**New strength in China trade performance**

BEIJING, Oct. 15 -- China reported stronger-than-expected trade figures for September, providing fresh evidence that the global economy may be emerging from recession.

Economists said they expect the momentum to continue for the rest of the year, citing continued strength in the domestic economy and increasing signs of recovery in external demand. They warned, however, that the September figures may not be as good as they look due to the timing of a holiday.

September exports fell 15.2 percent year on year to 115.9 billion U.S. dollars, the smallest drop this year, according to data released yesterday by the General Administration of Customs. The figure beat the consensus forecast for a 21 percent fall and improved from August's decline of 23.4 percent.

Shipments of labor-intensive goods, such as clothing and furniture, outperformed mechanical and electrical products.

Meanwhile, imports declined 3.5 percent to 103 billion U.S. dollars, after falling 17 percent in August. The trade surplus slipped to 12.9 billion U.S. dollars last month, compared with 15.7 billion U.S. dollars in August.

A big year-on-year jump in trade is almost certain over the next two months, not only because of rush orders for Christmas gifts but also because of a lower comparison base. China's trade collapse began in November 2008 as the global financial crisis began to dampen demand.

China Merchants Securities analyst Xue Hua said he expects export growth to turn positive in December and import growth in November. Barclays Capital forecast that exports will decline 13 percent this year and rise 13 percent in 2010, compared with the 28 percent growth average in the 2005 to 2007 period.

"As domestic demand is on a faster track to improve than external demand, we believe imports will recover faster than exports," said China Galaxy Securities analyst Zhou Shiyi.

Commodities proved to be a key force in driving up the trade figures. For example, imports of iron ore, used to make steel, rose to a record 64.6 million tons last month, up 30 percent from August, the Customs said.

"The strong demand for commodity imports reflects resilience in construction and industrial production activities domestically," said Lu Ting, a Merrill Lynch economist. "Falling commodities and freight rates should have helped as well."

But some analysts said the pick-up in ore imports was driven by stockpiling and cannot be sustained as China's steel sector is facing severe oversupply.

And some pointed out that, if adjusted for working days, the trade improvement was not as sharp as it seemed. September had two more working days than the same month last year due to the timing of the Mid-Autumn Festival.

Seasonally adjusted, exports fell 20.1 percent in September from a year earlier and rose 6.3 percent from the previous month.

To counter the slump in exports and promote growth, China rolled out a 4 trillion yuan (586 billion U.S. dollars) stimulus package late last year and adopted a looser monetary policy.

"Stronger external demand will provide an alternative source of support for growth and provide scope for Beijing to start tightening policy gradually from early 2010," said Brian Jackson, an economist for emerging markets at the Royal Bank of Canada.

(Source: Shanghai Daily)

**Special Report: Global Financial Crisis**