

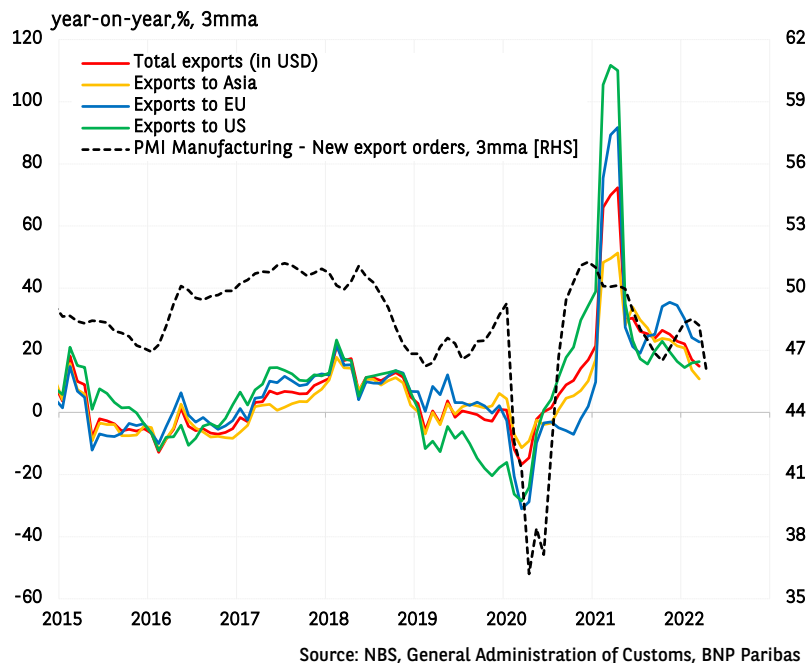
CHART OF THE WEEK



4 May 2022

CHINESE EXPORTS: A MAJOR GROWTH SLOWDOWN IS EXPECTED

Christine Peltier



After an extremely solid performance in 2020 and 2021, export growth will slow steeply in 2022. Export growth rates have already been normalising in recent months, and the slowdown is expected to deepen in Q2 2022. This is the consequence of supply-side constraints due to disruptions in factories, supply-chain difficulties in the manufacturing sector and problems with goods transport following lockdowns in several main industrial and port regions (notably Shanghai). Exports to other Asian countries (47% of China's total exports) were the first to be hit by China's logistics problems and slowed markedly in March.

On the demand side, the outlook has been worsening since the beginning of the war in Ukraine. In its April World Economic Outlook, the IMF further downgraded its forecast for world economic growth in 2022, to 3.6% (down from 6.1% in 2021) and for world trade growth to 5% (from 10.1% in 2021). The slowdown in China's export growth and the expected deterioration in its trade and current account surpluses (all the more so as its import bill is hit by rising commodity prices) – coupled with the effects of the growing divergence between monetary policies of People's Bank of China and the US Fed – contributed to the sudden depreciation (of around 4%) of the yuan against the US dollar in April.

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Internet: www.group.bnpparibas.com - www.economic-research.bnpparibas.com
Head of publication : Jean Lemierre / Chief editor: William De Vijlder

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