

TRUMP'S VICTORY COULD WIPE \$420 BN OFF CHINA'S EXPORTS



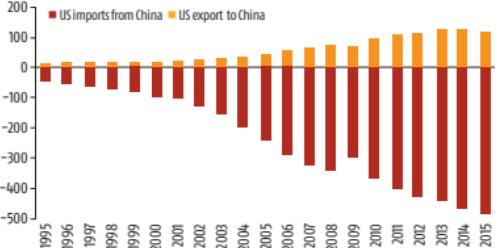
Victory for Donald Trump in the US presidential election could be a game changer for China's economy. The candidate's promise to slap punitive tariffs on Chinese imports would be highly contractionary, deflationary and wipe hundreds of billions off the value of the world's second-biggest economy, according to new research by Kevin Lai, the Hong Kong-based chief economist for Asia (excluding Japan) at Daiwa Capital Markets. Lai estimates that Trump's suggestion for a 4.5 per cent tariff on Chinese goods to narrow the trade deficit with America would spark an 8.7 per cent decline in China's exports to the US – a decline of \$420 billion. Here is a chart that demonstrates what could be the impact of this decision:

Even watered-down tariffs to 15 per cent would result in a loss of the GDP for China of 1.8 per cent

Tariff Level	4.2% (existing)	15%
Exports to the US in 2015 (\$ bn)	483	
Tariff impact on exports (\$ bn)		-152.0
Tariff impact on export (% of exports)		-31.0
Tariff impact on GDP with multiplier effects (%)		-1.75

Lai said the ultra-loose monetary policy in the US supplied China with limitless dollars at a low cost and that China has recycled its surplus savings into funding the US budget

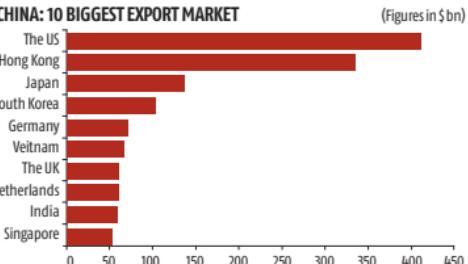
US-CHINA TRADE



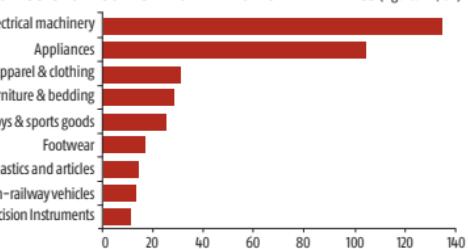
Sources: CEIC, Tariff Analysis Online, Daiwa estimates, USITC & Bloomberg

Lai argued that China's balance of payments is a source of concern because of ongoing outflows and that the current account surplus looks vulnerable. Together, this dynamic would put downward pressure on the yuan.

CHINA: 10 BIGGEST EXPORT MARKET



10 BIGGEST CATEGORIES IMPORTED FROM CHINA BY THE US



US TRADE DEFICIT WITH CHINA

