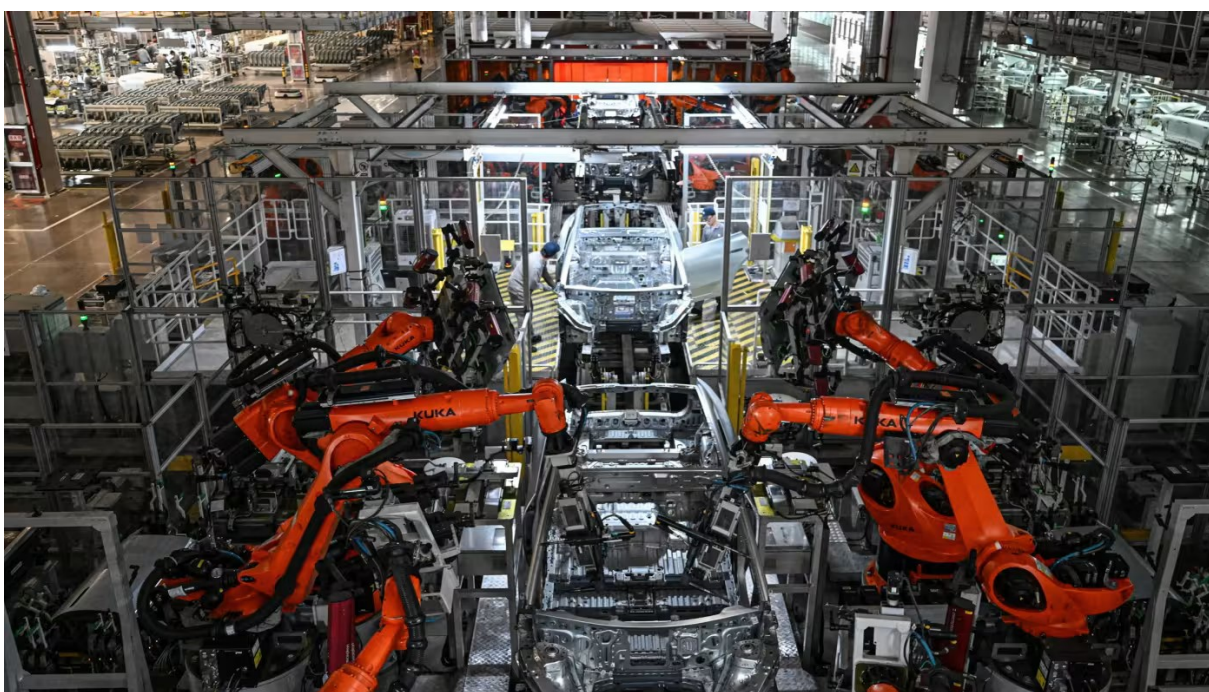


Trump tariffs

China industrial profits return to growth

Boost comes as Xi Jinping calls on companies to stem aggressive price competition



Employees on Chinese EV maker Nio's production line in Hefei, in Anhui province © AFP via Getty Images

William Langley in Guangzhou

Published 5 HOURS AGO

China's industrial profits returned to growth in August, as Xi Jinping piled pressure on businesses to combat aggressive price competition stemming from industrial overcapacity.

Profits at industrial companies with annual revenues of more than Rmb20mn (\$2.8mn) increased 20.4 per cent in August compared to a year earlier, and an improvement on a decline of 1.5 per cent in July.

The August bump meant profits in the period from January to August were 0.9 per cent higher than during the same period in 2024, compared with 1.7 per cent lower in the January- to-July period.

China's economy has been struggling with a years-long slowdown in the property sector, weak domestic demand and increased tariffs on its exports to a number of countries, particularly the US.

In recent months, Xi has called on businesses to do more to stop price competition, the result of overcapacity in many sectors. Manufacturers, particularly in the massive electric vehicle sector, have engaged in brutal price wars to attract customers and win market share.

The National Bureau of Statistics said the boost to profits in August was helped by a low base effect relative to profits last year as well as government efforts to promote a “unified national market”.

In an article in [Qiushi](#), the flagship magazine of the Communist party’s central committee, Xi this month wrote that eliminating “disorderly price competition” was essential to efforts to establish such a market.

“The profits of industrial enterprises have improved significantly,” said [Yu Weining](#), chief statistician of the industrial department of the NBS on Saturday, though he added that economic conditions remained “severe and complex” while domestic demand was “insufficient”.

“We should . . . standardise the competitive order of enterprises, and create more favourable conditions for continuous recovery,” he said.

August’s profit increase, which represented the first monthly growth since April, was helped by falling costs for industry, Yu added.

Despite a truce in the trade war with the US, President Donald Trump’s tariffs have increased levies on Chinese exports to the country significantly, with analysts at Fitch Ratings putting the effective rate at 34 per cent in August.

Manufacturers that opened plants overseas in recent years have also raised concerns that a new 40 per cent tariff on goods deemed to have been “transhipped” through third countries will damage their margins.

The increased trade restrictions come as domestic demand is flagging. China’s consumer prices slipped back into deflationary territory in August, while producer prices have contracted for nearly three years.

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