

## China's Goal of 10% Trade Growth Drifts Out of Reach

Chinese toy merchant Pan Junping says this is usually among his busiest times as customers in the U.S. and Europe load up on orders for Christmas. This year, he's quieter than ever. "The situation is possibly worse than 2009, and confidence is zero," said Pan, 39, who's frozen salaries and expects a 30 percent decline in annual sales for his trading company in Yiwu city, in eastern Zhejiang province. "It's not busy at all." Europe's crisis is diminishing China's prospects for reaching a goal of 10 percent trade growth this year and strengthening the case for more investment stimulus such as roads and subways, monetary easing and tax relief for companies such as Pan's. A report due Sept. 10 may show a 2.9 percent gain in exports in August from a year earlier, down from 18 percent growth over the past two years, based on the median estimate in a Bloomberg News survey. The trade slowdown is weighing on companies such as Tianjin-based China Cosco Holdings Co. (1919), the country's largest listed shipper, after the European Union this year slipped behind the U.S. as the nation's biggest export market. The National Development & Reform Commission yesterday said it approved plans to build 2,018 kilometers (1,254 miles) of roads, described by Bank of America Corp. as among "real actions" by the government to arrest a slowdown. The bank also cited subway projects and increased land supplies in cities including Guangzhou, Hangzhou, Beijing and Shanghai. 'Right Direction' "We believe this new approach of policy stimulus is in the right direction because adding home supply and improving urban infrastructure are the two best ways to contain home prices, speed up urbanization and increase social welfare," said Lu Ting, Bank of America's chief Greater China economist in Hong Kong. Asian stocks rose the most in a month today after the European Central Bank announced a bond-buying plan and U.S. companies boosted hiring. The MSCI Asia Pacific Index advanced 1.1 percent at 10:17 a.m. in Tokyo. Elsewhere in Asia today, export data may show a slowdown for Malaysia, while Australia and Taiwan will also report trade figures. Malaysian export growth may have slowed to 3.5 percent in July from 5.4 percent the previous month, according to the median estimate in a Bloomberg News survey of economists. In the U.S., the Labor Department may report the jobless rate held at 8.3 percent and employers added fewer workers in August. Mexico, Latin America's second-largest economy, will decide interest rates with Banco de Mexico board members probably keeping the benchmark rate unchanged at 4.5 percent, according to a survey. Earnings Cut China's growth deceleration has cut corporate earnings, helping send the Shanghai Composite Index (SHCOMP) of stocks down 6.7 percent this year. The gauge is near the levels immediately after 2008's collapse of Lehman Brothers Holdings Inc., which presaged a 16 percent drop in exports in 2009. The index rose 0.7 percent yesterday. The yuan has weakened about 0.8 percent against the U.S. dollar in 2012 after gaining 4.7 percent in 2011. China's government may boost aid to exporters after growth in overseas sales slid to 7.8 percent in the first seven months of the year and imports gained 6.4 percent. The nation plans to increase export tax rebates on products including shoes and ceramics, according to three people with direct knowledge of the plan, Bloomberg News

reported Sept. 4.    **Interest Rates**    Officials in China have refrained from easing monetary policy since cutting interest rates in June and July and lowering banks' reserve requirements three times from November to May. Authorities have shied away from stimulus near the scale of the 4 trillion yuan (\$586 billion at the time) package announced in 2008, amid a global crisis when 20 million migrant workers lost their jobs.

“There are mounting difficulties ahead for China to achieve the trade-growth target,” said Li Jian, a researcher with the Commerce Ministry's Chinese Academy of International Trade and Economic Cooperation. “The export situation proved much more pessimistic than previously expected.”    Estimates from 36 analysts for August exports range from a year-over-year decline of 1.9 percent to an 8.2 percent increase, following 1 percent growth in July and 11.3 percent in June. Imports probably advanced 3.5 percent last month, compared with July's 4.7 percent pace, based on the median estimate of 35 economists surveyed by Bloomberg News.    **Industrial Production**    Data due Sept. 9 may show little rebound in the economy. Industrial-production growth may have eased to 9 percent in August from 9.2 percent in July, a Bloomberg News survey of 35 economists showed. Retail sales gains were probably little changed at 13.2 percent from 13.1 percent.    **Consumer-price inflation** may have picked up to 2 percent in August from a year earlier after a 1.8 percent gain in July as food costs rose. The decline in producer prices probably accelerated to 3.2 percent from 2.9 percent in July, according to separate Bloomberg surveys.    The 2012 trade target isn't the only one China is at risk of missing. Odds are rising that Premier Wen Jiabao will fail to reach 7.5 percent economic growth, while the nation's industry ministry this week forecast a 10 percent advance in factory output, down from an 11 percent goal set in December.    The weakness signals that calls of a bottom in the economy's slowdown last quarter may prove premature. Commerce Minister Chen Deming said in June that the economy was “turning for the better” that month, while Chen Yulu, an academic adviser to the central bank, said the second quarter “should be the lowest point” this year.    **Single Digits**    “It's very likely for China's trade to grow by just a single-digit rate,” said Zhang Zhiwei, chief China economist with Nomura Holdings Inc. in Hong Kong. Zhang said his forecasts for a 9.3 percent increase in exports this year and 10.3 percent expansion in imports “are subject to review as downside risks are growing.”    Wen, in a visit last month to Guangdong, China's biggest exporting province, said the nation's sales abroad will continue to face “many difficulties and uncertainties” and the government will improve policies to aid exports.    Even with the slowdown, merchant Pan, who last year exported \$10 million of products, said he doesn't plan to fire any of his seven sales representatives. “It's hard to find a good business representative, and I am also waiting for the good days to come back,” he said.