

ING Country Trade Views

Trends in global trade



China

19 March 2014

Executive summary

- China is expected to grow an average 7.5% in the coming years, which is relatively high compared to the average of other Asian countries and also relatively high compared to the global average of 3.2% (expected for both 2014 and 2015). Still it pales in comparison to China's growth acceleration of 11-12% in the early 2000s, at which time China's exports also grew explosively, by almost 30% annually in the years following WTO accession in 2001. A return to double digit growth is unlikely, given the fact that the slower growth is partly due to overcapacity and overinvestment. In the coming period 2014 through 2018, China's exports are expected to grow 11.8% annually to USD3851bn, so that China remains the largest exporter worldwide. Similarly, import demand will grow with an average of 11.7% annually to \$3400bn in 2018, meaning that China will take the first position on the global list of largest importers as well. In 2012, the largest importer was the USA. On balance, the trade surplus is expected to increase in absolute terms but to decrease slightly in proportion to China's GDP, implying that rebalancing is slowly taking shape.
- By 2018, China will mainly import products from Hong Kong, Japan and South Korea. When looking at product groups, the most important flows (*in value terms*) will be office, telecom and electrical equipment from Hong Kong (these are mainly re-exports), fuels from Saudi Arabia, and ores and metals from Australia. The fastest *increases* in the top 10 import flows are expected to occur in industrial machinery from Japan and office, telecom and electrical equipment from Korea and Japan.
- On the export side, Hong Kong will have taken the first place by 2018 as China's largest export market, putting the US second as destination for Chinese exports. When looking at *absolute values*, the most important export flows from China are currently Office, telecom & electrical equipment to Hong Kong and the US, and other manufactured goods to the USA. Export flows to other Asian nations (Hong Kong, South Korea) are expected to grow fastest in 2014-2018, exceeding annual growth rates of 12%.

About International Trade Research at ING

ING International Trade Research aims to help ING's (inter)national clients develop their knowledge and capabilities for doing business across borders, and contribute to the public debate on internationalization. We do this by providing insights on the current and future economic trends and international trade developments worldwide.

International Trade

Economy

	2013	2014F	2015F
GDP growth (real):	7.7%	7.5%	7.5%
GDP nominal (bn):	\$ 8,939	\$ 9,761	\$10,641
GDP per capita:	\$ 6,569	\$ 7,138	\$ 7,743
Exchange rate* USD/CNY	6.11	6.00	5.94
Inflation:	2.6%	2.6%	2.6%
GDP composition by sector	2012		
Agriculture:	10%		
Industry:	45%		
Services:	45%		

Population

	2013
Population (mln):	1341.3
Unemployment rate (avg.):	4.1%
Employment (mln persons):	n/a

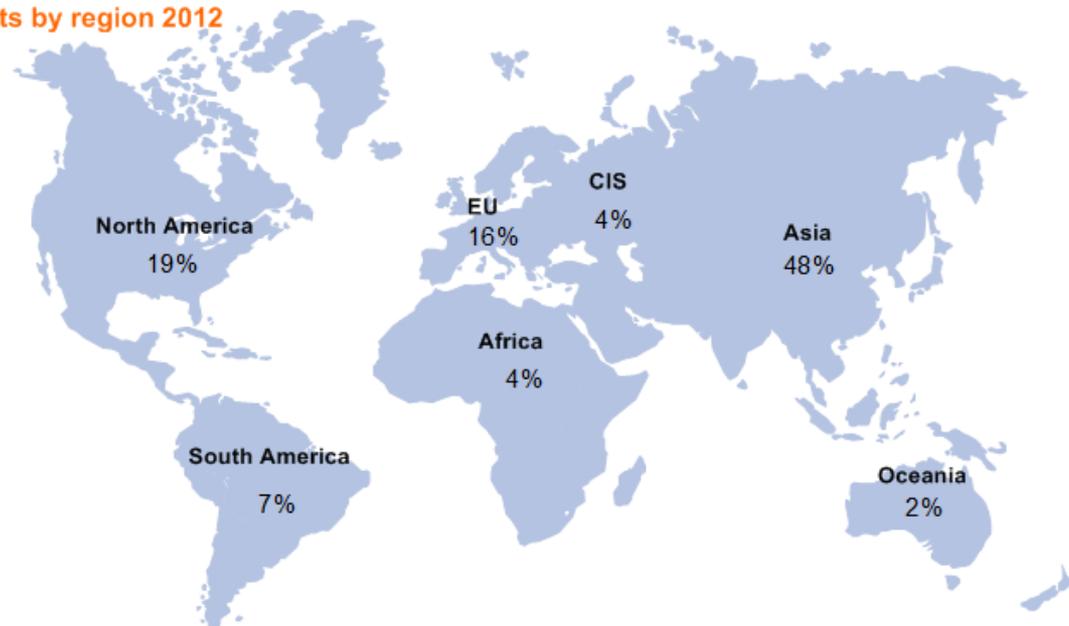
Other indicators

	2013	2014
Competitiveness rank WEF	29	29
Ease of doing business rank:	99	96
Credit rating :		
S&P		AA-
Moody's		Aa3
Fitch:		A+

*end period

China

Exports by region 2012



Exports (bn)	\$2,049	Imports (bn)	\$1,818	Trade balance (bn)	\$230.58	Exports % of GDP	25%
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Trade by products (bn) 2012

Food & live animals

 Exports	\$52.08
Imports	\$35.26

Crude materials, inedible, except fuels

 Exports	\$14.34
Imports	\$269.56

Machinery & Transport equipment

 Exports	\$965.29
Imports	\$653.43

Beverage & Tobacco

 Exports	\$2.59
Imports	\$4.40

Manufactured goods

 Exports	\$334.16
Imports	\$146.25

Mineral fuels

 Exports	\$31.01
Imports	\$313.02

Animal and vegetable oils

 Exports	\$0.58
Imports	\$13.24

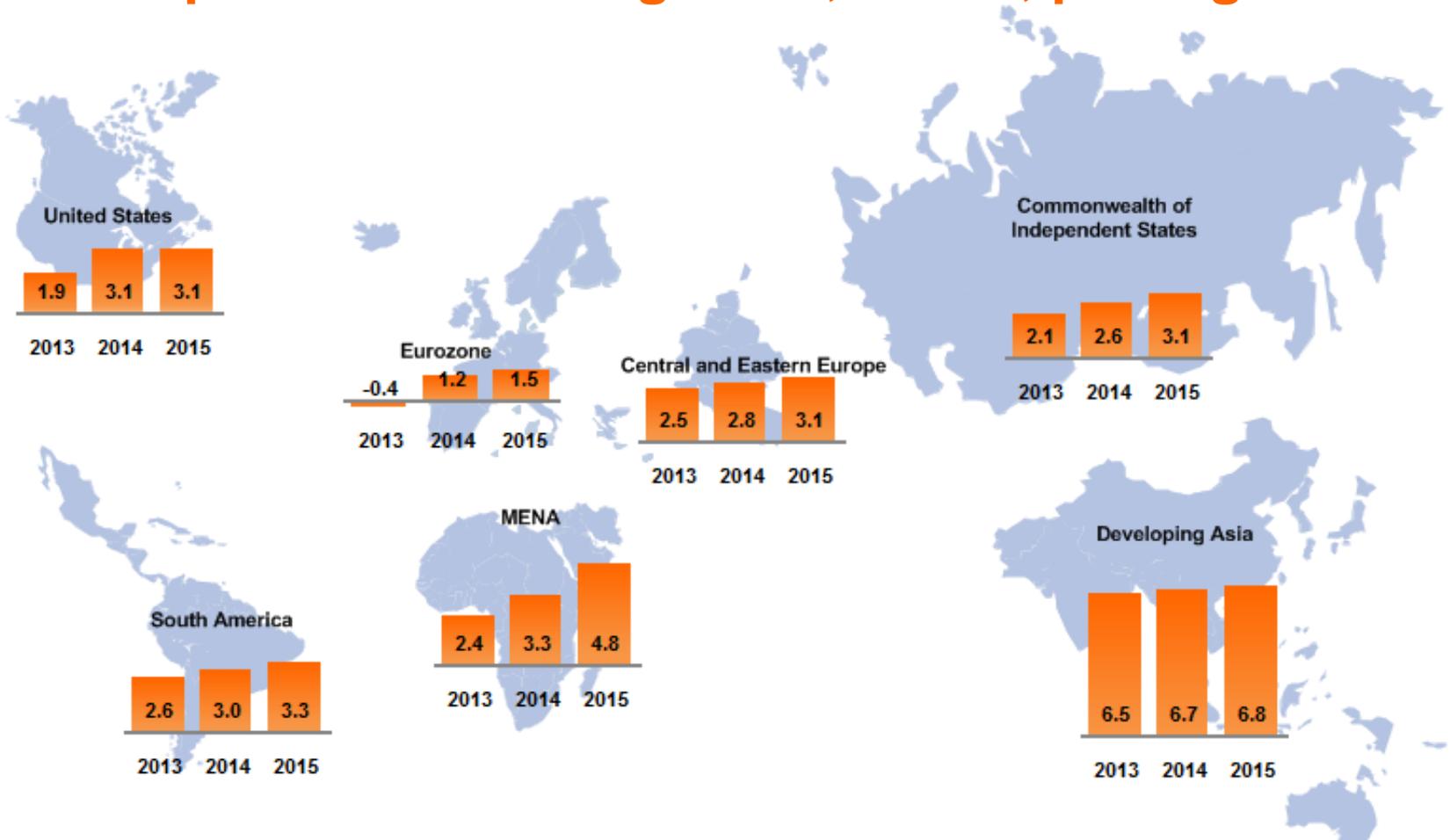
Miscellaneous manufactured articles

 Exports	\$533.79
Imports	\$135.69

Chemicals

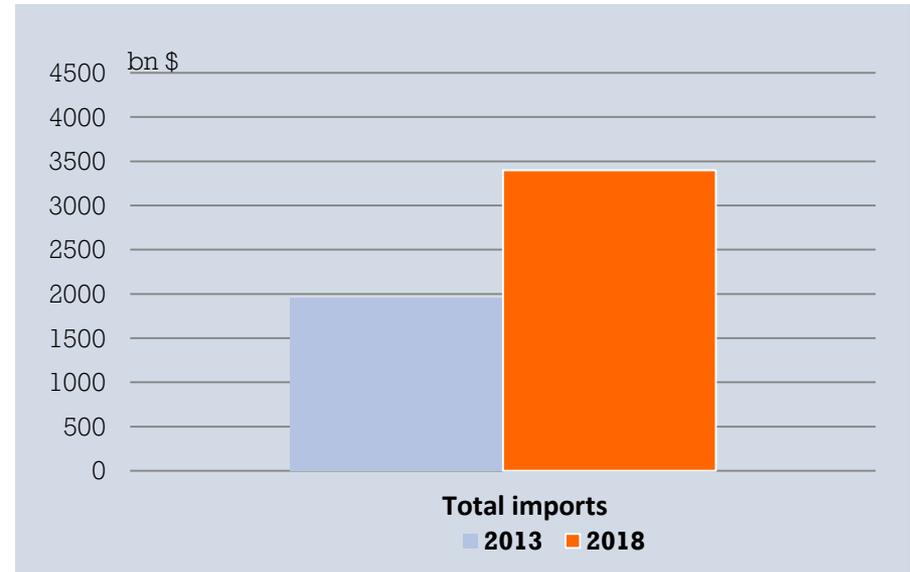
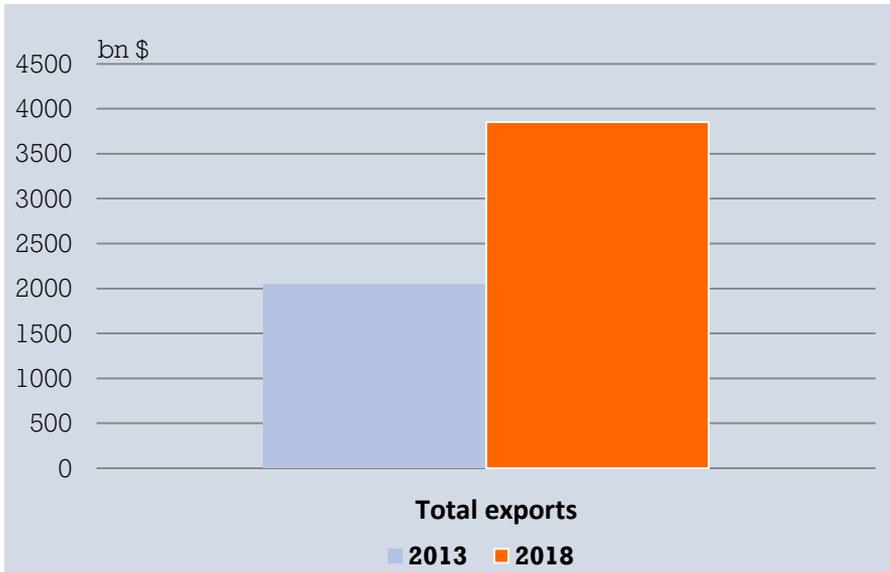
 Exports	\$113.52
Imports	\$178.57

Expected real GDP growth, % YoY, per region



The global economy is expected to expand by 3.2% in 2014 and 2015, up from 2.4% last year. Recovery in the eurozone and acceleration of US growth are important factors behind the pickup in global growth. Asia remains the fastest growing region in the world by far, largely driven by China's 7.5% annual expansion expected for this year and next.

Trade forecast



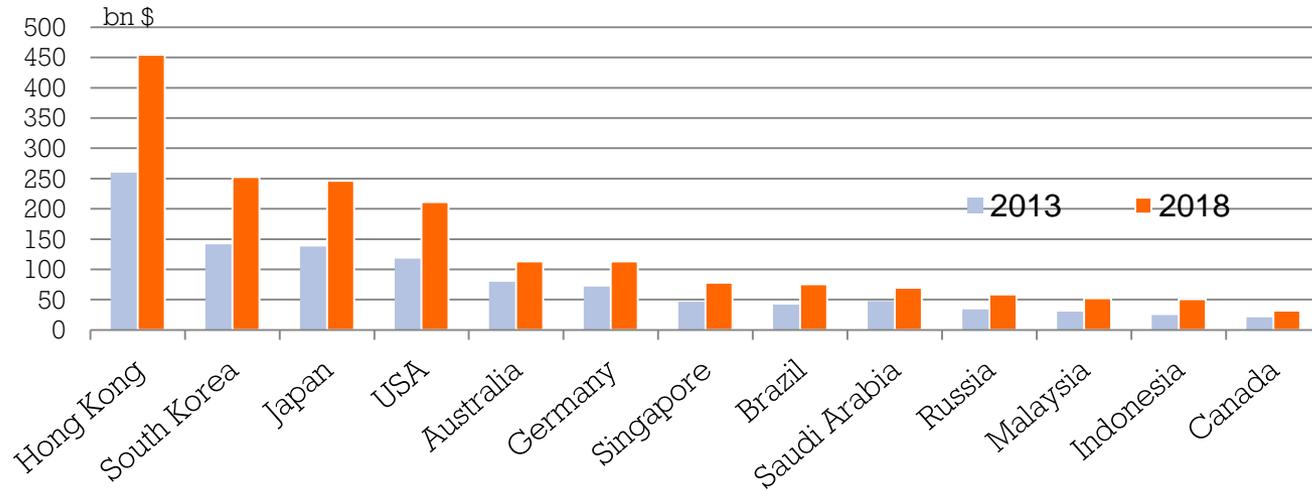
China	1995	2013	2018
World ranking	11	1	1
CAGR 2014-2018	11.6%		

China	1995	2013	2018
World ranking	13	2	1
CAGR 2014-2018	11.7%		

In the coming years (2014-2018), China's exports are expected to increase with 13.4% annually. China thus remains number one in the list of largest exporters worldwide. Imports are expected to increase by 11.7%, which implies that China will also top the charts of largest importers worldwide. In 2013, the USA was number one in that respect.

Demand for products: origins of imports

Main origins of imports, 2013 and 2018*



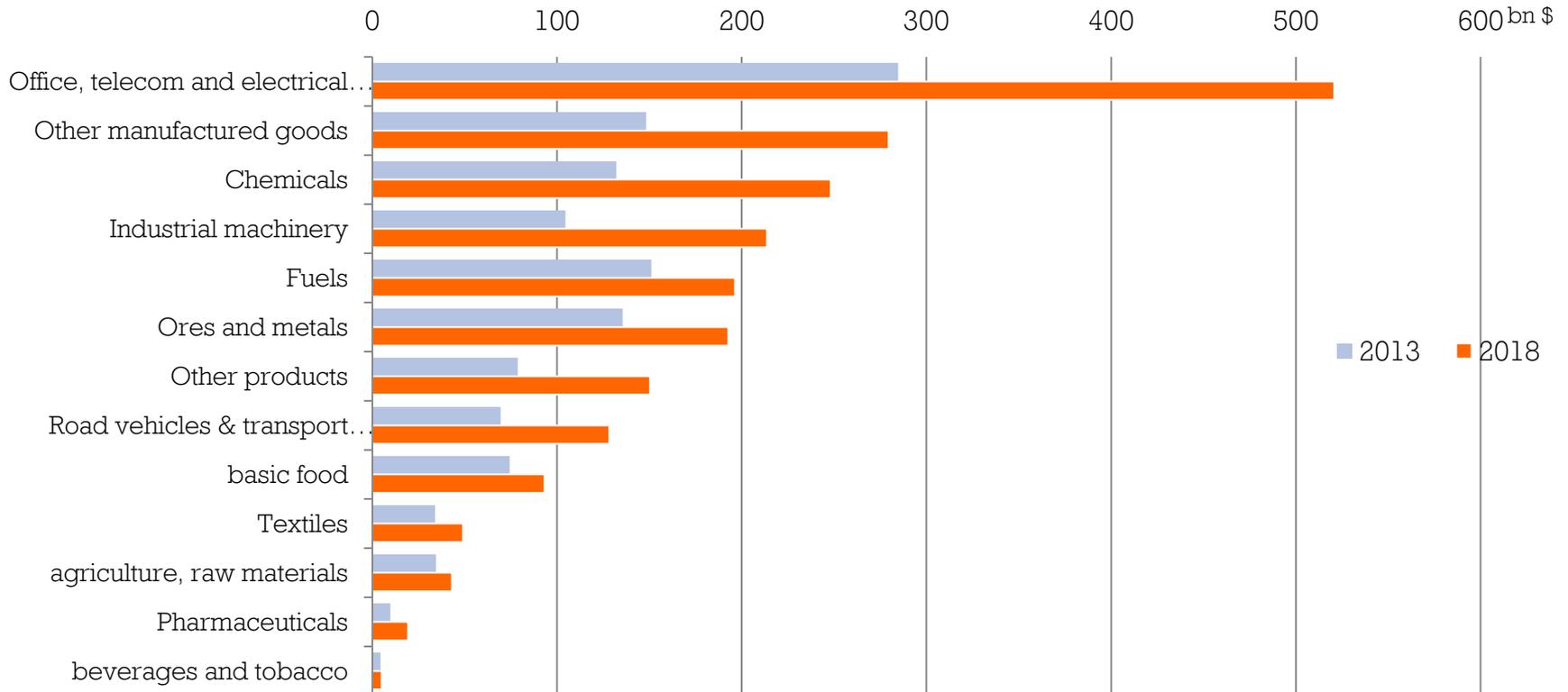
By 2018, China will mainly import products from Hong Kong, Japan, and South Korea, which together account for 53% of total imports of China. In value terms, the most important trade flows to China include office telecom and electrical equipment from Hong Kong (mainly re-exports), fuels from Saudi Arabia, and ores and metals from Australia. The fastest increases in the top 10 import flows are expected to occur in industrial machinery from Japan and office, telecom and electrical equipment from Japan and office, telecom and electrical equipment from Korea and Japan. China's key position in the global electronics supply chain will keep office, telecom and electrical equipment in the top spot among import categories.

Top 10 largest import flows by product and country of origin*

China			
Import product	Origin of import	Ann. growth rate 2014-2018	Value 2013, \$m
Office, telecom and electrical equipment	Hong Kong	12%	149856
Fuels	Saudi Arabia	8%	44926
Ores and metals	Australia	2%	43225
Other products	Hong Kong	13%	41437
Other manufactured goods	Rep. of Korea	12%	39849
Office, telecom and electrical equipment	Japan	13%	33288
Office, telecom and electrical equipment	Rep. of Korea	14%	33171
Other manufactured goods	Hong Kong	11%	28068
Industrial machinery	Japan	17%	26289
Other manufactured goods	Japan	11%	25057

*within the 33 countries and product flows distinguished

Demand for products: imports by product group

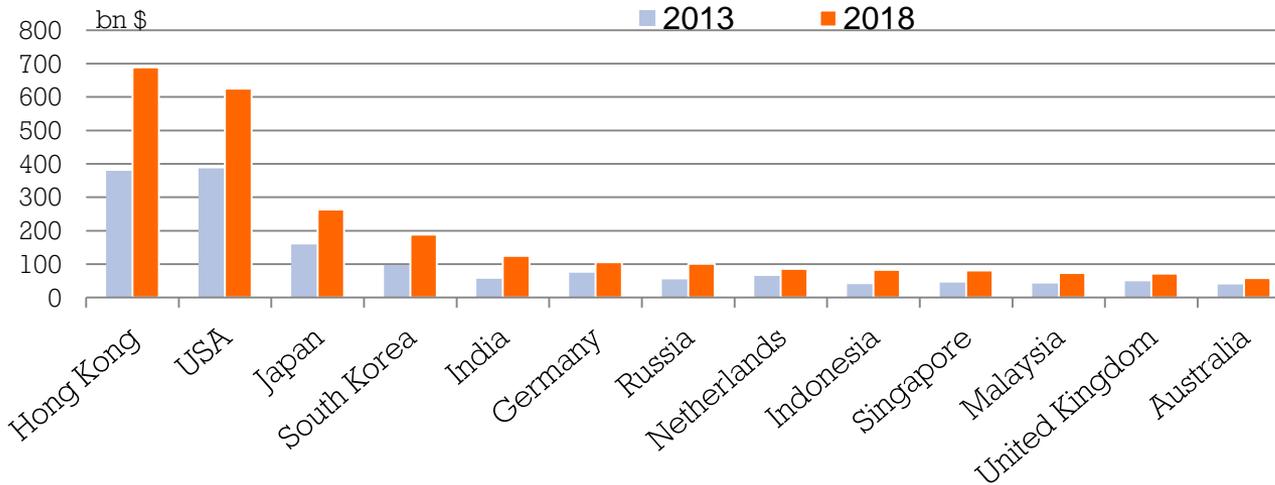


By 2018, China will mainly import office telecom & electrical equipment, miscellaneous manufactured goods, and chemicals. The largest increase in relative terms occurs in industrial machinery. This category is expected to almost double (+96%, representing an absolute value increase of \$104.934bn). In terms of absolute value, however, the largest increase in absolute value of the import flows is in office, telecom & electrical equipment. This flow is forecasted to increase over the period 2013-2018 by \$225bn.

Note: the sum of flows from 33 countries distinguished

Exports: key destination markets

Key destination markets of exports, 2013 and 2018*



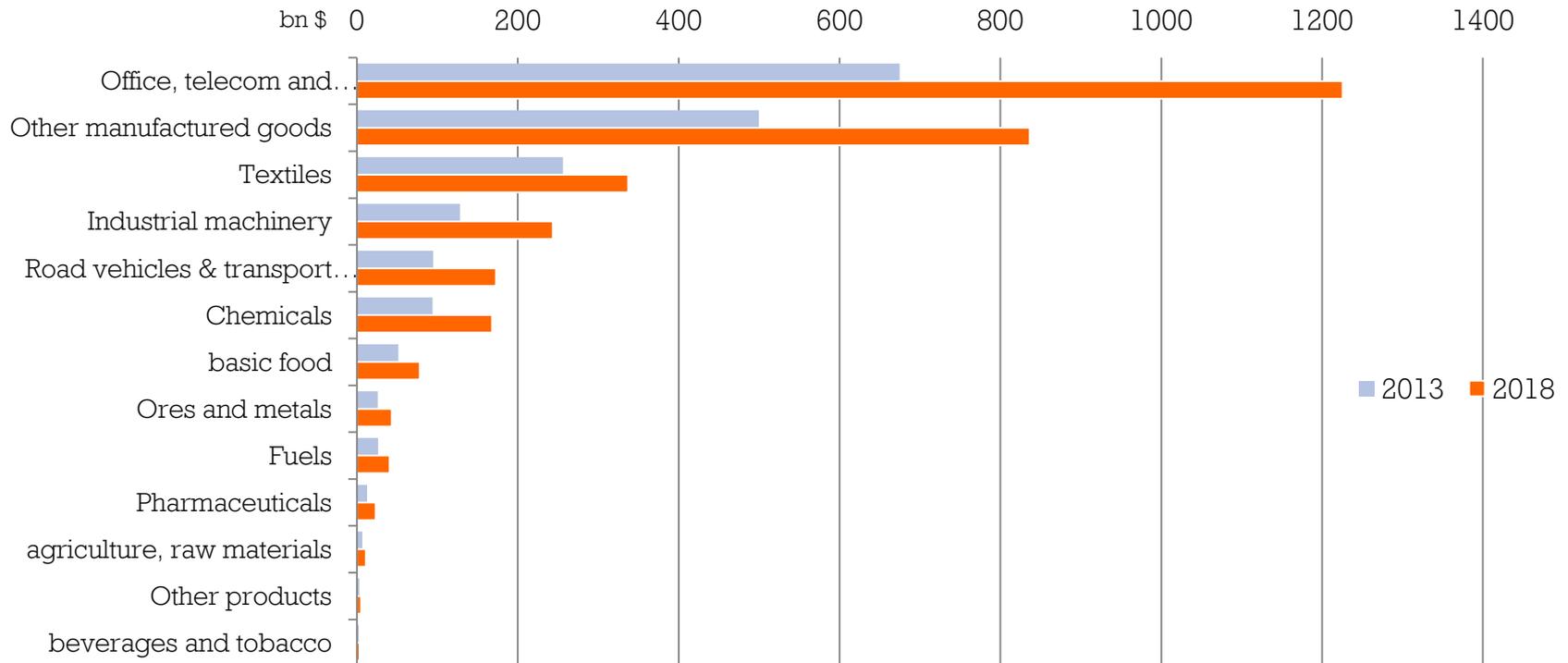
In 2018, Hong Kong will have taken the first place as China's largest export market, putting the USA second as destination for Chinese exports. The top 3, Hong Kong, the US and Japan will account for 62% of all exports. When looking at absolute values, the most important export flows from China are currently office, telecom & electrical equipment to Hong Kong and the US, and other manufactured goods to the USA. Export flows to other Asian nations (Hong Kong, South Korea) are expected to grow fastest in 2014-2018, exceeding annual growth rates of 12%.

Top 10 largest export flows by product and destination country*

China			
Export product	Export partner	Annual growth rate 2014-2018	Value 2013, \$m
Office, telecom and electrical equipment	Hong Kong	14%	218024
Office, telecom and electrical equipment	USA	12%	142939
Other manufactured goods	USA	10%	127105
Other manufactured goods	Hong Kong	12%	78002
Textiles	USA	4%	50420
Office, telecom and electrical equipment	Japan	13%	43347
Office, telecom and electrical equipment	Netherlands	6%	36631
Other manufactured goods	Japan	11%	35853
Office, telecom and electrical equipment	Rep. of Korea	16%	32352
Textiles	Japan	5%	32181

*within the 33 countries and product flows distinguished

Exports: key product groups



By 2018, China's exports will mainly consist of office, telecom & electrical equipment (38% of total exports*), miscellaneous manufactured goods (26% of total), and textiles (11% of total). The fastest growing export product groups in relative terms are industrial machinery (+90% over 2014-2018), pharmaceuticals (+84% over 2014-2018) and road vehicles & transport equipment and office, telecom & electrical equipment (both +82% over 2014-2018). In dollar terms, however, the largest increases are in the categories that were the largest already: office, telecom & electrical equipment export flows are predicted to be \$551bn larger in 2018 than they were in 2013. Miscellaneous manufactured goods are expected to be larger in 2018 to the tune of \$337bn.

* the sum of flows to 33 countries distinguished

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