

China Trade Quarterly

Domestic Trade

China's economic growth slows to 0.4% yoy in 2Q22 but is expected to recover in 3Q22

Retail sales contract in 2Q22 but resume growth in June

State Council issues policy package to shore up economy

Foreign Trade

Rise in China's exports in 2Q22 signals robust external demand

Jump in FDI indicates confidence in China's long-term prospects

China ramps up measures to support foreign trade

Fung Business Intelligence

Helen Chin

Vice President

helenchin@fung1937.com

William Kong

Senior Research Manager

Williamkong@fung1937.com



In This Issue:

Part 1: Domestic Trade

A. Recent developments	3
B. Policy updates	10

Part 2: Foreign Trade

A. Recent developments	11
B. Highlights	17
C. Outlook	18

Helen Chin

Vice President

E: helenchin@fung1937.com

William Kong

Senior Research Manager

E: williamkong@fung1937.com

Fung Business Intelligence

11/F LiFung Tower

868 Cheung Sha Wan Road

Kowloon, Hong Kong

T: (852) 2300 2470

F: (852) 2635 1598

E: fbicgroup@fung1937.com

W: <http://www.fbicgroup.com>



Part One: Domestic Trade

A. Recent developments

1. China’s economic growth slows to 0.4% yoy in 2Q22 but is expected to recover in 3Q22

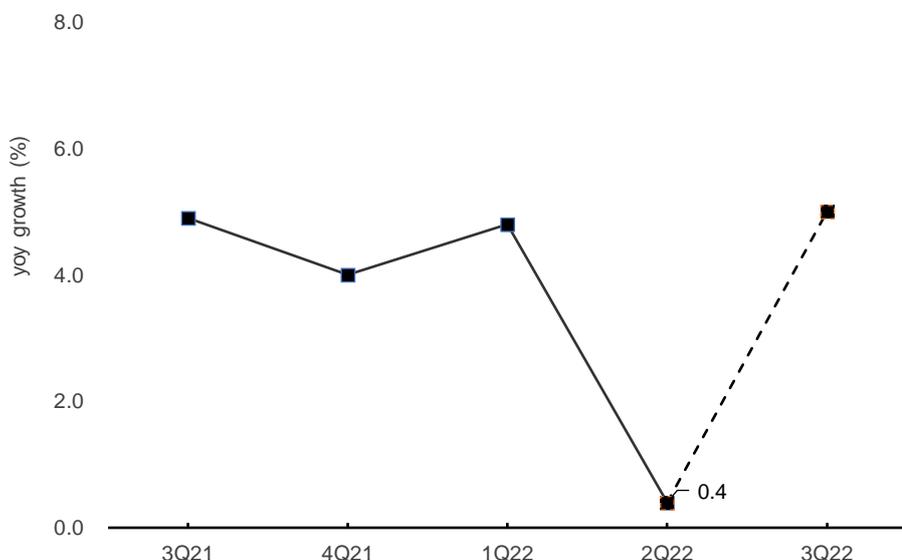
China’s GDP grew by a lower-than-expected 0.4% yoy in real terms in 2Q22, a significant slowdown from the previous quarter’s 4.8% yoy growth (see exhibit 1). Overall, in 1H22, China’s nominal GDP amounted to 56.3 trillion yuan, up by 2.5% in real terms.

We predict that China’s real GDP growth will recover to 5.0% yoy in 3Q22, boosted by a further recovery in manufacturing production and consumer spending amid the easing of the COVID-19 outbreak and gradual lifting of mobility restrictions.

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Exhibit 1: China’s real GDP growth and forecasts, 3Q21 to 3Q22

FY21	3Q21	4Q21	1Q22	2Q22	3Q22F
8.1%	4.9%	4.0%	4.8%	0.4%	5.0%



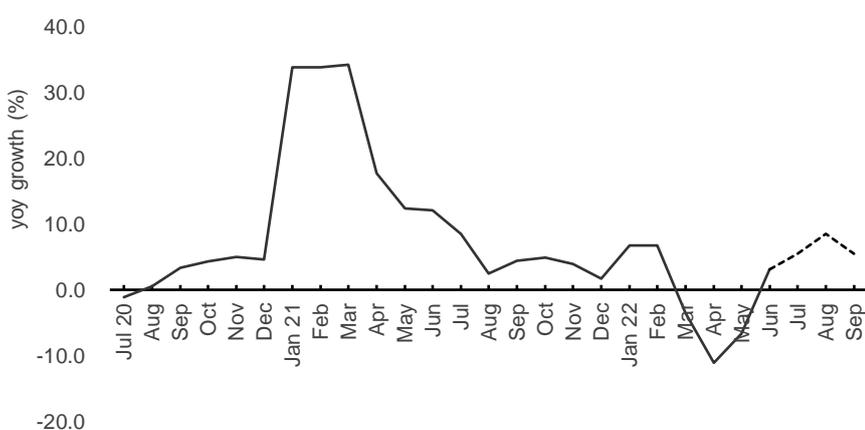
Source: National Bureau of Statistics, PRC

2. Retail sales contract in 2Q22 but resume growth in June

Overall, China's total retail sales of consumer goods declined 0.7% yoy to 21.0 trillion yuan in 1H22. Recovering from year-on-year drops in April and May, retail sales rallied 3.1% yoy in June, as the COVID-19 outbreak eased and mobility restrictions were gradually lifted in various provinces and cities (see exhibits 2, 3 and 4).

Exhibit 2: China's total retail sales, year-on-year nominal growth and forecasts, July 2020 to September 2022

FY21	Jul 21	Aug	Sep	Oct	Nov	Dec	Jan-Feb 22	Mar	Apr	May	Jun
12.5%	8.5%	2.5%	4.4%	4.9%	3.9%	1.7%	6.7%	-3.5%	-11.1%	-6.7	3.1



Source: National Bureau of Statistics, PRC

Exhibit 3: China's total retail sales, month-on-month nominal growth, January to June 2022

mom growth (%), seasonally adjusted

	Jan 22	Feb	Mar	Apr	May	Jun
Total retail sales	0.51	0.42	-2.04	-0.21	0.03	0.53

Source: National Bureau of Statistics, PRC

Exhibit 4: China's total retail sales, 2021 to 1H22

Nominal growth, yoy (%)	FY21	1Q22	1H22
Total retail sales	12.5	3.3	-0.7
- Goods	11.8	3.6	0.1
Sales by enterprises above designated size	12.8	5.7	1.4
Online sales	12.0	8.8	5.6
- Catering services	18.6	0.5	-7.7

Source: National Bureau of Statistics, PRC

We predict that China's retail sales will grow by 6.0% in 3Q22 amid a further recovery in consumer spending and a low comparison base in 3Q21.

Catering sales showed signs of recovery in June, with a year-on-year decline of 4.0%, following year-on-year drops of 22.7% and 21.1% in April and May, respectively.

Exhibit 5: China's retail sales by enterprises above designated size, by product, 2021 to 1H22

Nominal growth, yoy (%)	FY21	1Q22	1H22
Grain, oil and food	10.8	9.3	9.9
Beverages	20.4	11.8	8.2
Tobacco and liquor	21.2	11.8	6.7
Garments, footwear, hats, knitwear	12.7	-0.9	-6.5
Cosmetics	14.0	1.8	-2.5
Gold, silver and jewellery	29.8	7.6	-1.3
Commodities for daily use	14.4	6.6	1.3
Home appliances & audio/video equipment	10.0	5.9	0.4
Traditional Chinese and Western medicines	9.9	9.1	9.7
Cultural and office appliances	18.8	10.6	5.7
Furniture	14.5	-7.1	-9.0
Communication appliances	14.6	4.3	-0.6
Petroleum and related products	21.2	19.7	14.2
Automobiles	7.6	-0.3	-5.7
Building and decoration materials	20.4	3.8	-2.9

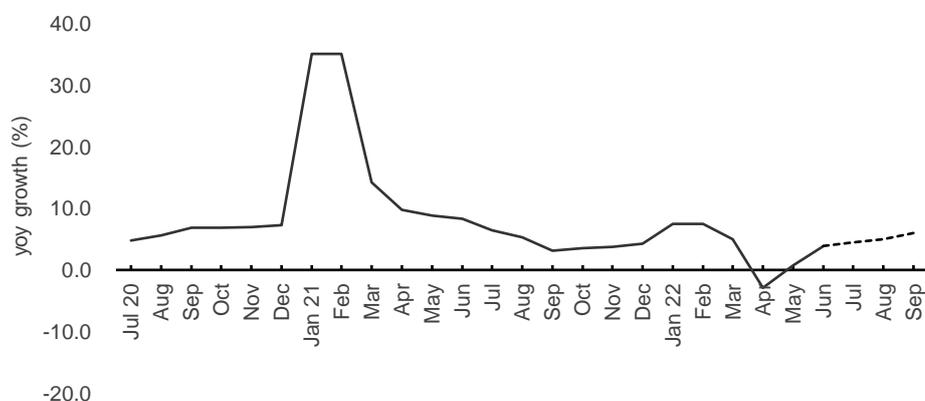
Source: National Bureau of Statistics, PRC

3. Industrial production grows at relatively slow pace in 1H22

China's industrial production, measured by the value-added of industrial output of industrial enterprises above designated size¹, expanded by 3.4% yoy in 1H22 (see exhibit 6).

Exhibit 6: China's industrial production growth and forecasts, July 2020 to September 2022

FY21	Jul 21	Aug	Sep	Oct	Nov	Dec	Jan-Feb 22	Mar	Apr	May	Jun
9.6%	6.4%	5.3%	3.1%	3.5%	3.8%	4.3%	7.5%	5.0%	-2.9%	0.7%	3.9%



Source: National Bureau of Statistics, PRC

¹ 'Industrial enterprises above designated size' refer to industrial enterprises with annual revenue of 20 million yuan or more.

Consumer discretionary categories such as 'garments, footwear, hats, knitwear' and 'automobiles' recorded year-on-year drop in 1H22, indicating that consumers have put discretionary spending on hold amid the economic slowdown. Housing-related spending on 'furniture' and 'building and decoration materials' also declined amid the cooling property market.

We expect China's industrial production growth to accelerate to 5.0% yoy in 3Q22, as the pandemic-related supply chain disruptions continue to ease and infrastructure investment speeds up.

4. Fixed asset investment grows 6.1% yoy in 1H22

The nominal growth of China's fixed asset investment (FAI) (excluding rural households) registered 6.1% yoy in 1H22 (see exhibit 7). China's FAI (excluding rural households) amounted to 27.1 trillion yuan in 1H22.

Exhibit 7: China's FAI (excluding rural households) growth, December 2021 to June 2022

Year-to-date, yoy growth %	Dec 21	Feb 22	Mar	Apr	May	Jun
FAI (excluding rural households)	4.9	12.2	9.3	6.8	6.2	6.1
- Manufacturing sector	13.5	20.9	15.6	12.2	10.6	10.4
- Infrastructure (excluding power, heat, gas and water infrastructure)	0.4	8.1	8.5	6.5	6.7	7.1
- Real estate development	4.4	3.7	0.7	-2.7	-4.0	-5.4

Source: National Bureau of Statistics, PRC

5. Growth in M2 and RMB loans accelerates

The broad money supply (M2) has grown at a much faster pace in recent months. Meanwhile, the growth in the total outstanding RMB loans has also started to pick up lately (see exhibit 8 & 9).

Exhibit 8: Broad money supply (M2) and RMB loans, July 2021 to June 2022

As of	Broad money supply (M2)		Total outstanding RMB loans	
	Amount (trillion yuan)	yoy growth	Amount (trillion yuan)	yoy growth
End-Jul 21	230.2	8.3%	186.6	12.3%
End-Aug	231.2	8.2%	187.8	12.1%
End-Sep	234.3	8.3%	189.5	11.9%
End-Oct	233.6	8.7%	190.3	11.9%
End-Nov	235.6	8.5%	191.6	11.7%
End-Dec	238.3	9.0%	192.7	11.6%
End-Jan 22	243.1	9.8%	196.7	11.5%
End-Feb	244.2	9.2%	197.9	11.4%
End-Mar	249.8	9.7%	201.0	11.4%
End-Apr	250.0	10.5%	201.7	10.9%
End-May	252.7	11.1%	203.5	11.0%
End-Jun	258.2	11.4%	206.4	11.2%

Source: People's Bank of China

The recent acceleration in the issuance of local-government special bonds will continue to shore up infrastructure investment in 3Q22, which will offset the slowdown in real estate investment caused by the cooling property market.

Exhibit 9: Increase in RMB loans, 2021 to 1H22

Increase in RMB loans (trillion yuan)	
FY21	19.95
1H22	13.68
Jul 21	1.08
Aug	1.22
Sep	1.66
Oct	0.83
Nov	1.27
Dec	1.13
Jan 22	3.98
Feb	1.23
Mar	3.13
Apr	0.65
May	1.89
June	2.81

Source: People's Bank of China

In a G20 Finance Ministers and Central Bank Governors Meeting in mid-July, Yi Gang, Governor of the People's Bank of China (PBoC), reiterated that the PBoC will step up the implementation of the sound monetary policy to enhance support for the real economy.

The PBoC vowed to maintain sufficient liquidity and step up credit support to enterprises in the second half of the year, as part of its efforts to consolidate the growth momentum of its economy, according to a statement released by the PBoC on 1 August, after a work meeting for the second half of the year.² The PBoC will also guide financial institutions to issue more loans to the real economy, steadily lower real interest rates and leverage financial tools to support infrastructure construction.

China will continue to avoid broad-based monetary easing due to worries over high debt and capital outflows, in our view.

² http://www.gov.cn/xinwen/2022-08/02/content_5703976.htm

6. PMI indicates downward pressure on manufacturing sector

China's manufacturing PMI rebounded from 47.4 in April to 49.6 in May and 50.2 in June, and then dropped to 49.0 in July (see exhibit 10). The headline PMI reading has returned to the contractionary territory lately, indicating downward pressure on the manufacturing sector.

Manufacturing output has declined lately, as the output index dipped below the critical 50-mark in July. The contraction in manufacturing output was partly attributed to a reduction in new orders: The new orders index went down to 48.5 in July, indicating a deterioration in the overall market demand lately.

Prices of industrial products have dropped lately: The ex-factory prices index went down to 40.1 in July, the lowest level since records began in December 2016. The fall in product prices was due partly to the slump in the prices of materials: The input prices index plunged by 11.6 pts to a nine-year low of 40.4 in July, returning to the contractionary zone for the first time since December last year.

The business expectations index went down from 55.2 in June to a two-year low of 52.0 in July, indicating that purchasing managers in China have become less optimistic about the near-term outlook for their respective industries.

China's manufacturing PMI dropped to 49.0 in July, indicating downward pressure on the manufacturing sector. Production activities have contracted amid a reduction in new orders. Prices of industrial products continued to fall, due largely to the plunge in prices of production inputs.

Exhibit 10: China's manufacturing PMI at a glance, July 2022

Index	Seasonally adjusted index	Index compared with the previous month	Direction
PMI	49.0	Lower ▼	Contracting
Output	49.8	Lower ▼	Contracting
New Orders	48.5	Lower ▼	Contracting
New Export Orders	47.4	Lower ▼	Contracting
Backlogs of Orders	42.6	Lower ▼	Contracting
Stocks of Finished Goods	48.0	Lower ▼	Contracting
Stocks of Major Inputs	47.9	Lower ▼	Contracting
Purchases of Inputs	48.9	Lower ▼	Contracting
Imports	46.9	Lower ▼	Contracting
Input Prices	40.4	Lower ▼	Falling
Ex-factory Prices	40.1	Lower ▼	Falling
Employment	48.6	Lower ▼	Contracting
Suppliers' Delivery Time	50.1	Lower ▼	Quickening
Business Expectations	52.0	Lower ▼	Optimistic

Source: China Federation of Logistics & Purchasing; National Bureau of Statistics, PRC

7. NMI indicates steady expansion in non-manufacturing sector

China's Non-manufacturing Business Activity Index, which is quoted as the Non-manufacturing Purchasing Managers' Index (NMI), rebounded from a two-year low of 41.9 in April to 54.7 in June, before retreating to 53.8 in July (see *exhibit 11*). The latest index reading indicates steady expansion in the non-manufacturing sector.

The new orders index dipped below the critical 50-mark in July, indicating a reduction in new orders lately.

The sales prices index has remained below the neutral level of 50 since April, meaning that enterprises have continued to lower their service charges recently. Meanwhile, the input prices index also dipped below 50 in July, indicating that input prices have started to fall lately.

The business expectation index declined from 61.3 in June to 59.1 in July, suggesting that purchasing managers in the non-manufacturing sector have become less optimistic about the near-term outlook for their respective industries.

We expect that China's non-manufacturing sector will continue to expand and that the NMI will fluctuate around 53.0 in the next few months.

Exhibit 11: China's Non-manufacturing Purchasing Managers' Index (NMI) at a glance, July 2022

Index	Seasonally adjusted index	Index compared with the previous month	Direction
Business activity	53.8	Lower ▼	Expanding
New orders	49.7	Lower ▼	Contracting
Input prices	48.6	Lower ▼	Falling
Sales prices	47.4	Lower ▼	Falling
Business expectations	59.1	Lower ▼	Optimistic

Source: China Federation of Logistics & Purchasing; National Bureau of Statistics, PRC

B. Policy updates

1. State Council issues policy package to shore up economy

China's State Council issued on 31 May a wide-ranging package of policies aimed at boosting the economy. The new package includes 33 administrative measures in six areas, including fiscal support, investment, consumption, food and energy security, and supply chain stability, in an effort to stabilize the economy while maintaining effective pandemic control.³

China will accelerate the issuance of local-government special bonds, speed up investment on transportation infrastructure, and promote spending on major purchases such as automobiles and home appliances. China will also extend more loans to micro and small businesses, provide more support for logistics hubs and enterprises, and help ease the burden on sectors and industries severely affected by the pandemic.

2. China announces various policy measures to promote consumption

On 7 July, China's 17 key departments, including the Ministry of Commerce and the National Development and Reform Commission, jointly issued a notice aimed at promoting new-energy vehicle sales. As part of the plan, the Chinese government will extend the tax exemption given for buying new-energy vehicles, promote new-energy vehicle sales in rural regions, and accelerate development of the charging infrastructure. The government will also take measures aimed at second-hand car sales and prompt auto replacement.⁴

On 13 July, a State Council executive meeting chaired by Premier Li Keqiang called for multi-pronged efforts to boost consumption, and specified measures to shore up the consumption of green and intelligent home appliances. Measures include encouraging local governments to provide financial and policy support, improving the market standards for such home appliances, and supporting the recycling and reusing of worn-out home appliances.⁵

On 28 July, 13 departments jointly issued a guideline to promote the consumption of green and smart home appliances. Measures will be taken to promote sales of green and smart home appliances in rural areas, and enterprises will be encouraged to develop products that are localized to the rural market and satisfy the demand of senior citizens. Efforts will be made to improve after-sales services and recycling facilities for home appliances, and to create a reliable consumption environment. China will propel new infrastructure such as 5G services networks and gigabit fiber-optic networks, providing a solid foundation for the use of smart home appliances.⁶

The Chinese government has been ramping up stimulus and support measures in recent months to mitigate the negative impact of the recent COVID-19 resurgence and to boost the economy.

These measures are aimed at promoting consumer spending as a way to boost economic growth and support the 'dual circulation' development strategy.

³ http://www.gov.cn/zhenqce/content/2022-05/31/content_5693159.htm

⁴ http://www.gov.cn/zhenqce/zhengceku/2022-07/07/content_5699701.htm

⁵ http://www.gov.cn/xinwen/2022-07/13/content_5700841.htm

⁶ <http://www.mofcom.gov.cn/article/zwqk/gkzcfb/202207/20220703336952.shtml>

Part Two: Foreign Trade

A. Recent developments

1. Rise in China's exports in 2Q22 signals robust external demand

In 1H22, China's exports jumped by 14.2% yoy to US\$1,732.3 billion while its imports rose by 5.7% yoy to US\$1,346.8 billion. In July, China's export rose by 18.0% yoy and its imports increased by 2.3% yoy. (See exhibits 12, 13 and 14)

With global growth slowing, we forecast that China's export growth will moderate to 10.0% yoy in 3Q22.

Exhibit 12: China's quarterly foreign trade data, 3Q21 to 2Q22

	Exports		Imports		Trade Balance
	Amount (USD billion)	yoy growth	Amount (USD billion)	yoy growth	Amount (USD billion)
FY21	3,363.1	29.9%	2,687.2	30.1%	675.9
3Q21	881.5	24.2%	698.4	25.4%	183.0
4Q21	964.6	22.9%	714.4	23.7%	250.2
1Q22	820.0	15.7%	661.6	10.2%	158.4
2Q22	912.2	12.9%	685.2	1.7%	227.0

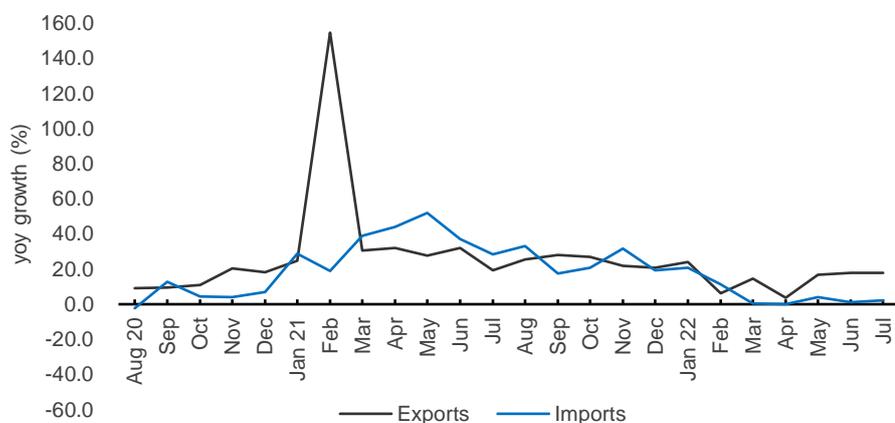
Source: China Customs, compiled by Fung Business Intelligence

Exhibit 13: China's monthly foreign trade data, August 2021 to July 2022

	Exports		Imports		Trade Balance
	Amount (USD billion)	yoy growth	Amount (USD billion)	yoy growth	Amount (USD billion)
August 21	293.9	25.6%	234.7	33.1%	59.2
September	305.3	28.2%	237.2	17.6%	68.1
October	299.6	27.1%	214.8	20.6%	84.8
November	324.8	22.0%	253.1	31.7%	71.7
December	340.2	20.9%	246.5	19.5%	93.7
January 22	327.1	24.1%	243.6	20.6%	83.5
February	217.4	6.2%	188.4	11.2%	29.0
March	275.6	14.5%	229.6	0.3%	46.0
April	273.3	3.7%	222.6	0.0%	50.7
May	307.7	16.7%	229.3	4.0%	78.4
June	331.3	17.9%	233.3	1.0%	97.9
July	332.9	18.0%	231.7	2.3%	101.3

Source: China Customs

Exhibit 14: Growth rates of exports and imports, August 2020 to July 2022



Source: China Customs

Exhibit 15: Exports by category, 2021 to 1H22

yoy growth (%) of export value, in USD	2021	1Q22	1H22
Textile yarn, fabrics and textile products	-5.6	15.1	11.3
Garments and clothing accessories	24.0	7.4	12.0
Footwear	35.3	23.0	32.5
Toys	37.7	19.4	24.7
Furniture and parts	26.4	3.9	1.2
Lighting fittings and parts	31.2	-2.1	2.0
Suitcases and handbags	35.1	26.7	35.7
Refined oil	26.6	4.3	2.2
Steel	80.2	22.8	30.6
Mechanical and electrical products	28.9	12.1	9.6

Source: China Customs

Exhibit 16: Imports by category, 2020 to 1H22

yoy growth (%) of import value, in USD	2021	1Q22	1H22
Soybeans	35.4	20.9	18.4
Iron ores	49.3	-34.8	-30.0
Crude oil	44.3	39.4	54.0
Steel	11.3	12.8	1.5
Textile yarn, fabrics and textile products	14.4	-9.1	-13.1
Vehicles and vehicle chassis	15.4	9.4	-1.2
Integrated circuits	23.6	14.6	6.4
Plastics	16.5	-0.1	-6.2

Source: China Customs

The rise in China's imports in 1H22 was led by the increase in the import value of soybeans and crude oil, due to escalations in global commodity prices. However, it should be noted that the import quantities of these commodities actually dropped year-on-year during the period.

2. ASEAN remains China's top trading partner in 1H22

In 1H22, the ASEAN was China's largest trading partner and the US also retained its status as China's largest export market (see exhibits 17 and 18). Also noteworthy is that South Korea has overtaken Japan as China's top trading partner country in Asia during the period.

Exhibit 17: China's trading partners, 1H22

Country/Region	Trade value (USD billion)	Share of total trade (%)	Export value (USD billion)	Import value (USD billion)	yoy growth (%)		
					Total trade	Exports	Imports
ASEAN	458.5	14.9	263.2	195.3	11.5	16.6	5.3
EU	420.6	13.7	277.2	143.4	8.4	19.1	-7.6
US	383.9	12.5	292.7	91.3	12.7	15.8	3.6
South Korea	184.2	6.0	81.3	102.9	9.4	18.3	3.3
Japan	177.1	5.8	83.5	93.6	-2.1	4.4	-7.3
Brazil	82.3	2.7	29.0	53.3	9.0	24.4	2.2
Russia	80.7	2.6	29.6	51.1	27.2	2.1	48.2
India	67.1	2.2	57.5	9.6	16.5	34.5	-35.3

Source: China Customs

Exhibit 18: China's trading partners, comparing growth rates for 2021 and 1H22

yoy growth (%)

Country/Region	Total trade		Exports		Imports	
	2021	1H22	2021	1H22	2021	1H22
ASEAN	28.1	11.5	26.1	16.6	30.8	5.3
EU	27.5	8.4	32.6	19.1	19.9	-7.6
US	28.7	12.7	27.5	15.8	32.7	3.6
South Korea	26.9	9.4	32.4	18.3	23.3	3.3
Japan	17.1	-2.1	16.3	4.4	17.7	-7.3
Brazil	36.2	9.0	53.4	24.4	29.2	2.2
Russia	35.8	27.2	33.8	2.1	37.5	48.2
India	43.3	16.5	46.2	34.5	34.2	-35.3

Source: China Customs

3. COVID-19 drags down export growth of Guangdong and Shanghai in 1H22

China's top six provinces and municipalities in terms of value of exports – Guangdong, Jiangsu, Zhejiang, Shandong, Shanghai and Fujian – jointly accounted for 73.6% of China's total exports in 1H22, down from 74.7% in 2021 (see *exhibit 19*). Among the top six provinces, Guangdong and Shanghai registered the lowest growth due to COVID-19 outbreaks during the period.

Exhibit 19: Top six provinces and municipalities in terms of value of exports, 1H22

Provinces/ Municipalities	Value of exports (USD billion)	yoy growth (%)	Share of total exports (%)
Guangdong	423.5	1.9	24.4
Jiangsu	266.6	15.8	15.4
Zhejiang	251.1	20.4	14.5
Shandong	157.1	29.7	9.1
Shanghai	90.1	0.3	5.2
Fujian	86.7	19.9	5.0

Source: China Customs

4. Jump in FDI indicates confidence in China's long-term prospects

China's foreign direct investment (FDI) increased by 17.4% yoy to 723.3 billion yuan (US\$112.4 billion, up by 21.8% yoy in US dollar terms) in 1H22 (see *exhibit 20*).

Exhibit 20: China's FDI, 2021 to 1H22

	Amount (billion yuan)	Yoy growth	Ytd amount (billion yuan)	Year-to-date, yoy growth
FY21	1149.4	14.9%	1149.4	14.9%
July 21	64.4	1.4%	672.2	25.5%
August	85.9	1.8%	758.1	22.3%
September	101.5	2.5%	859.5	19.6%
October	83.6	2.2%	943.2	17.8%
November	99.1	0.4%	1042.2	15.9%
December	107.2	6.5%	1149.4	14.9%
January 2022	102.3	11.6%	102.3	11.6%
February	141.4	66.1%	243.7	37.9%
March	136.2	8.3%	379.9	25.6%
April	98.7	4.4%	478.6	20.5%
May	85.6	2.0%	564.2	17.3%
June	159.1	25.4%	723.3	17.4%

Source: Ministry of Commerce, PRC

The rise in FDI into China indicates foreign investors' confidence in China's long-term prospects, despite the ongoing COVID-19 global pandemic and all the talk of China–US decoupling.

5. Chinese yuan depreciates against US dollar but appreciates against Euro in first seven months of 2022

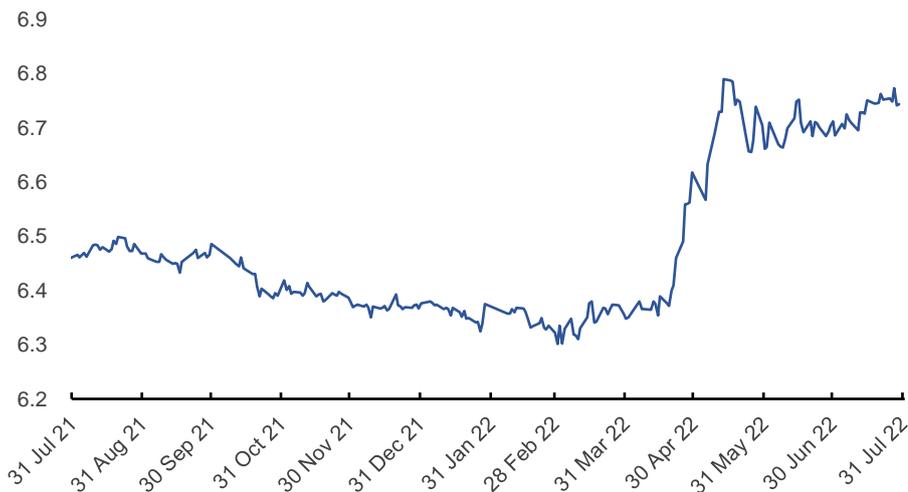
The daily fixing rate (also known as the central parity rate) of the Chinese yuan against the US dollar depreciated from 6.6177 on 29 April to 6.7437 on 29 July (see *exhibit 21*).⁷ The Chinese yuan depreciated by 5.5% against the US dollar so far this year (as of 29 July).

Meanwhile, the daily fixing rate of the Chinese yuan against the Euro appreciated from 6.9531 on 29 April to a seven-year high of 6.7506 on 13 July, before retreating to 6.8739 on 29 July (see *exhibit 22*). The Chinese yuan appreciated by 5.0% against the Euro so far this year (as of 29 July).

According to the Bank for International Settlements, the Chinese yuan depreciated in real terms against its trading partners by 4.4% in 2Q22 (see *exhibit 23*).

With the US expected to further tighten monetary policy while China is likely to ease further, we expect the Chinese yuan to remain weak against the US dollar in the coming months.

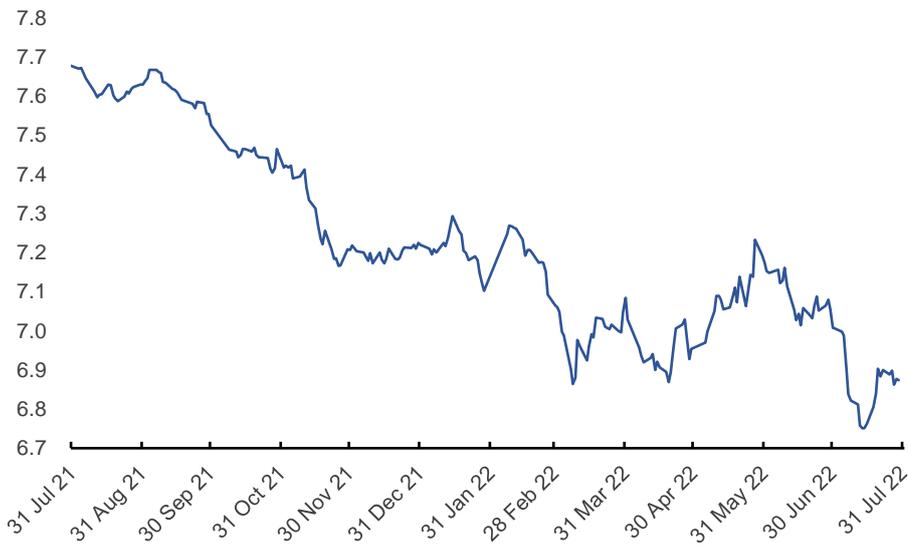
Exhibit 21: USD-CNY daily fixing rate, July 2021 to July 2022



Source: State Administration of Foreign Exchange

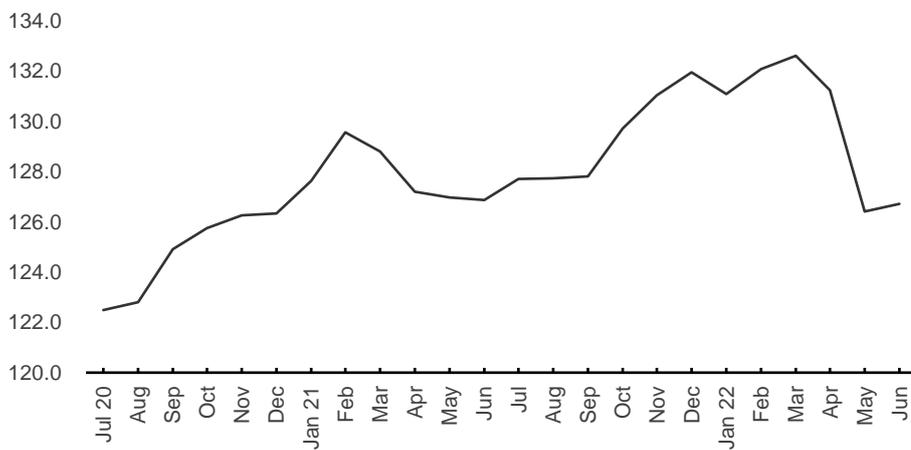
⁷ According to the PBOC, the daily fixing rate of the Chinese yuan against the US dollar is directly formed by market makers based on the closing rate of the previous day and the movements of major international currencies.

Exhibit 22: EUR-CNY daily fixing rate, July 2021 to July 2022



Source: State Administration of Foreign Exchange

Exhibit 23: Real effective exchange rate of the Chinese yuan, July 2020 to June 2022



Source: Bank for International Settlements

B. Highlights

1. China ramps up measures to support foreign trade

China will support foreign trade enterprises through current challenges and help the sector maintain steady and high-quality growth in order to stabilize the economy, according to a circular released by the State Council on 26 May.⁸

Local governments should establish services and safeguard systems for key foreign trade enterprises, keep track of and solve their difficulties in a bid to support their production and operation. Support from related departments will be provided to stabilize foreign trade supply chains for enterprises affected by COVID-19, the circular said. Smooth logistics for foreign trade goods will be ensured, and marine logistics services will be strengthened. As a move to accelerate and upgrade cross-border e-commerce trade, policies facilitating export goods return and exchange will be put in place soon. China will expand short-term export credit insurance and export credit, while further enhancing financial support to micro, small and medium-sized enterprises. Moreover, China will support the stable growth of processing trade.

2. Local governments step up efforts to boost foreign trade

As follow-ups to measures announced by the State Council on 26 May to support foreign trade, local governments in Hebei, Anhui, Fujian, Chongqing, Guangxi and other places have rolled out policies and support measures to boost foreign trade. Zhejiang province, for example, issued 10 measures on 11 July, including: streamlining the process for businesspeople to enter and leave the country in order to boost cross-border trade; providing support for small and micro businesses in international maritime logistics; expanding export credit insurance and export credit; reducing financing costs for businesses; facilitating settlement in international trade and investment, etc.

These measures represent further effort of the Chinese government to alleviate the woes of foreign trade enterprises, as well as to keep foreign trade growth on track amid the global economic slowdown.

⁸ http://www.gov.cn/zhengce/content/2022-05/26/content_5692364.htm

C. Outlook

1. Both US and Eurozone economies register slower growth in 2Q22

The US's GDP growth eased to 1.6% yoy in 2Q22 amid higher inflation and rising interest rates (see exhibit 24). Meanwhile, the GDP growth of the Eurozone economy⁹ slowed to 4.0% yoy in 2Q22 due mainly to the high energy prices and supply chain disruptions caused by the Russia—Ukraine conflict (see exhibit 25).

We expect that both the US and Eurozone economies will slow further in 3Q22 amid high inflation and monetary tightening.

Exhibit 24: US real GDP growth, 2020 to 2Q22

	2020	2021	3Q21	4Q21	1Q22	2Q22
Real GDP (<i>annualized qoq growth %</i>)			2.3	6.9	-1.6	-0.9
Real GDP (<i>yoy growth %</i>)	-3.4	5.7	4.9	5.5	3.5	1.6

Source: US Department of Commerce

Exhibit 25: Eurozone's real GDP growth, 2020 to 2Q22

	2020	2021	3Q21	4Q21	1Q22	2Q22
Real GDP (<i>qoq growth %</i>)			2.3	0.4	0.5	0.7
Real GDP (<i>yoy growth %</i>)	-6.5	5.4	3.9	4.8	5.4	4.0

Source: Eurostat, IMF

⁹ The member countries of the Eurozone include Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain.

2. IMF projects slower growth for world economy in 2022

In the *World Economic Outlook Update* released in July, the IMF forecasts that the global economy will grow by 3.2% yoy in 2022, down from a 3.6% yoy rise predicted in April. The primary reasons behind the latest revisions are tighter financial conditions in the US and Europe due to rising inflation; a worse-than-anticipated slowdown in China; and further negative spillovers from the Russia–Ukraine conflict (see *exhibit 26*).

Exhibit 26: Latest GDP growth estimates and forecasts by the IMF (2021 to 2023)

	yoy growth (%)		
	2021 (Estimates)	2022 (Forecasts)	2023 (Forecasts)
World economy	6.1	3.2	2.9
Advanced economies	5.2	2.5	1.4
- US	5.7	2.3	1.0
- Eurozone	5.4	2.6	1.2
- Japan	1.7	1.7	1.7
- UK	7.4	3.2	0.5
Emerging market and developing economies	6.8	3.6	3.9
- China	8.1	3.3	4.6
- India*	8.7	7.4	6.1
- Brazil	4.6	1.7	1.1
- Russia	4.7	-6.0	-3.5
- ASEAN-5 ¹⁰	3.4	5.3	5.1

* Data and forecasts are presented on a fiscal year basis.

Source: *World Economic Outlook Update* released in July 2022, IMF

A possible worsening of the Russia–Ukraine conflict, rapid monetary tightening in advanced economies, and emergence of new COVID-19 variants are the biggest risks to the global economy in the near future.

¹⁰ ASEAN-5 refers to Indonesia, Malaysia, Philippines, Thailand and Vietnam.

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