

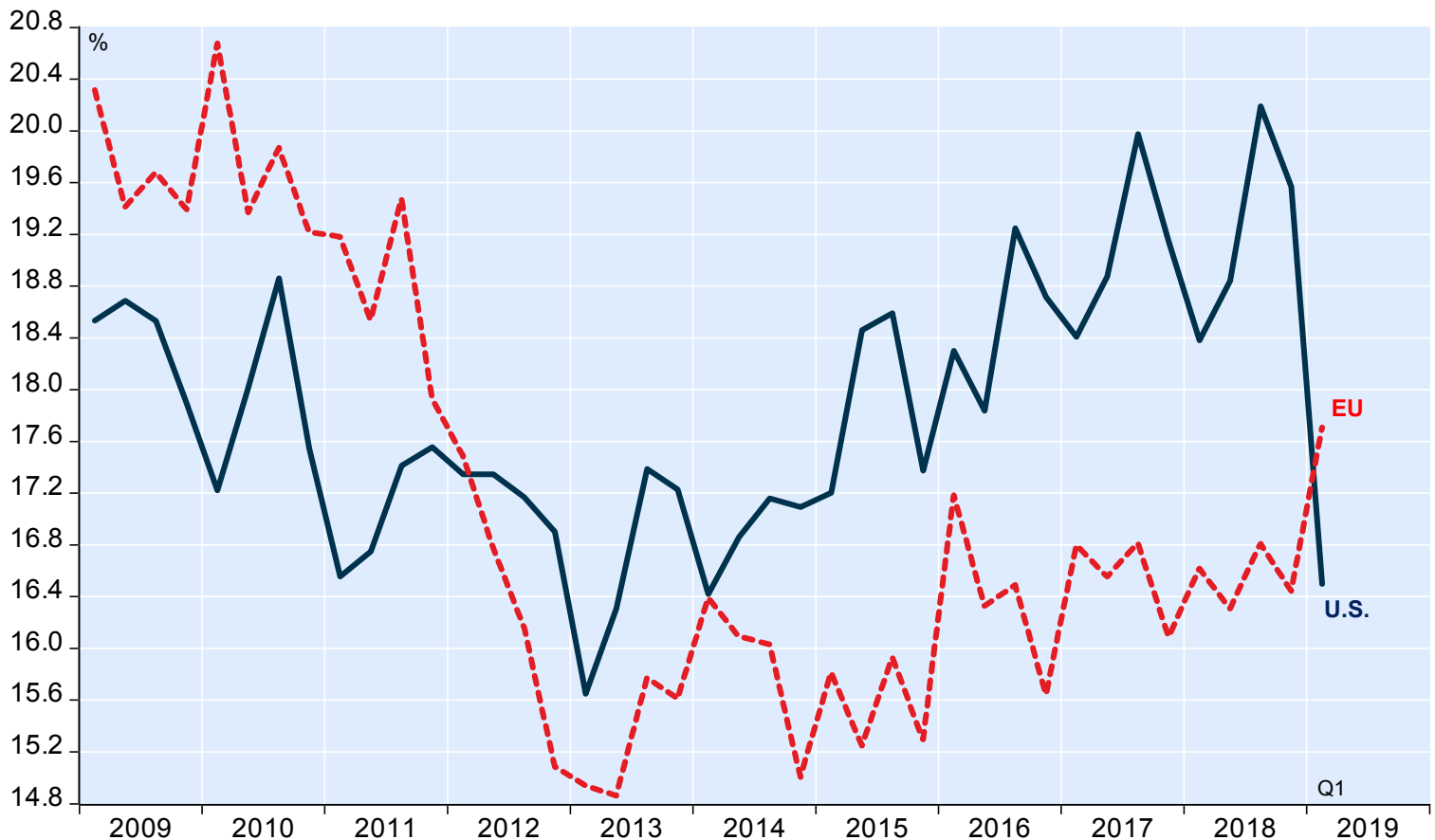
World Watch

By Krishen Rangasamy

Based on this morning's stock market rally, investors seem to be cheering China's consensus-topping trade data for March. The latter showed a larger-than-expected trade surplus thanks to a sharp increase for exports (+14.2% year-on-year) after the prior month's disappointment. But one should be cautious about monthly movements because trade data is notoriously volatile worldwide. And there is an added complication in China where monthly statistics in the first quarter, including trade, can swing wildly due to the Lunar New Year holiday period. In other words, instead of checking monthly movements, look at Q1 as a whole to get a more reliable picture. In that regard, China's exports were up just 1.4% year-on-year in Q1, the ugliest performance since 2016. Higher exports to places like Canada and the European Union (EU) were offset by lower exports to the U.S. In fact, China's exports to the U.S. sank 9% year-on-year in Q1, the worst performance since 2016. While three years ago the drop was largely due to a soft American economy, these days the decline can be attributed to Trump's tariffs on roughly half of China's exports to the U.S. So much so that the U.S. share of China's exports has dropped to a five-year low of just 16.5%. As today's *Hot Chart* shows, the EU now takes in more Chinese goods than does the U.S., its share of China's exports surging to 17.7%, the highest since 2011. Such growing exposure to an economic zone that is expanding at a snail's pace, is arguably not a favourable development for China.

World: U.S. tariffs taking a bite out of China's trade sector

Share of China's exports going to the U.S. and European Union



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