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Sep 5, 2023 - 11:29 AM

MNI INTERVIEW: China Exports To Rebound, Strengthen GDP-Advisor



MNI (Beijing) - China's export growth will likely rebound later in the year and help consolidate GDP over the government's 5% target to 5.6% for 2023, while any additional policy measures should focus on reducing real-estate risk, a senior policy advisor told MNI.

"Based on the current policy intensity, the growth rate should reach 5.7% in H2, bringing the whole year growth to 5.6%," said Yu Miaojie, president at Liaoning University and a deputy to the National People's Congress. Yu also acts as a trade policy consultant to the Ministry of Commerce and participates in State Council economy advisory meetings.

A potential rebound in exports as well as the continued consumption recovery will fuel annual growth higher, Yu noted. Chinese authorities set the 5% growth target earlier this year. Yuan depreciation in H1 will also boost exports in H2, said Yu, noting exports take about six months to respond to currency moves. He believes CNY, currently trading near CNY7.3 against the U.S. dollar, will likely not depreciate further this year as the U.S. Federal Reserve eases the pace of rate hikes.

China's July exports fell for the third straight month by 14.5% y/y in USD terms - an over three-year low. Exports to traditional major trading partners have shrunk considerably - U.S. fell 23.1%, E.U. dropped 20.6% while shipments to Japan recorded an 18.4% y/y fall over July.

Yu noted emerging countries will likely become more important trading partners in the long term due to weakening ties with the West. Expanding exports to member countries of the Regional Comprehensive Economic Partnership and Russia can also help offset the declines, he added.

However, the arrival of the festive season in H2 will rapidly boost demand for Chinese products in Europe and the U.S., said Yu. The recent move to create a working group covering trade and investment issues between the U.S. and China, following U.S. Commerce Secretary Gina Raimondo's visit to Beijing last week, was also encouraging, however, the decision to lift export controls on high-tech related products would require a political shift in Washington, Yu added.

He estimated the trade surplus, which hit CNY2.8 trillion in H1, will reach CNY6 trillion this year and help shore up net exports' contribution to GDP. Net exports weighed on H1's 5.5% growth, falling 0.6 pp, while final consumption added 4.2 pp and investment contributed 1.8 pp.

Authorities must implement additional measures to tackle property-sector risk over the rest of 2023, Yu said. While proactive fiscal policy - such as tax and fee cuts - should continue to drive domestic demand expansion, room exists for a higher fiscal deficit, Yu noted, adding prudent monetary policy should focus on stabilising the currency from excessive depreciation. (See [MNI: PBOC Faces Tough Task To Defend Yuan, Advisors Say](#))



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