China trade

Economics

China

Resilient two-way flows

- Export growth held up and was broadly consistent with market expectations (25.0%; Bbg: 25.9%); AI demand and transportation items were key drivers
- Imports also largely benefited from high-tech demand (28.2%, Bbg: 31.0%), owing to domestic policy push and regional AI supply chain collaborations
- With exports still providing strong tailwinds, the key policy focus should stay on shoring up domestic demand; fiscal policy is set to take the lead

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Facts

Table 1. China trade breakdown

	Jun-26	Jul-26	Aug-26
Exports, USD, % y-o-y	27.0	23.9	25.0
Imports, USD, % y-o-y	36.0	27.5	28.2
Exports by markets			
US, value % y-o-y	13.9	17.0	34.4
EU, value % y-o-y	18.5	16.0	6.6
ASEAN, value % y-o-y	34.5	38.4	30.2
Imports by markets			
US, value % y-o-y	25.9	15.3	17.8
EU, value % y-o-y	9.2	-1.4	0.7
ASEAN, value % y-o-y	26.5	36.0	35.0
Exports by products			
Mechanical & Electrical Products, value % y-o-y	34.2	33.8	32.8
High-Tech Products, value % y-o-y	52.2	52.7	56.9
Auto, value % y-o-y	69.6	60.4	43.0
Clothing & Toys, value % y-o-y	1.3	6.6	12.8
Imports by products			
Mechanical & Electrical Products, value % y-o-y	47.5	46.0	51.7
High-Tech Products, value % y-o-y	57.8	58.8	68.7
Iron Ore, volume % y-o-y	6.4	3.3	3.1
Crude Oil, volume % y-o-y	-41.3	-24.3	-23.4
Copper ore, volume % y-o-y	-0.6	-7.1	-9.1
Coal, volume % y-o-y	29.5	20.0	-1.5
Iron Ore, value % y-o-y	18.3	13.7	6.2
Crude Oil, value % y-o-y	-7.4	-4.6	-8.8
Copper ore, value % y-o-y	33.3	26.6	24.7
Coal, value % y-o-y	60.7	83.8	48.6
Imports by method of trade			
Ordinary, value % y-o-y	25.3	21.3	16.1
Processing, value % y-o-y	51.2	46.8	45.5

Source: CEIC, HSBC

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Implications

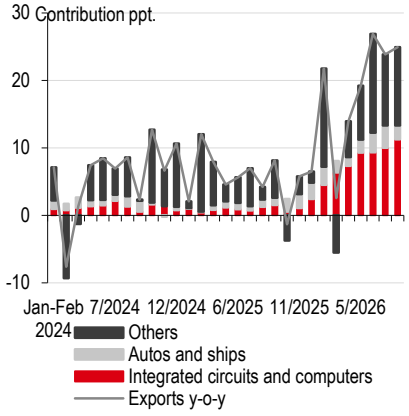
China's trade momentum remained robust in August, with both exports and imports sustaining double-digit growth, despite continued uncertainty linked to the conflict in the Middle East. The breakdown shows that global AI demand was still a clear driver, with Asia's supply chains increasingly intertwined – continuing to lift both trade flows. China-US bilateral trade also shows further signs of stabilisation, though China-EU trade relation may warrant a closer watch in the coming months. While resilient trade sector helps provide a cushion for growth, soft domestic demand remains a pressing issue. Policy focus will likely be directed towards areas with stronger growth potential and greater spillover effects across the broader segments.

On exports, high-tech goods remained a key bright spot, largely supported by the global AI push. Integrated circuits and computer accessories together provided an 11.3ppt boost to headline growth, as their value growth accelerated further to 130% and 77% y-o-y in August. Our base case sees global AI-related capex to remain strong and continue supporting regional semiconductor trade for quite some time, though we also noted that their value growth will also depend on how prices for key components—such as memory chips—evolve.

In addition, strong auto exports also reflect that overseas demand rises amid Middle East conflict, helping offset weak domestic auto sales due to the payback effect from durable-goods trade-in subsidies and EV-related tax normalisation (see *China activity*, 17 August). Even so, this may also indicate that China's strong price competitiveness and resilient supply chains are enabling domestic manufacturers to gain a larger share of global exports—an advantage that may have applied to ship exports as well. Together, auto and ships provided a 2.1ppt boost to headline exports growth in the month.

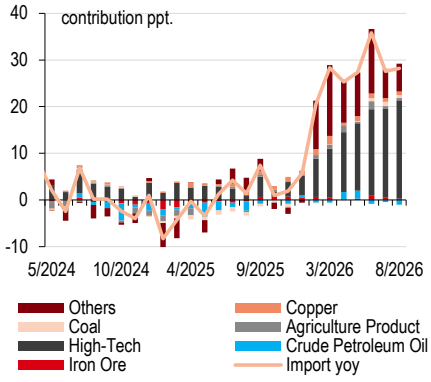
Meanwhile, we think some front-loading activity has likely continued in August, as manufacturers expect another round of Section 301 investigation will soon lead to additional US tariffs. It was reported that the US is seeking to impose another 7.5% tariff on China, citing alleged overcapacity (Bloomberg, 24 August). If implemented, this would exactly match MOFCOM's comment that the US had committed to capping total replacement tariffs on Chinese goods at 20%, including the 12.5% Section 301 tariff already in force (MOFCOM, 31 July). Looking ahead, President Xi's scheduled September visit to the US will be a key watchpoint, with both sides recently signalling progress in talks on reciprocal tariff cuts covering around USD30bn of goods. Labour-intensive consumer goods are likely to benefit. In fact, some consumer goods have already shown modest improvements in exports over recent months, as they tend to be more sensitive to tariff changes than capital goods. In August, exports of toys, clothing, furniture and household appliances all recorded stronger y-o-y growth, also partly supported by favourable base effects.

Chart 1. Exports continued to reflect an AI-driven story…



Source: CEIC, HSBC

Chart 2. …while high-tech demand remained the main driver of imports



Source: CEIC, HSBC

Imports grew faster than exports in August, lifting the ytd yoy growth rate to 27% (vs 19.3% export growth). Notably, the regional interconnectedness of semiconductor supply chain continued to contribute to elevated imports of integrated circuits and overall high-tech goods, which were up strongly by 84% and 69% y-o-y. This is also consistent with strong imports from Korea, Japan and Taiwan, as well as outperforming processing imports. Imports from the US also stayed healthy and rose c18% y-o-y, likely


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