China’s exports and imports unexpectedly declined in June, underscoring the severity of the slowdown in the world’s second-biggest economy as Premier Li Keqiang reins in credit growth.

Overseas shipments fell 3.1 percent from a year earlier, the most since the global financial crisis, data from the General Administration of Customs showed in Beijing today, compared with the median estimate of a 3.7 percent gain in a Bloomberg News survey. Imports dropped 0.7 percent, while the median projection was for a 6 percent increase.

Asian stocks pared gains after the data, which showed exports to the U.S. and European Union declined for a fourth straight month. Weaker global and domestic demand, highlighted by the nation’s biggest shipyard outside state control seeking a government bailout last week, increases pressure on Li to support growth that’s at risk of sliding to the weakest since 1990 as he vows to press on with restructuring the economy.

“Following on the subdued activity data of recent months, the June trade data challenges the resolve of China’s policy makers to keep the macro policy stance firm,” said Louis Kuijs, chief China economist at Royal Bank of Scotland Plc in Hong Kong.

The MSCI Asia Pacific Index of stocks rose 0.5 percent as of 12:36 p.m. in Tokyo after earlier gaining as much as 0.8 percent. The benchmark Shanghai Composite Index was up 0.4 percent as of the 11:30 a.m. local-time break.

**Trade Surplus**

The trade surplus was $27.1 billion for the month, compared with the median analyst estimate of $27.8 billion. Exports rose 1 percent in May from a year earlier, while imports fell 0.3 percent.

The report follows May’s collapse in export gains after a crackdown on fake invoices that inflated data in the first four months of the year. Trade growth in danger of coming in below the government’s target of 8 percent for the year and a cash crunch that sent interbank borrowing costs to records last month will test Li’s reluctance to add stimulus, with expansion at risk of coming in below the government’s annual goal of 7.5 percent.

The money-market cash squeeze is likely to reduce credit growth this year by 750 billion yuan ($122 billion), or an amount equivalent to the size of Vietnam’s economy, based on the median estimate in a Bloomberg News survey of analysts.

Li said yesterday that China must rely on economic transformation and upgrading to maintain continuous and healthy development, according to the official Xinhua News Agency.

**Advance Reform**

“It is very important to plan as a whole the need to stabilize growth, promote economic restructuring and advance reform at this stage,” Li said while presiding over an economic meeting in southern China.

China Rongsheng Heavy Industries Group Holdings Ltd., the shipyard, said July 5 that it had sought government financial support as orders plunged, two days after it said that some idled contract workers had surrounded the entrance of its main factory in Jiangsu province.

The order book at Chinese shipbuilders fell 23 percent at the end of May from a year earlier, according to the China Association of National Shipbuilding Industry. One-third of the nation’s yards facing the danger of closing have failed to get orders “for a very long period of time,” Wang Jinlian, the group’s secretary general, said July 4.

The International Monetary Fund yesterday cut its global economic-growth forecast to 3.1 percent for 2013 from 3.3 percent.
projected in April, the fifth straight reduction. That would be unchanged from the 2012 pace.

**GDP Estimates**

China’s economic expansion probably slowed for a second quarter in the three months ended June 30. Gross domestic product rose 7.5 percent from a year earlier, according to the median of 34 economist estimates in a Bloomberg News survey ahead of data due July 15. That’s down from 7.7 percent in the first quarter and 7.9 percent in the last three months of 2012.

The trade data “point to weak external and domestic demand,” said Ding Shuang, senior China economist at Citigroup Inc. in Hong Kong. Even so, Li’s government is unlikely to introduce stimulus unless economic growth slows to below 7 percent and the labor market shows a “significant worsening,” Ding said in a note.

The central bank will publish data on credit and money supply over the next week. The statistics bureau on July 15 will also provide June numbers on industrial production and retail sales along with first-half fixed-asset investment.

China’s consumer price index rose 2.7 percent in June from a year earlier, the National Bureau of Statistics said yesterday in Beijing, compared with a median estimate of 2.5 percent in a Bloomberg News survey and a 2.1 percent gain in May. Producer prices fell 2.7 percent.

--Zhou Xin, with assistance from Kevin Hamlin and Nicholas Wadhams in Beijing, Sunil Jagtiani in New Delhi and James Mayger in Tokyo. Editors: Scott Lanman, Paul Panckhurst

To contact Bloomberg News staff on this story: Xin Zhou in Beijing at xzhou68@bloomberg.net

To contact the editor responsible for this story: Paul Panckhurst at ppanckhurst@bloomberg.net

©2013 BLOOMBERG L.P. ALL RIGHTS RESERVED.