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## **CHINA'S INTERNATIONAL TRADE GROWS LESS THAN EXPECTED, SURPLUS WITH US DIPS**

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CNBC (8 August 2017)

China on Tuesday reported July exports were up 7.2 percent in dollar terms, while imports were up 11.0 percent in dollar terms. Both were lower than expected.

Analysts polled by Reuters expected a 10.9 percent rise in Chinese exports in July from a year ago in dollar terms. July imports were forecast to increase 16.6 percent in dollar terms.

In June, China reported a 17.2 percent increase in imports and an 11.3 percent on-year rise in exports in dollar terms.

The declines can be partly explained, according to Capital Economics China economist Julian Evans-Pritchard, by negative price effects due to cooling producer price inflation.

Despite the slowdown in trade growth momentum, China's exports and imports were still registering strong expansion on a year-on-year basis, said Rajiv Biswas, IHS Markit's chief economist for Asia Pacific.

China's July trade balance was \$46.74 billion while the country's surplus with the U.S. was \$25.2 billion. The two countries' trade is closely-watched amid current tensions between the economic giants about trade practices.

A month earlier, Chinese customs data has shown China ran a \$25.4 billion surplus with the U.S.

IHS' Biswas said trade tensions between the U.S. and China have eased after the Chinese cooperated on tougher sanctions on North Korea.

In yuan terms, July exports were up 11.2 percent in yuan terms while imports were up 14.7 percent in yuan terms from a year ago.

"Despite the uptick at the end of [the second quarter], trade growth now appears to be on a downward trend," Evans-Pritchard said.

The sharp decline in import growth since the beginning of the year suggests domestic decline is softening, he added. "With the headwinds to domestic demand from policy tightening increasing, we think the slowdown in import growth has further to run," he said.

Further downside to export growth however should be limited due to the positive outlook for China's main trading partners, said Evans-Pritchard.

Market watchers keep their eyes on the world's second-largest economy ahead of a key Communist Party meeting in the fall.

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