China’s exports rose more than forecast last month and a broad measure of credit surged 28 percent, helping the nation’s new leaders sustain a pickup in economic growth after a seven-quarter slowdown.

Overseas shipments increased 14.1 percent from a year earlier, the most since May, customs administration data showed today, compared with the 5 percent median forecast in a Bloomberg News survey of 40 economists. Aggregate financing of 1.63 trillion yuan ($262 billion), which includes bank and non-bank lending, was up from 1.27 trillion yuan a year earlier, according to the central bank.

Asian stocks extended gains and the Australian dollar strengthened after the reports spurred confidence that the recovery in the world’s second-largest economy is gaining traction and global demand is stabilizing. A subdued U.S. recovery and European austerity measures may restrain China’s trade this year, while growth in non-bank financing threatens to increase debt risks.

“This improves the sequential momentum after weakness earlier in 2012,” said Louis Kuijs, chief China economist at Royal Bank of Scotland Plc in Hong Kong, who previously worked for the World Bank in Beijing. Strength in imports last quarter is also “indicative of a further recovery” in gross domestic product from the previous period, Kuijs said.

December imports grew 6 percent after being unchanged in the previous month. The trade surplus almost doubled from a year earlier to $31.6 billion.

**Stocks Gain**

The Australian dollar rose 0.3 percent as of 5:09 p.m. in Sydney, while the MSCI Asia Pacific index (SHCOMP) of stocks gained 0.7 percent. The Shanghai Composite Index, China’s benchmark stock gauge, advanced 0.2 percent as of 2:11 p.m. local time.

New local-currency loans in December were 454.3 billion yuan ($73 billion), according to People’s Bank of China data, compared with the median estimate of 550 billion yuan in a Bloomberg News survey of 37 analysts and 640.5 billion yuan in the same month in 2011.

China’s exports rose 7.9 percent for all of 2012 while imports gained 4.3 percent, missing the government’s target of 10 percent growth in combined trade. Overseas shipments increased 20.3 percent in 2011 and imports advanced 24.9 percent. The worst year for trade in the past decade was
2009, when exports fell 16 percent and imports tumbled 11.2 percent.

Shipments to the European Union rose 2.3 percent in December, the first gain since May, on demand from the U.K. and the Netherlands. Exports to the U.S., Canada, South Korea and India also accelerated.

**Largest Market**

Even so, the U.S. replaced the EU last year as China’s largest export market, Zheng Yuesheng, head of customs statistics, said at a press briefing today. Sales to the bloc fell 6.2 percent in 2012. The two markets together accounted for one-third of China’s exports in 2012, customs data showed.

December exports may have been boosted by the impact of a strike at California ports that ended Dec. 4, according to Lu. Rushed shipments and even faked exports to secure tax refunds may also have contributed to the stronger growth, according to Alistair Thornton, a Beijing-based economist at IHS Inc.

China’s Ministry of Commerce, which oversees trade policies, said in a statement last month that it will seek to stabilize the scale of exports and improve support for trade growth in 2013.

**Improving Trade**

Commerce Minister Chen Deming said Nov. 28 that China’s trade will be “slightly better” in 2013 than 2012, and the second half of this year will be better than the first half. The nation’s leaders target trade growth of about 8 percent in 2013, a person familiar with the matter said last month, Bloomberg News reported Dec. 27.

**Geely Automobile Holdings Ltd. (175)** said Jan. 4 that it would focus on expanding sales to markets including Egypt, Iran and Algeria after its auto shipments abroad more than doubled to 100,300 units in 2012, making it China’s No. 2 car exporter. China’s vehicle exports rose 20 percent to 990,000 units last year, the customs administration said today.

The rise in inbound shipments compares with the median estimate of 40 analysts for an increase of 3.5 percent. The median projection was for a trade surplus of $20 billion after a $19.6 billion excess in November and $16.5 billion in December 2011. For the year, the surplus widened for the first time since 2008 to $231.1 billion.

The volatility in the trade data casts doubt on their reliability, according to Liu Li-Gang, chief Greater China economist at Australia & New Zealand Banking Group Ltd. in Hong Kong. There’s “significant inconsistency” between the headline trade data and port throughput numbers, highlighting the issues of accuracy, he said.

**Inflation Report**

Elsewhere in the Asia-Pacific region, Australian home-building approvals advanced for the third time in four months in November, government data showed today. New Zealand’s annual trade
deficit swelled to the widest in more than three years as imports rose to a four-year high.

Malaysian industrial output growth quickened in November to the fastest in six months. Indonesia’s central bank will probably hold interest rates today at a record-low 5.75 percent.

The European Central Bank may keep its benchmark interest rate unchanged as improving confidence indicators ease pressure for a reduction. Only five out of 55 economists in a Bloomberg survey predict a cut today, with the rest expecting no change.

In the U.S., the Labor Department will probably report that fewer Americans filed claims for jobless benefits last week.

**Inflation Report**

China is scheduled to release December inflation figures tomorrow, followed on Jan. 18 by fourth-quarter gross domestic product and December industrial production and retail sales.

Economic growth probably accelerated to 7.8 percent in the fourth quarter from a year earlier, up from a three-year low of 7.4 percent in the previous period, according to the median estimate of analysts surveyed by Bloomberg. Growth for the year was probably 7.7 percent, the weakest since 1999.

China will sustain its “marginally pro-growth” policy and avoid “big-bang stimulus” in the first half, said Lu Ting, chief Greater China economist at Bank of America Corp. in Hong Kong. “Significant incremental easing is unlikely and we may see some unwinding of previous credit easing in the second half on concerns of economic overheating, rising inflation and insufficient regulation” of shadow banking, he said.

M2 money supply rose 13.8 percent in December from a year earlier, the PBOC said today, compared with the median analyst estimate of 14 percent.

**China’s Reserves**

China’s foreign-exchange reserves, the world’s largest, rose the least since 2003 last year, today’s data showed. The holdings increased $128 billion to $3.31 trillion at the end of December from the end of 2011. The median estimate of seven economists was for reserves of $3.32 trillion.

Local-currency loans as a share of funding fell to a record low last year, highlighting the growth of alternative financing channels that have prompted warnings of rising credit risks.

The median estimate of seven analysts was for December aggregate financing of 1.2 trillion yuan. The measure of funding in the economy includes bank loans as well as lending by trusts, bond issuance and non-financial stock sales.

“Authorities will opt for the can-kicking approach to shadow finance regulation,” IHS’s Thornton said in a note today. “As such, expect many more market wobbles and scary headlines.”
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