

# Short Insight

**Group Economics**  
Emerging Markets &  
Commodity Research

12 January 2018

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## Assessing China's December trade and lending data

- **Import growth drops sharply in December, but no need for panic**
- **Growth of Chinese commodity imports slows further**
- **Export growth solid reflecting strong, broad-based external demand**
- **Targeted tightening campaign leads to slowdown of credit growth**

### 1. Import growth drops sharply in December, but please don't panic

This morning, China published trade data for December. Import growth came out much lower than consensus, both in dollar and yuan terms. Import growth fell to a one-year low of 4.5% yoy (November: 17.7%), far below consensus expectations (15.1%) but much closer to ours (6%). We had anticipated a relatively low number given strong base effects (China's monthly trade data are notoriously volatile). Last year, the typical year-end surge in imports took place in November, compared to December in previous years. In fact, in absolute terms import values were stable in December compared to November. That said, in our base scenario we expect a serious slowdown of import values in 2018, to 7% from 16% in 2017 (in volume terms, the import slowdown will be much more moderate). That slowdown partly reflects the fading of base effects. Still, it also fits within our base scenario of a gradual GDP slowdown. This goes hand in hand with a cooling of domestic demand, translating into lower growth of imports.

#### Import growth drops to one-year high in December



Source: Thomson Reuters Datastream

### 2. Growth of Chinese commodity imports slows further

The December data also pointed to a further slowdown of China's import growth for key commodities, such as iron ore, copper ore and oil. For all three commodities, annual import growth turned negative in December. Looking through the monthly volatility of these data by using 12-months averages, import growth in late 2017 has fallen to around 5% yoy for iron ore and to around 2% for copper ore. For oil we also see an ongoing slowdown, although the 12-month average growth rate was still relatively high at more than 11%. That reflects the fact that growth in the industrial sectors (heavy users of iron ore and copper ore) is lower than overall GDP growth.

#### Growth of commodity imports cools further



Source: Thomson Reuters Datastream, ABN AMRO Group Economics

**3. Export growth solid reflecting strong, broad-based external demand**

Export growth in dollar terms came in at 10.9% yoy for December, in line with market expectations. Although that was slightly below November’s number (12.3%), export growth remains solid. Last year, export growth jumped to an average of 8.3% yoy, compared to -6% in 2016 and around -2.5% in 2015. That reflects the pick up in global growth and trade boosting external demand, as well as to the lagging effects of a more competitive yuan and rising export prices. The improvement is broad based in terms of export destination. Despite concerns about trade protectionism, exports to the US rose by over 11% in 2017. Export growth to most other countries/regions picked up as well in 2017: EU +9%, Japan +6%, ASEAN +7%, Brazil +32%, Russia +15%. We expect export growth to slow moderately in 2018, compared to 2017. Despite the regular flaring up of trade issues, we do not foresee a major trade war between the US and China

**Export growth still solid**



Source: Thomson Reuters Datastream

**4. Targeted tightening campaign leads to credit slowdown**

Meanwhile, China’s lending data for December were also reported lower than expected. Aggregate financing came in at CNY 1140bn, down from CNY 1600bn in November and below the consensus expectation of CNY 1500 bn. New yuan loans in December stood at CNY 584bn, versus a consensus expectation of CNY 1000 bn and down from CNY 1120bn in November. The growth of broad money supply (M2) dropped to a multi-year low of 8.2% yoy in December. Growth of other monetary aggregates also came down. The latest numbers suggest that Beijing’s ongoing targeted tightening campaign aimed at reducing excessive (financial) leverage – including in shadow banking and interbank markets – is filtering through. We expect Beijing to extend the financial deleveraging campaign into 2018 and the gradual slowdown of credit growth to continue.

**Targeted tightening results in gradual credit slowdown**



Source: Thomson Reuters Datastream

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