

Macro Roundup Article

Headline: [China's Imaginary Trade Data](#)

Article Link: <https://www.cfr.org/blog/chinas-imaginary-trade-data>

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Tweet: [.@Brad_Setser argues that a new method China uses to account for foreign firms' contract manufacturing in China understates the current account surplus by \\$300B/year as of Q2 2024 and that the actual surplus is close to \\$700B.](#)

Summary: This is what the IMF reports: “When a Chinese contractor sells produced goods to the nonresident enterprise that outsourced the production, exports of goods are recorded in BOP even if the goods remain in China. If the nonresident enterprise subsequently sells the goods in China, imports of goods are recorded in BOP. Given that the Chinese contractors’ ex-factory price for the nonresident enterprise is normally lower than the nonresident enterprises’ wholesale price for Chinese distributors, these transactions result in a deficit in the goods trade balance in BOP.” All this “fake” trade deficit does is reduce China’s reported current account surplus—as the goods surplus in the balance of payments is now about \$300B (over 1.5 percentage points of China’s GDP) smaller than what it should be in the balance of payments data. I personally now estimate the current account surplus to be close to \$700B even after the drop tied [to] the resumption of tourism in 2023.

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Primary Topic: Savings Glut/Trade Deficit

Topics: China, Database, GDP, Op-Ed/Blog Post, Savings Glut/Trade Deficit, Trade (not deficits), Weekly

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