

Macro Roundup Article

Headline: [China's Unremitted Export Earnings](#)

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Author(s)	Martin Lynge Rasmussen
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Tweet: In the 12 months ending March 2024, China ran a goods trade surplus of \$844B, however only \$411B has been repatriated. Two of the three drivers of this form of capital flight are unlikely to be reversed. @martin_lynge

Summary: A substantial part of China's net export proceeds never make it back to China and cannot be accounted for. We think the following three categories might make up a large portion of the estimated numbers. 1) Offshore accumulation by domestic private Chinese firms would be the clearest form of capital flight, but likely also the most reversible one. Domestic private Chinese firms might have kept export proceeds offshore as investment returns have been higher offshore than onshore recently. At the same time this group might repatriate offshore holdings once it becomes onshore assets become more attractive. These funds should probably be considered outside of the reach of Chinese authorities. 2) Overseas accumulation by state-owned companies (or offshore funds within the state's reach) should not be considered capital flight as authorities should be able to repatriate these funds and convert them into RMB if needed. These might be considered shadow reserves that can support China's BoP in times of crisis. 3) Lower reinvestment by foreign companies exporting out of China might also account for a part of the unremitted export proceeds. This trend is likely more structural and might therefore not reverse as easily as the flows from domestic private firms.

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Primary Topic: China

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