

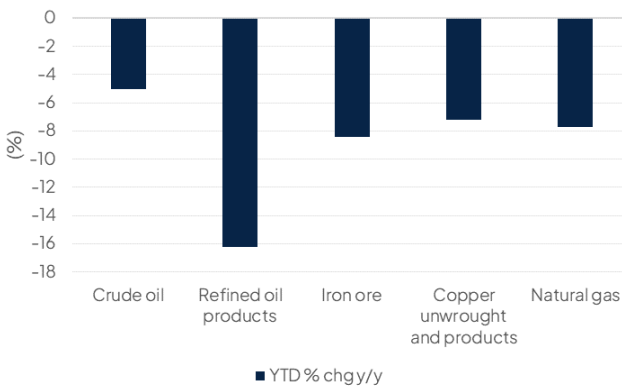


China's commodity imports underwhelm

Market Economics | 7 March 2025

China's commodity imports have had a muted start to the year, showing few signs of a wider turnaround in activity since the government began to implement support measures in the final months of 2024. The volume of crude oil imports dropped 5% in the first two months of 2025 compared with the same period last year while refined product imports were lower by 16%. In industrial metals, iron ore imports dropped by 8% while copper (unwrought and products) flows dropped 7% ytd.

Imports of key commodities: Jan-Feb y/y

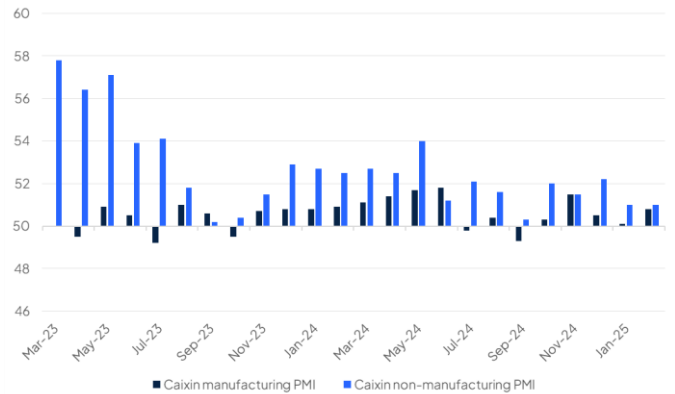


Source: Bloomberg, Emirates NBD Research.

Imports overall showed an 8% drop in US dollar terms in the first two months of the year, disappointing markets and a considerable slowdown from a 1% rise in imports in December 2024. Signs of manufacturing activity have remained soft: the official manufacturing PMI for February improved to 50.2, barely above neutral and it has been holding either side of the 50 level since Q1 2023. Measures from the private sector have been similarly soft with the Caixin manufacturing PMI barely holding above the neutral 50 mark for both January and February.

China's government has set a fiscal deficit target of 4% of GDP according to a "work report" presented to the country's parliament in early March, compared with a 3% target set for 2024. That would imply substantial fiscal stimulus to help achieve China's 5% growth target for 2025.

Manufacturing signals have been lacklustre

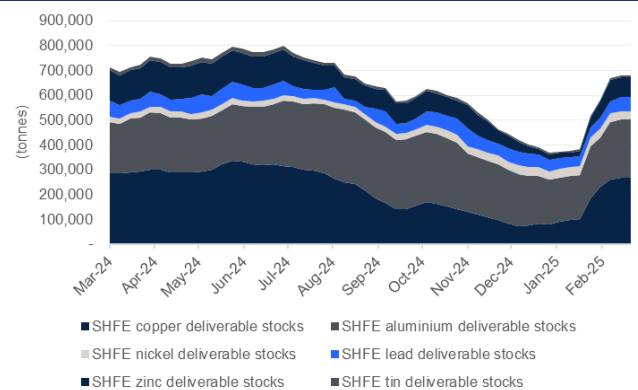


Source: Bloomberg, Emirates NBD Research.

Stockpiles at high levels

Base metal inventories in Shanghai Futures Exchange inventories have risen substantially since the start of the year, with copper stockpiles in particular rising to their highest levels since August 2024.

Base metal stockpiles on the rise

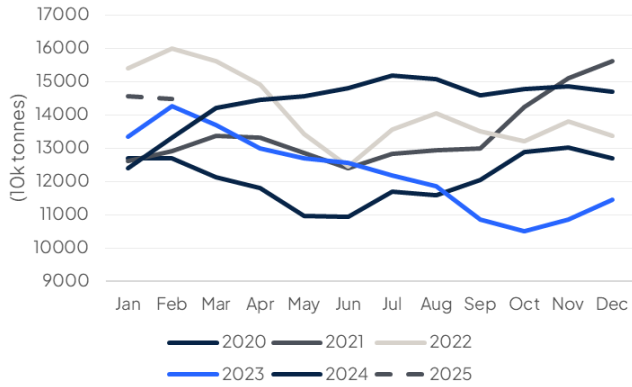


Source: Bloomberg, Emirates NBD Research.

Port inventories of iron ore appear tighter, having drawn down substantially since the start of the year although on a historic basis they still remain above average levels of the last five years.



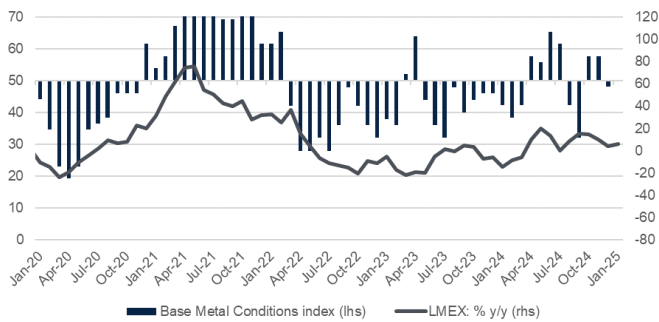
Iron ore stockpiles still at high levels



Source: Bloomberg, Emirates NBD Research.

Our measure of base metal conditions is at neutral with gains in the LME index limited to less than 10% y/y though gains for copper since the start of the year have been more robust, affected by uncertainty as to whether the metal will also fall under tariffs from the US government.

Base metal conditions at neutral



Source: Bloomberg, Emirates NBD Research.

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