

Greater China – Week in Review

10 April 2023

Highlights: untied the knot

Tommy Xie

Xied@ocbc.com

Cindy Keung

cindykeung@ocbcwh.com

In a rare move, Chinese President Xi Jinping accompanied French President Macron to Guangzhou on Friday for an informal talk and casual dinner after their official meeting in Beijing on Thursday. In a joint statement released on Friday, both countries agreed to have a bilateral summit every year. President Xi's hospitality showed that resuming all level exchanges will be main tone for China EU relationship this year.

The meeting will help untie the knot of Ukraine issue in China EU relationship. The divergence between China and EU's positions on the Ukraine war is narrower recently. EU foreign policy chief Borrell is also confirmed to visit China this week from 13 April to 15 April.

The announcement from Airbus to double its production capacity in Tianjin and Tesla's expansion to build a new factory for megapack battery in Shanghai were confidence votes to China's commitment to further open-up. Tesla CEO Elon Musk was reported to spend his Easter Weekend in Shanghai after his mother Maye Musk cause a stir on Chinese social media in her recent tour in China.

For this week, Brazil President Lula will visit China with his delegation. The meeting was postponed from late March due to Lula's illness. The speed in rescheduling such a high-level meeting showed increasing collaboration between two large emerging countries. Lula's visit may inject fresh excitement to China's Belt and Road initiatives given this year marks the 10th anniversary of BRI.

In the latest Global Trade Outlook published by WTO last week, China continued to be the largest exporters in world merchandise trade in 2022. However, China's share fell to 14.4% from 15.1% in 2021. This is not a surprise given the surging commodity prices which boosted the share of commodity exporters. According to the WTO, the value of world merchandise trade rose 12% to US\$25.3 trillion inflated partly by high global commodity prices. The WTO expects world merchandise trade volume growth to slow down to 1.7% this year from 2.7% in 2022.

The share of China's merchandizes import also fell to 10.6% in 2022 from 11.9% in 2021. This showed weak domestic demand dampened by China's zero Covid policy last year.

The growth of digital service export remained strong in China in 2022 with China's share increased to 5.2% from 4.1%.

The average price of new launch for residential projects in 100 cities rose by 0.02% mom in March, the first mom increase since the second half of 2022. In addition, the transaction volume also increased by 40% yoy. This confirmed the recovery of housing demand.

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Key Events and Market Talk

Facts	OCBC Opinions
<ul style="list-style-type: none"> French President Macron concluded his trip to China on Friday. 	<ul style="list-style-type: none"> In a rare move, Chinese President Xi Jinping accompanied French President Macron to Guangzhou on Friday for an informal talk and casual dinner after their official meeting in Beijing on Thursday. In a joint statement released on Friday, both countries agreed to have a bilateral summit every year. President Xi’s hospitality showed that resuming all level exchanges will be main tone for China EU relationship this year. The meeting will help untie the knot of Ukraine issue in China EU relationship. The divergence between China and EU’s positions on the Ukraine war is narrower recently. EU foreign policy chief Borrell is also confirmed to visit China this week from 13 April to 15 April.

Key Economic News

Facts	OCBC Opinions
<ul style="list-style-type: none"> In the latest Global Trade Outlook published by WTO last week, China continued to be the largest exporters in world merchandise trade in 2022. 	<ul style="list-style-type: none"> China’s share fell to 14.4% from 15.1% in 2021. This is not a surprise given the surging commodity prices which boosted the share of commodity exporters. According to the WTO, the value of world merchandise trade rose 12% to US\$25.3 trillion inflated partly by high global commodity prices. The share of China’s merchandizes import also fell to 10.6% in 2022 from 11.9% in 2021. This showed weak domestic demand dampened by China’s zero Covid policy last year. The growth of digital service export remained strong in China in 2022 with China’s share increased to 5.2% from 4.1%.
<ul style="list-style-type: none"> The average price of new launch for residential projects in 100 cities rose by 0.02% mom in March, the first mom increase since the second half of 2022. 	<ul style="list-style-type: none"> The average price was still down by 0.07% yoy. The transaction volume also increased by 40% yoy. This confirmed the recovery of housing demand.

RMB

Facts	OCBC Opinions
<ul style="list-style-type: none"> The USDCNY continued to consolidate within a narrow range. 	<ul style="list-style-type: none"> The consolidation mode continued due to lack of catalyst. RMB index rebounded slightly last week to above 100. The pace of RMB movement in the near term may still depend on the dollar movement.

Treasury Research & Strategy

OCBC Greater China Research

Tommy Xie
Xied@ocbc.com

Cindy Keung
cindykeung@ocbcwh.com

Herbert Wong
herberhtwong@ocbcwh.com

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