

China Reports Stronger April Trade Growth

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BEIJING (AP) — China reported stronger April trade but analysts said export data were inflated and its shaky recovery might be weaker than it looks.

Exports rose 14.7 percent over a year earlier, up from March's 10 percent growth, customs data showed Wednesday. Imports gained 16.8 percent, up from the previous month's 14.1 percent.

That suggested the world's second-largest economy might be improving after an unexpected decline in growth to 7.7 percent in the first three months of the year from the previous quarter's 7.9 percent.

Analysts say, however, that Chinese export data are unreliable, possibly due to companies submitting inflated prices for their goods to evade capital controls and bring money into the country.

"We believe the strong trade growth is not indicative of a growth recovery," said Zhiwei Zhang of Nomura in a report.

Chinese leaders are trying to nurture self-sustaining growth driven by domestic consumption instead of trade and investment, but consumer spending is growing slowly. That has forced Beijing to rely on state-led investment and bank lending to shore up the recovery, which analysts say could be vulnerable if exports or investment decline.

The weaker-than-expected first quarter numbers prompted the World Bank and private sector analysts to trim forecasts for full-year growth, though to still robust levels of about 8 percent.

Louis Kuijs and Tiffany Qiu of RBS said that after factoring out irregularities, they estimated China's exports rose only by about 5.7 percent in April, about 9 percentage points lower than the reported level.

In a positive sign for the economy, Kuijs and Qiu said they saw no obvious irregularities in import data and no reason to inflate the values of goods.

"Reasonable import growth suggests domestic demand has held up better so far," they said in a report.

Surveys by HSBC Corp. and a Chinese industry group showed China's manufacturing growth weakened in April. HSBC said new export orders fell for the first time this year.

China's export data have been under scrutiny since analysts pointed out last year

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that they failed to match up with its trading partners' lower figures for purchases of Chinese goods.

Wei Yao of Societe Generale cited the example of Taiwan, which reported a 2.7 percent decline in April imports from China while Beijing said exports to the island rose 49.2 percent — a gap of more than 50 percentage points.

"We continue to notice glaring discrepancies between China and its trade partners' data, and so again suggest caution in interpreting the report," Yao said in a commentary.

Last weekend, the Chinese foreign exchange regulator announced it will clamp down on "serious mismatches" between flows of money and goods to stop attempts to evade capital controls.

After that takes effect, "trade growth will likely slow," said Nomura's Zhang.

A Cabinet statement last month promised to improve the role of consumption as a driver of growth. It pledged changes in medical, pension and other policies but gave no details. Analysts say better funding for social programs will be required to free up household budgets for consumer spending.

April's stronger gains in imports compared with exports caused China's reported global trade surplus to narrow by about 1 percent, though to a still-wide \$18.2 billion.

China runs a deficit with most of its trading partners, which supply oil, other raw materials and industrial components, and makes up for it by running large surpluses with its U.S. and European export markets.

China's exports to Europe, hurt by the continent's debt troubles, declined 6.5 percent to \$25.9 billion and the surplus with the 27-nation European Union narrowed by 32 percent to \$7.9 billion.

Trade with some European countries suffered even bigger declines. Germany's imports of Chinese goods fell 7.2 percent and France's by 6.7 percent.

Exports to the United States edged down by a fraction of 1 percent to \$28.1 billion while the trade gap with the U.S. narrowed by 13 percent to \$14.7 billion.

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