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China Trade With Russia Hits Highest Level Since Start of Ukraine War

By AFP

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Opening of the Kaiyi Chinese car showroom in Moscow. **Sergei Kiselev / Moskva News Agency**

China's total trade with Russia in May soared to levels not seen since the beginning of Moscow's war in Ukraine, official data showed Wednesday, as Beijing steps up support for its sanctions-hit ally.

Trade between the two countries last month was worth $20.5 billion, data from Beijing showed, with Chinese imports from Russia worth $11.3 billion.

There was no official breakdown of the figures, which also showed China's exports more broadly falling for the first time since February — breaking a two-month growth streak as a post-Covid rebound.

Rising global inflation, the threat of recession elsewhere and geopolitical tensions with the United States have weakened demand for Chinese products.

But China's trade with Russia bucked the otherwise grim trend for Beijing.

China is Russia's largest trading partner, with trade between them reaching a record $190 billion last year, according to Chinese customs data.

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During a summit in March, Chinese President Xi Jinping and Russian leader Vladimir Putin pledged to boost trade to $200 billion in 2023 as they hailed their "no limits" partnership.

And Russian energy deliveries to China were set to grow by 40% this year, Deputy Prime Minister Alexander Novak said last month.

Beijing says it is a neutral party in the Ukraine war, but has been criticized by Western countries for refusing to condemn Moscow and for its close strategic partnership with Russia.

Figures Wednesday also showed exports to Russia rising 75.6% in May, the highest rate since Moscow invaded Ukraine, even as trade with most major European markets and the United States fell.

'Disappointing data'

And the data more broadly highlighted weaknesses in the world's number two economy, with manufacturing activity shrinking in May for the second successive month.

Reports said Wednesday that authorities have asked the country's biggest banks to lower their deposit rates in a bid to boost the economy.

Analysts said such a move could indicate the People's Bank of China was considering an interest rate cut as soon as this month.

The figures were "yet another disappointing data which will raise growth concerns and intensify expectations of more policy support," said Khoon Goh, at Australia & New Zealand Banking Group.

China is also grappling with a new Covid-19 outbreak, but official data on its scale is scarce and there is little sign that containment policies will be reimposed.

The property sector, which along with construction accounts for about a quarter of China's GDP, experienced its "worst-ever slump" last year, according to Beijing-based economic consultancy Gavekal-Dragonomics.

To revive a struggling industry, the government has pivoted away from its crackdown on debt toward a more conciliatory approach since November, with targeted support measures for the most financially sound developers.

Ting Lu, Nomura's Chief China Economist, said in a note this week that analysts expected "more easing and stimulus measures."

"Amid the deteriorating property sector, its potentially devastating impact on government finance and the rising risk of double-dip, we do not expect Beijing to sit idle," Lu wrote.

May's trade data suggests "subdued global demand for Chinese goods and supports our view that the robust export figures of the previous couple of months reflected distortions to the customs data rather than a turnaround in foreign demand," Capital Economics analysts wrote in a note on Wednesday.

"We think exports will fall further before bottoming out later this year."

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