BEIJING: A client buys goods in a shopping mall in Beijing yesterday. Chinese exports fell more than expected in December, data showed yesterday. — AFP

China announces worst export fall since 2009

Fears of trade war with US loom

BEIJING: China's massive export engine sputtered for the second year in a row in 2016, with shipments falling in the face of persistently weak global demand and officials voicing fears of a trade war with the United States that is clouding the outlook for 2017.

In one week, China's leaders will see if President-elect Donald Trump makes good on a campaign pledge to brand Beijing a currency manipulator on his first day in office, and starts to follow up on a threat to slap high tariffs on Chinese goods. Even if the Trump administration takes no concrete action immediately, analysts say the spectre of deteriorating US-China trade and political ties is likely to weigh on the confidence of exporters and investors worldwide.

The world's largest trading nation posted gloomy data yesterday, with 2016 exports falling 7.7 percent and imports down 5.5 percent. The export drop was the second annual decline in a row and the worst since the depths of the global crisis in 2009. It will be tough for foreign trade to improve this year, especially if the inauguration of Trump and other major political changes limit the growth of China's exports due to greater protectionist measures, the country's customs agency said yesterday.

"The trend of anti-globalization is becoming increasingly evident, and China is the biggest victim of this trend," customs spokesman Huang Songping told reporters.

"We will pay close attention to foreign trade policy after Trump is inaugurated president," Huang said. Trump will be sworn in on Jan 20. China's trade surplus with the United States was $366 billion in 2015, according to US customs data, which Trump could seize on in a bid to bring Beijing to the negotiating table to press for concessions, economists at Bank of America Merrill Lynch said in a recent research note. A sustained trade surplus of more than $20 billion against the United States is one of three criteria used by the US Treasury to designate another country as a currency manipulator.

China is likely to point out that its own data showed the surplus fell to $250.79 billion in 2016 from $260.91 billion in 2015, but that may get short shrift in Washington.

"Our worry is that Trump's stance towards China's trade could bring about long-term structural weakness in China's exports," economists at ANZ said in a note.

"Trump's trade policy will likely motivate US businesses to move their manufacturing facilities away from China, although the latter's efforts in promoting high-end manufacturing may offset part of the loss." On Wednesday, China may have set off a warning shot to the Trump administration. Beijing announced even higher anti-dumping duties on imports of certain animal feed from the United States than it proposed last year.

"Instead of caving in and trying to prepare voluntary export restraints like Japan did with their auto exports back in the 1980s, we believe China would start by strongly protesting against the labelling with the IMF, but not to initiate more aggressive retaliation ... immediately," the BofA Merrill Lynch Global Research report said. "That said, even a 'war of words' could weaken investor confidence not only in the US and China, but globally."

CHINA'S DECEMBER EXPORTS FALL

China's December exports fell by a more-than-expected 6.1 percent on-year, while imports beat forecasts slightly, growing 3.1 percent on its strong demand for commodities which has helped buoy global resources prices.

An unexpected 0.1 percent rise in shipments in November, while scant, had raised hopes that China was catching up to an export improvement being seen in some other Asian economies.

China reported a trade surplus of $40.82 billion for December, versus November's $44.61 billion. While the export picture has been grim all year, with shipments rising in only two months out of 12, import trends have been more encouraging of late, pointing to a pick-up in domestic demand as companies brought in more raw materials from iron ore to copper to help feed a construction boom.

China imported record amounts of crude oil, iron ore, copper and soybeans in 2016, plus large volumes of coal used for heating and in steelmaking.

"Trade protectionism is on the rise but China is relying more on domestic demand," said Wen Bin, an economist at Minsheng Bank in Beijing. Prolonged weakness in exports has forced China's government to rely on higher spending and massive bank lending to boost the economy, at the risk of adding to a huge pile of debt which some analysts warn is nearing danger levels. — Reuters

China's Vanke strengthens hand against takeover bid

SHANGHAI: Shares in China's biggest property firm Vanke surged yesterday after it announced a stock-holding shift that could end a bid by private conglomerate Baoneng to pull off the country's first hostile blue-chip takeover.

Vanke's leadership has for more than a year sought to fend off Baoneng's advances, which also have prompted an official government denunciation of "barbarian" takeover attempts.

Baoneng had since 2015 built up a 25 percent stake to become Vanke's biggest shareholder in what has emerged as a test of how much progress China's often dysfunctional stock market and corporate world were making in opening up to free-market practices such as blue-chip takeovers.

But Vanke said in a statement to the Hong Kong stock exchange late Thursday that Chinese state-owned subway operator Shenzhen Metro Group, which is believed to be sympathetic to Vanke's top bosses, would purchase a 15.31 percent stake in the firm. Respected business journal Caixin reported yesterday that Shenzhen Metro Group may buy the 14.07 percent Vanke stake held by Guangzhou Evergrande, another major property firm, which would give it a bigger stake outright than Baoneng.

The state-run Shanghai Securities News said Shenzhen Metro's involvement "means Vanke's share-control battle took a significant step in the direction of a solution" in Vanke's favour.

Vanke shares have see-sawed amid the takeover battle and analysts said the latest move helps lay the turmoil to rest, with Vanke's land business a potential partner for the subway operator. "The synergy effect between Shenzhen Metro and Vanke would be great," said Dickie Wong, Hong Kong-based research director for Kingston Securities, calling the plans "the best outcome" for Vanke.

Vanke's Hong Kong-listed shares surged as much as 8.6 percent early Friday before ending the day at HK$19.66, up 5.70 percent. Its shares on the Shenzhen market, China's second stock exchange after Shanghai, closed 6.91 percent higher at 21.81 yuan. — AFP

China slap at yuan shorts barely tickled bigger bears

SINGAPORE/LONDON: China may have put a few short-term currency speculators to the sword last week, but long-term investors betting against the yuan are still standing, and they carry much more firepower. An abrupt tightening of yuan liquidity in Hong Kong, which traders believe was orchestrated by Chinese authorities, drove overnight rates on the offshore component of the yuan to record highs above 80 percent and made it prohibitively expensive for punters to borrow and short-sell the yuan.

That pulled the offshore yuan from lifetime lows near 7 per dollar, but did not alter expectations for the yuan to depreciate this year. Traders also suspect that while some of the hedge funds that routinely borrow short-term funds to speculate on the yuan might have been forced to square off their trades last week, the yuan bears are mostly longer-term funds with staying power.

"A lot of hedge funds do fund themselves overnight, but most people are in the three-month plus area, and it doesn't affect them," said Richard Benson, co-head of portfolio investment with Millennium Global in London. "Spot movement is spot movement, and you aren't forced to do anything."

The People's Bank of China (PBOC) hasn't explicitly confirmed it was behind the squeeze that drove interbank overnight CNH rates to 87 percent last Friday, from 4 percent a week earlier, and caused the biggest ever weekly gain in the offshore yuan against the dollar - just under 2 percent.

But that is the assumption of market professionals. "All they wanted to do is to create some uncertainty and to make sure that investors don't think the yuan is a one-way street," said Jean-Charles Sambor, deputy head of emerging market fixed income at BNP Paribas Investment Partners in London. "It wasn't a game of trying to wash out the CNH shorts, but it was a good way to ring the bell."

Sambor reckons the PBOC's actions were less targeted at any specific investor type and more about managing capital outflows from China, particularly at the turn of the year, when the annual $50,000 foreign currency conversion quota is reset for domestic individuals. — Reuters