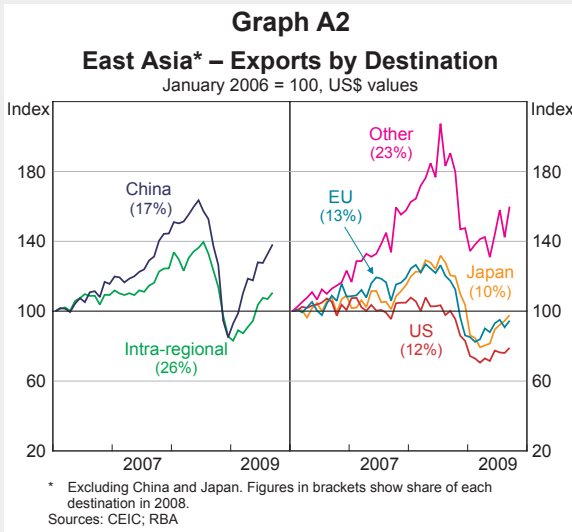
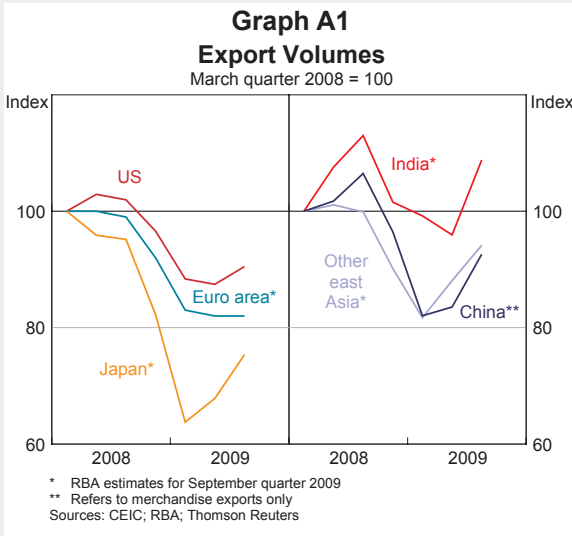


Box A: The Recovery in Asian Trade



The sharp downturn in the global economy was associated with a large contraction in world trade as demand for consumer durables and capital goods declined. Over the past six months, however, international trade has begun to pick up, with this turnaround being most pronounced in east Asia (Graph A1). Exports from China, Japan and the smaller economies of the region have all increased over recent months, after earlier sharp falls. Indian exports have also recovered strongly in the September quarter, after contracting over the first half of 2009. In contrast to developments in Asia, exports from the United States and the euro area remained weak over the first half of 2009 and have risen only modestly since then.

The rise in exports from many of the economies of east Asia since the early part of the year has been underpinned by strong demand from China as well as a rebound in intra-regional trade (Graph A2). This is consistent with the recovery in domestic final demand in the region, which has reflected the generally sounder conditions in these economies (including their financial systems) and the substantial policy

stimulus that has been put in place, most notably in China (see ‘Box B: Some Aspects of China’s Recent Growth’ in the August *Statement*). The recovery in the Chinese economy over the past six months has been sufficiently strong to bring import volumes back above their earlier peak (Graph A3). While this increase in Chinese imports has benefited all of China’s major trading partners, it has been imports from Australia, Japan and elsewhere in east Asia that have experienced

the most rapid rebounds. Trade elsewhere in east Asia also appears to have been boosted by a shift in inventory dynamics, both in the region and elsewhere around the world, just as the unintended build-up in inventories during 2008 exacerbated the earlier fall in trade.

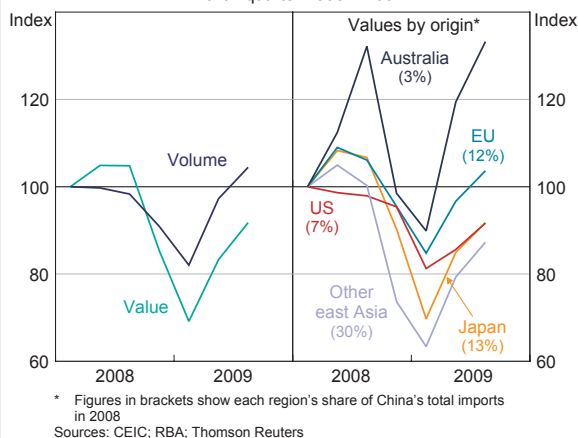
The pick-up in trade across Asia is evident in a wide range of goods. In the case of China, the rise in exports in the September quarter was broad-based, although exports of electrical equipment (including consumer electronics) have been particularly strong recently. In the case of the higher-income economies in the region, electronic components and consumer durables also appear to have played a particularly prominent role in driving the rebound. In Korea, for example, exports of motor vehicles and semi-conductors have recovered very strongly following sharp falls over the second half of 2008 (Graph A4). Korean exports of motor vehicles have benefited from car scrappage schemes in the United States and several European countries, although the increase in auto exports has been broad-based across destinations. Semi-conductor

exports are estimated to have doubled since January, with a large part of this increase reflecting demand from China. While some of this is accounted for by robust final demand from China itself, the strength also reflects apparent rebuilding of stocks and China's role in the assembly of consumer electronic goods for re-export.

Elsewhere in the region, the recovery in export volumes in the ASEAN economies has been relatively modest to date, but the value of exports from these countries has posted a more solid increase. A relatively high share of exports from these economies consists of energy commodities, particularly in the case of Indonesia and Malaysia, the prices of which have generally risen strongly over the past six months following sharp falls in late 2008. ↗

Graph A3
China – Merchandise Imports

March quarter 2008 = 100



Graph A4

South Korea – Merchandise Export Volumes

January 2008 = 100

