China Unexpectedly Reports Trade Surplus

China reported an unexpected trade surplus last month as import growth trailed forecasts, underscoring risks of a deeper slowdown in the world’s second-largest economy.

Inbound shipments rose 5.3 percent, the customs bureau said today, below the 9 percent median estimate in a Bloomberg News survey. Exports increased 8.9 percent from a year earlier, more than forecast, leaving a trade surplus of $5.35 billion, compared with a median projection for a $3.15 billion trade deficit.

Asian stocks fell amid renewed concern about growth in China, fiscal woes in Europe and Federal Reserve Chairman Ben S. Bernanke’s comment that the U.S. economy was far from a full recovery. Premier Wen Jiabao may need to balance gains in external demand with a slowdown in domestic consumption in deciding whether to add monetary or fiscal stimulus.

“The sluggish import growth shows weakening domestic demand and investment growth while exports are stabilizing,” said Chang Jian, economist at Barclays Capital in Hong Kong who formerly worked for the World Bank. “Policy makers need to strike a delicate balance between preserving growth and containing inflation at this stage, yet they may tilt more toward sustaining growth in the second quarter.”

In Japan, the central bank refrained from expanding monetary easing to counter deflation, resisting pressure from lawmakers who five days ago rejected a nominee for the policy board. The Bank of Japan kept the key interest rate between zero and 0.1 percent and left its 30 trillion yen ($368 billion) asset-purchase fund and 35 trillion yen credit-lending program unchanged.

Stocks Fall

The MSCI Asia Pacific Index of stocks fell after the trade report, dropping 0.2 percent at 3:22 p.m. in Tokyo. China’s benchmark Shanghai Composite Index pared losses to trade 0.2 percent lower at 2:20 p.m. local time.

China Cosco Holdings Co. led declines for shipping companies, while Tianjin FAW Xiali Automobile Co. dropped the most in two weeks after sales slumped last month.

China reported a trade deficit of $31.5 billion in February, its first shortfall in a year and the biggest since at least 1989, as Europe’s debt crisis crimped exports and imports rebounded after a weeklong Chinese holiday.

The median forecast in a Bloomberg News survey of 29 economists was for a 7 percent gain in exports from a year earlier, after an 18.4 percent increase in February. Import growth, which compared with a 9 percent median estimate, slowed from 39.6 percent the previous month.

Iron, Steel Drop

The value of oil imports rose 26 percent in March from a year earlier to $20 billion, customs data show. Iron ore purchases fell 9.1 percent to $8.69 billion and steel product imports declined 20 percent to $1.68 billion. The value of goods imported for processing rose 2.6 percent to $33.8 billion.
“This should increase the chance of further loosening, as it reflects very weak import demand, thus weak domestic demand,” said Shen Jianguang, chief Greater China economist for Mizuho Securities Asia Ltd. in Hong Kong, who previously worked for the International Monetary Fund and European Central Bank.

Joy Yang, chief economist for Greater China at Mirae Asset Securities (HK) Ltd., said the trade surplus may delay any additional cut in the required reserves banks must hold. At the same time, a slump in imports and the domestic economy call for an interest-rate cut to support growth, a move that’s likely to happen around midyear as inflation drops, said Yang, who previously worked for the IMF.

**Ensuring Growth**

Speaking in southern China last week, Wen pledged to take measures including export tax rebates to ensure “steady growth” in trade this year and aid exporters hit by rising costs and weak demand, state media reported.

At the same time, the government is taking measures to stimulate imports and reduce the trade surplus that amounted to $155 billion last year. The State Council announced on March 30 cuts in import duties on some commodities and daily necessities.

China is countering a slowdown in exports to Europe by boosting sales to emerging markets. Carmakers including Geely Automobile Holdings Ltd. and Chery Automobile Co. will probably boost overseas shipments by about 50 percent this year, according to a February forecast from the China Chamber of Commerce for the Import & Export of Machinery & Electronic Products.

In Japan, the central bank may be preserving its ammunition for later in the month. Companies from Morgan Stanley to Mizuho Securities are predicting an expansion of easing at the BOJ meeting on April 27, when the price outlook is expected to show a gap between the 1 percent inflation target and actual price growth.

**Australia Construction**

Among other reports, a gauge of Australia’s construction industry held near a four-month low in March as housing and apartment building slumped, reflecting the highest benchmark interest rates among major developed nations.

Malaysian exports climbed 14.5 percent in February from a year earlier, the fastest pace in four months, while industrial production growth accelerated to a 20-month high of 7.5 percent, exceeding analyst forecasts.

In Europe, Germany said exports unexpectedly increased for a second month in February as the trade surplus widened to 14.7 billion euros ($19.3 billion). Finland, the Netherlands, France and Sweden are among European nations scheduled to release industrial production figures today.

The yuan had its first quarterly decline since December 2009 in the first three months of 2012, sliding 0.06 percent to close at 6.2980 per dollar March 30 in Shanghai, according to the China Foreign Exchange Trade System.

Inflation rose a more-than-forecast 3.6 percent in March as gains in food prices quickened, the statistics bureau reported yesterday.

China can pursue a “moderately loose” fiscal policy as growth slows yet can’t “substantially” ease monetary policy because of inflation, Tang Min from the Counsellors’ Office of the State Council said in today’s People’s Daily, the Communist Party’s mouthpiece.