China November Trade Weak In Challenge To Economy

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BEIJING (AP) — China's trade weakened sharply in November, adding to challenges for the world's second-largest economy as a gradual recovery takes shape.

Export growth plunged to 2.9 percent over a year earlier from the previous month's 11.6 percent, customs data showed Monday. Imports were flat, down from October's 2.4 percent growth.

The figures were in line with analysts' warnings that a trade rebound that began in August was unsustainable due to weak global demand amid Europe's debt problems and a slow U.S. recovery.

The trade weakness comes as stronger factory production and consumer spending show China is starting to emerge from its deepest economic downturn since the 2008 global crisis.

China's reliance on trade has declined as domestic consumption grows but export-driven manufacturing still employs millions of workers and any weakness raises the risk of job losses and unrest.

Global demand for China's goods is so weak that the government has said exports likely will contribute nothing to this year's overall economic growth.

Western export markets face uncertainties including the U.S. "fiscal cliff" — or impending automatic tax and spending cuts that could disrupt economic growth — and the euro area debt crisis.

"These potential external headwinds remain a major risk for the China economy in the near term," said J.P. Morgan economists in a report.

The International Monetary Fund and others are forecasting Chinese growth this year below 8 percent. That would be strong by the standards of struggling Western economies but China's weakest performance since the 1990s.

Economic growth fell to a three-and-a-half-year low of 7.4 percent in the three months ended Sept. 30. It is rebounding in the current quarter but a recovery is likely to be gradual and too weak to drive a global rebound without improvement in Europe and the United States, analysts say.

The improvement comes as a new generation of Communist Party leaders who were installed at a congress last month are taking power.

Data on Sunday showed November factory output increased 10.1 percent from a year earlier, up from the previous month's 9.6 percent. Retail sales rose 14.9 percent, up from October's 14.5 percent.

The improved factory output "will likely draw the attention of observers as a clear sign of recovery," said Goldman Sachs economists Yu Song and Yin Zhang in a report.

November exports were $179.4 billion while imports were $159.8 billion, the General Administration of Customs reported. The country's global trade surplus widened by 35 percent over a year earlier to $19.6 billion.

The trade surplus with the United States, which has overtaken Europe this year as China's biggest trading partner due to weak European demand, narrowed by 9 percent to $17.7 billion. The surplus with the 27-nation European Union was $7.9 billion.

Beijing set a 10 percent growth target for trade this year but it looks increasingly unlikely to meet that. Trade growth has fallen steadily and declined to 5.8 percent in the 11 months through November.

The commerce minister, Chen Deming, warned last month Chinese exporters face "relatively grim" conditions in coming months and "many difficulties next year."

The government said last month it saw "steady economic growth," suggesting there was no need for further major stimulus following interest rate cuts and higher spending on public works construction and investment by state companies.

China's import weakness reflects the impact of government curbs on construction and industrial investment that have suppressed demand for foreign iron ore, copper and other raw materials.

Communist leaders want to shift the basis of economic growth to domestic consumption and services, a strategy that promises smaller but more sustainable gains.

It could reduce China's appetite for imports, hurting suppliers such as Australia, Brazil and some African economies, where Chinese spending has fueled an economic boom.