.9	1073.7	2955.8	2900.0
Urban Unemployment Rate (%)	5.4	5.3	5.2	5.2	5.4	5.5	5.3	5.1	5.0	5.0	5.1	5.1	-
Urban Unemployment Rate in 31 major cities (%)	5.7	5.5	5.3	5.2	5.1	-	5.5	5.3	5.2	5.2	5.2	5.3	-

## World Economic/Financial Indicators

Global Indices			
Index	Closing Price	P/E	One Week chg(%)
<b>U.S.</b>			
DJIA	34,912.56	20.93	0.45
S&P 500	4,438.26	26.49	0.88
NASDAQ	14,823.43	113.48	1.16
<b>EUR</b>			
FTSE 100	7,207.71	19.90	1.83
DAX	15,462.72	18.65	1.39
CAC40S	6,685.21	22.75	1.29
STOXX EUR 600	465.92	22.66	1.60
<b>Asia</b>			
HSI	25,330.96	10.45	5.69
HSCEI	8,966.17	8.12	6.58
CSI300	4,932.11	16.90	0.04
SSE Composite	3,572.37	15.24	(0.55)
SZSE Composite	2,400.52	34.51	(0.56)
NIKKEI 225	29,068.63	16.87	3.64
KOSPI	3,015.06	16.00	1.88
TWSE	16,781.19	15.29	0.40
S&P/ASX 200	7,361.98	24.65	0.57
<b>MSCI Index</b>			
MSCI WORLD	3,084.59	23.97	1.25
MSCI DEVELOPED	726.63	22.55	1.23
MSCI EMERGING	1,266.67	15.63	1.07
MSCI US	4,318.91	27.19	1.02
MSCI UK	2,025.91	19.13	1.90
MSCI France	191.70	23.47	1.29
MSCI Germany	168.08	18.67	1.46
MSCI China	91.85	16.18	1.53
MSCI Hong Kong	15,037.08	23.19	(1.43)
MSCI Japan	1,219.80	16.53	2.72

\* As of 10/15/2021 closing for Asia markets, 10/14/2021 for other markets

Global Commodities			
	Unit	Price	One Week chg(%)
<b>Energy</b>			
NYMEX WTI	USD/bbl	81.92	3.24
ICE Brent Oil	USD/bbl	84.70	2.79
NYMEX Natural	USD/MMBtu	5.75	3.32
<b>Basic Metals</b>			
LME Aluminum	USD/MT	3,098.12	5.75
CMX Copper	USD/lb.	463.15	9.14
LME Steel Rebar	USD/MT	714.00	2.00
LME Lead Cash	USD/MT	2,348.65	5.77
<b>Precious Metals</b>			
CMX Gold	USD/T. oz	1,785.16	1.60
Gold Futures	USD/T. oz	1,787.60	1.71
CMX Silver	USD/T. oz	23.32	2.82
NYMEX Platinum	USD/T. oz	1,055.77	2.64
<b>Agricultural</b>			
CBOT Corn	USD/bu	522.75	(1.46)
CBOT Wheat	USD/bu	731.50	(0.34)
NYB-ICE Sugar	USD/lb.	19.71	(2.86)
CBOT Soybeans	USD/bu.	1,216.00	(2.17)

All data sources: Bloomberg

Money market		
	Yield (%)	One Week chg(%)
US Fed Fund Rate	0.25	0.00
US Prime Rate	3.25	0.00
US Discount Window	0.25	0.00
ECB Rate (Refinancing)	0.00	0.00
BOJ Policy Rate	(0.10)	0.00
US Treasury (1 Mth)	(0.00)	(0.01)
US Treasury (1 Yr)	0.09	(0.003)
US Treasury (5 Yr)	1.07	0.01
US Treasury (10 Yr)	1.54	(0.070)
US Treasury (30 Yr)	2.05	(0.12)
1-Month LIBOR	0.0903	0.003
3 Month LIBOR	0.1238	(0.0003)
Japan 1-Yr Gov. Bond	(0.11)	(0.004)
Japan 10-Yr Gov. Bond	0.08	(0.00)
German 1-Yr Gov. Bond	(0.68)	(0.02)
German 10-Yr Gov. Bond	(0.17)	(0.02)
China LPR (1-year)	3.85	0.00
China 1-Yr Gov. Bond	2.29	(0.01)
China 5-Yr Gov. Bond	2.81	0.08
China 10-Yr Gov. Bond	2.97	0.06
O/N SHIBOR	2.07	0.43
1-mth SHIBOR	2.36	(0.02)
HK Base rate	0.5	0.00
O/N HIBOR	0.03	0.0001
1-mth HIBOR	0.06	0.002
O/N CNH HIBOR	2.52	0.91
1-mth CNH HIBOR	3.30	0.203
<b>Corporate Bonds (Moody's)</b>		
Aaa	2.66	(0.03)
Baa	3.35	(0.02)

Currency market		
	Spot Rate	One Week chg(%)
US Dollar Index	93.94	(0.13)
Euro/USD	1.1604	0.30
GBP/USD	1.3729	0.84
AUD/USD	0.7419	1.50
USD/CAD	1.2345	(1.02)
USD/JPY	114.35	1.88
USD/CHF	0.9234	(0.44)
USD/CNY Midpoint	6.4386	(0.34)
USD/CNY	6.4314	(0.19)
USD/CNY NDF-12-mth	6.6189	(0.23)
USD/CNH	6.4288	(0.26)
USD/HKD	7.7808	(0.04)
CNY/HKD	1.2098	0.15
CNH/HKD	1.2103	0.22
USD/KRW	1,182.40	(0.71)
USD/TWD	28.01	0.23
USD/SGD	1.3480	(0.48)
USD/INR	75.26	0.63

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