China's trade surplus climbs to $28.7 billion

Written by The New York Times
Tuesday, 10 August 2010 13:22

The Chinese government announced on Tuesday the country's biggest trade surplus in a year and a half, as an unexpected surge in Chinese exports and weakening of imports pointed to the prospect of renewed frictions with the United States and other countries over China's international economic policies.

China's surplus climbed to $28.7 billion in July, the highest since January of last year and much more than the consensus expectation of economists for a surplus of roughly $19 billion. The country had posted a trade surplus of $20 billion in June.

Exports leaped 38.1 percent from an already strong showing in the same month last year, the General Administration of Customs said, while imports rose a more modest 22.7 percent.

China's central bank announced on June 19 that it would begin to allow the country's currency, the renminbi, to fluctuate more against other currencies, a decision that the Obama administration and others expected to lead to the renminbi's appreciation against the dollar. But the pace of that appreciation has been very slow so far, with the renminbi rising only 0.8 percent against the dollar since then.

A stronger renminbi would make Chinese exports more expensive in foreign markets, and would make foreign goods more affordable for Chinese buyers.

China's policy of releasing a quick snapshot of trade less than two weeks after the end of each month provides one of the earliest glimpses of the strength of international demand, particularly for the consumer goods for which China increasingly dominates global markets.

Some economists had expected growth in Chinese exports to weaken last month in an early sign of a possible double-dip recession in the West.

Some Chinese corporate executives are still worried about the possibility of a slowdown in exports in the months ahead.

Allen Dong, the export manager of Ningbo Deye Domestic Electrical Appliance Technology Co. in Ningbo, China, said that the orders for future exports of the company's dehumidifiers to the United States and Europe had begun to weaken this summer.

"I think this may be partly due to the fluctuations in the renminbi exchange rate against other currencies, and also the forever changing economic situation overseas," he said.

Like many Chinese companies, Ningbo Deye is trying to cushion its reliance on volatile exports by selling more in the domestic market. Domestic sales are now 55 percent of revenues and exports are the rest, compared to an even split last year, Mr. Dong said.

On Tuesday morning, the central bank set the opening value of the renminbi in Shanghai trading at 6.7745 to the dollar. That meant the renminbi was actually slightly weaker than on Monday, when it traded at 6.7685 to the dollar.

The central bank dominates trading of the renminbi through heavy intervention in the Shanghai market, selling renminbi heavily and buying dollars so as to prevent China’s trade surpluses and inflows of foreign investment from pushing up the value of the renminbi.

China’s National Bureau of Statistics announced separately on Tuesday morning that average home prices in 70 large and medium-sized Chinese cities were unchanged in July from June and up 10.3 percent in July compared to the same month last year.

The Chinese government has been trying since the spring to cool speculation in real estate markets. It has done so partly to limit the potential vulnerability of banks to mortgage defaults if real estate prices fall later, but also in response to a public outcry within China about the high cost of housing, as many young people question how they will be able to afford their first home.

July marks the third consecutive month of slowing in the appreciation of real estate prices from a year earlier.

The Shanghai stock market dropped 1.3 percent by late morning on renewed concern that China’s double-digit economic growth may be slowing slightly.