

ASIA ECONOMY

# China's Trade Numbers Send More Distress Signals

Imports fall for fourth straight month in as a drop-off in exports to the U.S. steepens



A port in Shanghai. Chinese imports dropped 5.6% in August compared with a year earlier. PHOTO: QILAI SHEN/BLOOMBERG NEWS

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BEIJING—China's imports fell for a fourth straight month in August as a drop-off in exports to the U.S. steepened, the most recent economic warning signs during a prolonged trade spat with the U.S. that has Beijing turning toward stimulus measures.

Chinese imports of everything from raw materials to high-tech products dropped 5.6% in August compared with a year earlier, the same decline as July, the Chinese customs data showed. Although August's drop was smaller than economists had expected, a downturn in demand highlights the challenges that Beijing faces as it seeks to prop up growth that has fallen to its lowest rate in more than a quarter-century.

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Economists regard the stubbornly sluggish domestic demand as evidence that Beijing must move quickly to further ease fiscal and monetary policies. Although Beijing and Washington have agreed to continue trade talks, the chance of a quick end to the trade war seems slim, they say.

Last month, China's central bank revised its interest-rate mechanism in a bid to improve companies' access to capital, and on Friday it cut the amount of capital that banks must set aside in a bid to spur lending.

Since the trade war began last year, Beijing has rolled out a series of measures, including tax cuts and more financing for infrastructure projects, to head off an economic slowdown. Last week, China's cabinet asked local governments to pull forward some bond issuance planned for next year so that investment in rail, parking lots and other public projects can be rolled out sooner.

Given trade uncertainties and slowing global economic growth, Beijing's priority has shifted to stabilizing economic growth, said Steven Zhang, a Shanghai-based economist at Morgan Stanley Huaxin Securities.

"The government is definitely trying to be pre-emptive to boost domestic demand, with a clear focus on infrastructure," Mr. Zhang said.

But authorities have refrained from the large-scale stimulus measures that it has turned to in past downturns, in part out of concern that doing so would further inflame concerns about mounting debt and about rising prices for housing and other basic living costs.

Despite the authorities' tepid attempts at stimulus, business confidence has remained depressed in large part because of the trade uncertainties.

Lei Juan, a representative of Xiamen Jingxin Precision Mould Co., a company that makes LED lights in southeastern Fujian province, said a lack of orders and rising labor costs are hurting the company's prospects.

The company is trying to promote its products through social media, such as on the domestic Chinese version of the popular mobile app TikTok, and increasing its presence at industrial expos. Even so, Ms. Lei said, "It's a difficult time for everyone, especially private firms like us."

Beijing and Washington have signaled that they are still talking to try to resolve their trade disputes. Officials said last week that they planned to hold trade talks in Washington in early October.

Any breakthrough in trade talks can come only if both sides show some flexibility, Huo Jianguo, a former head of a trade-policy body at China's Commerce Ministry, said at a forum on Friday.

"China cannot simply count on Trump to step down to resolve trade disputes. We must focus on doing our own things well," Mr. Huo said.

China's exports have also been hit. Sunday's customs data showed a 1% decrease in exports in August from a year earlier, reversing a 3.3% gain in July. Economists had expected exports to rise 3% in August.

Although China's exports to the European Union held up, exports to the U.S. tumbled by nearly 16% last month after falling 6.5% in July from a year earlier, customs data show.

The drop was surprising since economists had expected Chinese companies to front-load exports in August ahead of a scheduled Sept. 1 increase in tariffs by the Trump administration.

Mr. Zhang, the economist, said, however, that he expected continued front loading and the typical uptick in orders ahead of the Christmas season that should modestly support exports in the coming months. Another round of tariff increases is set to take effect on Dec. 15.

The new soft trade data comes as Beijing faces challenges on multiple fronts, including a major disruption in the supply of pork, China's staple food, and turmoil in Hong Kong, its traditional bridge to global markets.

To relieve a shortage of pork due to an outbreak of African swine fever, China has boosted pork imports. Customs data Sunday showed that the country's pork imports had surged 66% over the first eight months of the year compared with the year-ago period.

—*Liyan Qi*