

Chinese trade

Value of China's exports falls sharply on sliding prices

World's second-largest economy has turned to trade to offset weak domestic consumption



Economists say overcapacity in sectors such as electric vehicles is bringing down the cost of Chinese exports © Tingshu Wang/Reuters

Joe Leahy in Beijing and **William Sandlund** in Hong Kong APRIL 12 2024

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China's exports fell sharply in dollar terms in March as lower prices for Chinese goods hit producers in the world's second-largest economy.

The value of [China's](#) exports dropped 7.5 per cent in March from a year earlier, compared with a Reuters poll of analysts that forecast a contraction of 2.3 per cent. Import value was down 1.9 per cent, compared with analysts' expectations of a 1.4 per cent increase.

The fall in the value of exports comes even as volumes have been soaring and underlines the challenges facing Beijing as it turns to manufacturing and trade to try to steer the economy out of a deep slump induced by a slowdown in the property sector.

Economists said overcapacity in some sectors — particularly those favoured by industrial policy such as electric vehicles and solar panels — was bringing down the cost of China's exports and helping them gain global market share.

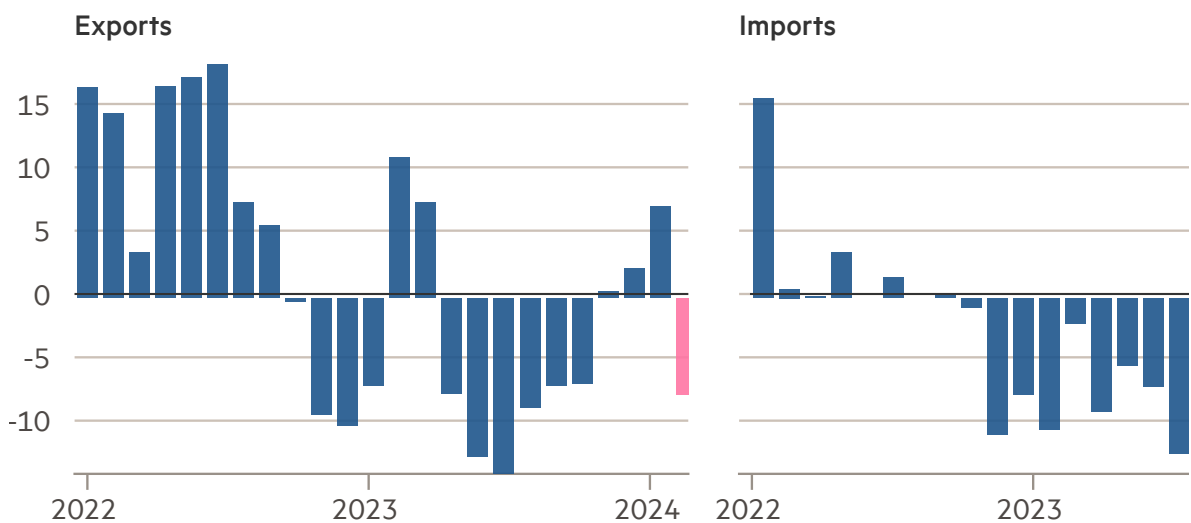
“The most intense price competition is actually happening in the high technology area for the production of vehicles, solar panels, wind turbines . . . so it is hitting economies like Germany, Korea, Taiwan, Japan,” said Frederic Neumann, HSBC chief Asia economist. “What matters are volumes, and when we compare volumes out of China, they're running at record highs.”

Seasonal factors because of spillover effects from China's February lunar new year holiday may have also played a role in the lower than expected dollar export figure for March compared with a year earlier, said Goldman Sachs chief China economist Hui Shan.

But she said exports rose 1.5 per cent in the three months to end-March in dollar terms despite falls in the prices of products, implying strong volume growth. “In terms of volume, Chinese exports are still growing very fast, perhaps over 10 per cent year on year in the first quarter,” said Shan.

Chinese export value fell the most in seven months

Monthly trade in dollars, year-on-year change (%)



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Source: China's General Administration of Customs

Beijing is [facing increasing accusations](#) from the US and Europe that its industries are in oversupply, raising fears that exporters are dumping artificially cheap, subsidised goods on international markets.

China's trading partners are calling on Beijing to stimulate domestic demand to fill the gap left by the property sector, which once accounted for nearly a third of gross domestic product.

But Chinese officials in recent weeks have mounted a campaign to reject western claims of overcapacity, saying their exports were falling in price and gaining market share because of innovation and competitiveness. China's producer price index has fallen for 18 straight months, while consumer prices have [flirted with deflation](#) in a sign of weak demand.

"The fall in product prices is often related to fluctuations in raw material costs, technological updates and producers voluntarily reducing prices, among other factors," said Wang Lingjun, vice-minister of the General Administration of Customs, during a press conference on the March numbers. "Chinese goods are widely welcomed globally due to their innovation and quality."

China's government has set what analysts describe as an ambitious target of 5 per cent GDP growth for 2024. Beijing has announced a programme to stimulate domestic demand with a programme for industry to "upgrade" its equipment and for consumers to buy new appliances.

The export revenues fall in March follows a [sharp increase in January and February](#) that was driven by a rebound in the electronics cycle and greater shipments to countries such as Russia.

German Chancellor Olaf Scholz is due to visit China next week and expected to call on his counterparts to break down barriers for foreign companies in areas such as government procurement.

"China's gaining market share vis-à-vis other Asian exporters and possibly against exports elsewhere in the world," said HSBC's Neumann.

He added that the country's low prices were good for consumers around the world and would help governments battling inflationary pressures, but it meant greater competitive pressure for exporters in other countries.

“That disinflationary effect is being exported to the rest of the region at least on the export side,” said Neumann.

Eswar Prasad, economist and professor of trade policy at Cornell University, said the decline in dollar terms was probably due to exchange rate factors and some “persistent weaknesses in some of China’s key foreign markets, particularly in Europe”.

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