

Accuracy of export figures questionable

CHINA'S external merchandise trade figures for the first quarter of the year have been generally applauded for the improvement in the country's exports and the stability of the deficit incurred for the period.

The figures, issued last week, showed exports from China up 18.7 per cent to US\$19.11 billion (about HK\$147 billion) and imports 18.2 per cent higher at \$20.39 billion. This left a merchandise trade deficit of \$1.28 billion for the quarter.

These figures have been taken as a positive sign after last year's record \$12.8 billion deficit. The problem is the figures are difficult to interpret.

For local consumption, they were quoted in US dollars but they failed to show how exchange rate changes affected the calculations.

Last year, for example, the Chinese yuan was devalued by over 30 per cent, initially on the swap markets and then formally when the official and swap market rates were combined.

At some stage, conversion would have been required — whether from US dollars to yuan, or from third currencies to yuan or US dollars.

The question unanswered is what effect the exchange rate changes had on the reported trade figures for the quarter and whether there was any exchange rate manipulation.

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