

## Chinese economy

# How China racked up a \$1tn trade surplus

Beijing shakes off damage caused by Trump's trade war

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In a year dominated by US President Donald Trump's tariff war, a blizzard of tit-for-tat levies and stop-start trade negotiations, China's \$1tn surplus has made clear that it remains an unstoppable trade juggernaut.

While the country's trade surplus with the US is more than \$100bn lower so far this year compared with last year's total, it has increased in a host of other destinations from south-east Asia to Europe. The result is a historic global goods surplus that [reached \\$1.08tn](#) in November, driven by \$3.41tn of exports and surpassing every previous full-year total.

This week in Beijing, IMF managing director Kristalina Georgieva [warned of China's trade relation "imbalances"](#), which days earlier French President Emmanuel Macron said were becoming "unbearable".

The trade differential also reflects China's march up the manufacturing value chain, particularly in automobiles, adding to its long-standing dominance in areas such as phones and computers as well as lower-value goods.

"In the near term, I think the trade surplus will still continue to grow," said Michelle Lam, greater China economist at Société Générale. "It's a problem that's not going to go away any time soon."

But China's export strength belies a weaker economic picture at home, where policymakers are grappling with muted consumer confidence and deflation. Imports have also declined, straining relations with trading partners and raising the prospect of retaliation.

## A surge in south-east Asia

China's export growth to south-east Asia is among the most striking features of the emerging trade order — and one that is being closely scrutinised for its relationship to Trump's tariff war.

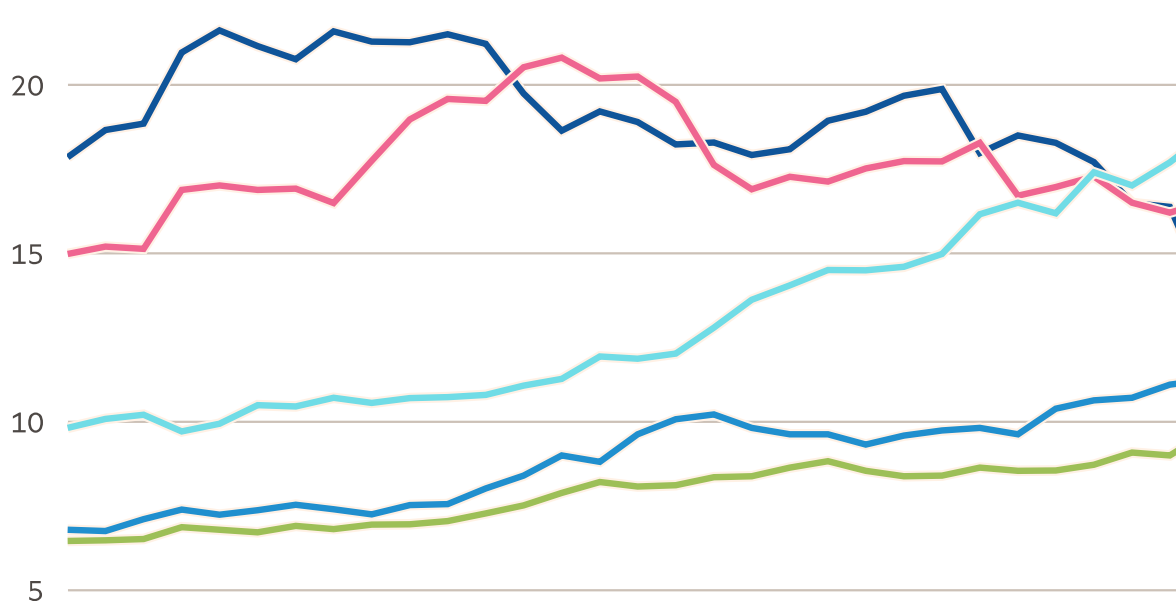
China's surplus with the region was \$245bn for the first 11 months of the year, well above the \$191bn figure over the full year for 2024. That was driven by growth in the surplus with countries such as Vietnam and Thailand, as well as Malaysia, with which China ran a deficit last year.

Economists say that was likely to reflect [Chinese goods being “transshipped”](#) through the region, whose own exports to the US have soared this year.

Regional data shows China's push into a host of other markets this year. The country's 11-month surplus with Africa is up \$27bn over the full-year 2024 figures, driven by Nigeria, Liberia and Egypt and sales of cargo ships to the continent. China's surplus with the EU is up nearly \$20bn, while for Latin America it has risen \$9bn.

## The US's share of China's exports has fallen, while south-east Asia's has surged

Share of China's exports (%), by partner



## Cars, cars, cars

The single largest increase to the trade surplus this year came from autos. China's surplus for the sector was up \$22bn in the first 10 months of 2025 compared with the same period last year, taking its total to \$66bn.

That is an extraordinary turnaround from just three years ago, when China had a deficit with the rest of the world in autos. China only overtook Japan as the world's biggest auto exporter in 2023.

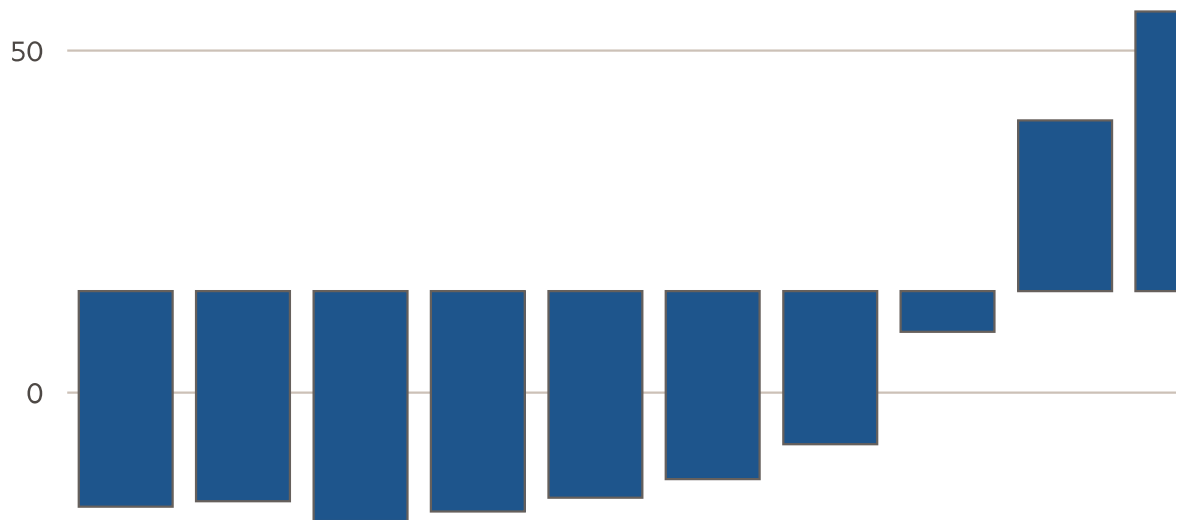
The country's auto trade with the EU also shifted from a deficit to a surplus this year, while exports of cars boosted its surplus with Africa.

China also had a \$64bn global trade surplus in batteries over the first 10 months, reflecting a nationwide push into electric vehicles that has turned the country's leading EV makers such as BYD into global household names.

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## China's trade balance in cars has shifted into surplus over the past decade

Trade balance for cars (\$bn), 2015-25\*



## The world's factory floor

China's vast manufacturing sector remains a critical base for multinationals from Apple to Volkswagen, as well as domestic producers.

In the first 10 months of 2025, \$837bn of China's exports, or more than a quarter of the total, came from foreign-invested companies, customs data shows.

Two of the biggest contributors to the country's trade surplus over the period were phones and telecommunications products, at \$151bn, and computers, which accounted for a further \$70bn.

China's surplus has also been driven by a host of small-ticket items including a surge in low-value packages — the business model employed by online retailers such as Shein and Temu, which have come under fire in the US and EU for taking advantage of duty-free loopholes.

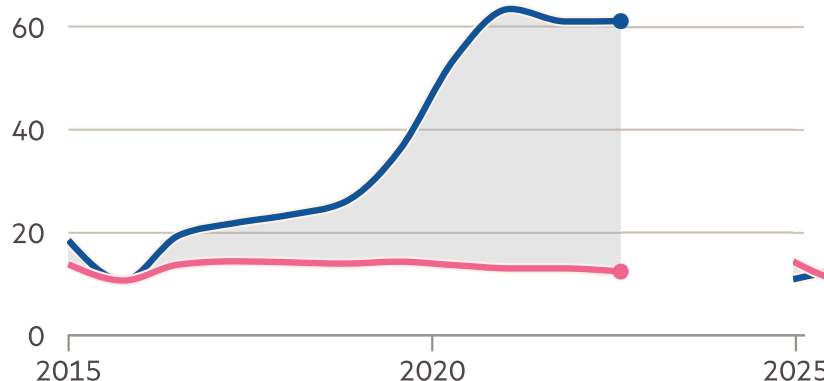
Low-value packages added \$22bn in trade surplus in the first 10 months compared with the same period last year, with a sharp increase to Europe.

## China's surpluses from batteries and low-value parcels have risen

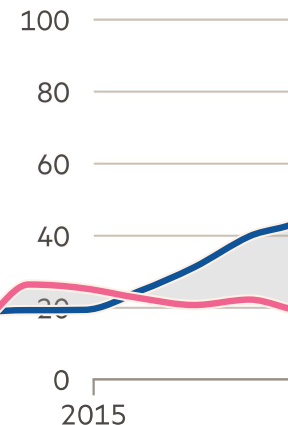
Exports and imports (\$bn), by selected products, 2015-25\*

□ Export □ Import

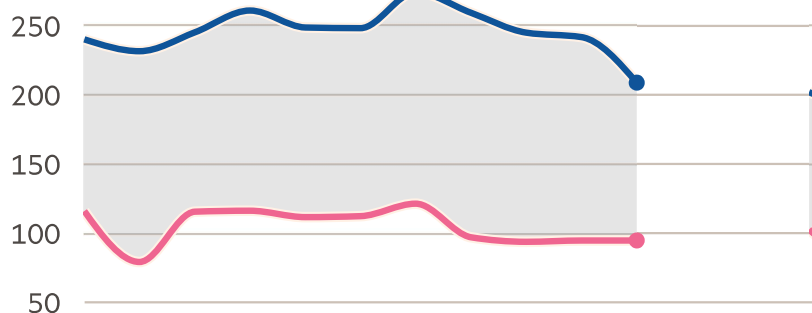
Batteries



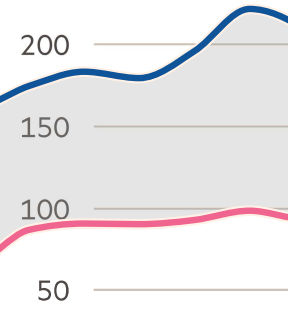
Low-value goods under



Telephones and other communication apparatus



Computers and other



## Tailwinds from a weaker currency and falling prices

The renminbi has appreciated against the dollar over the past year, but the Chinese currency remains at a weaker level compared with the past decade.

In contrast to other major economies, China is grappling with consumer and producer price deflation at home related to the high rates of production that are feeding the export boom.

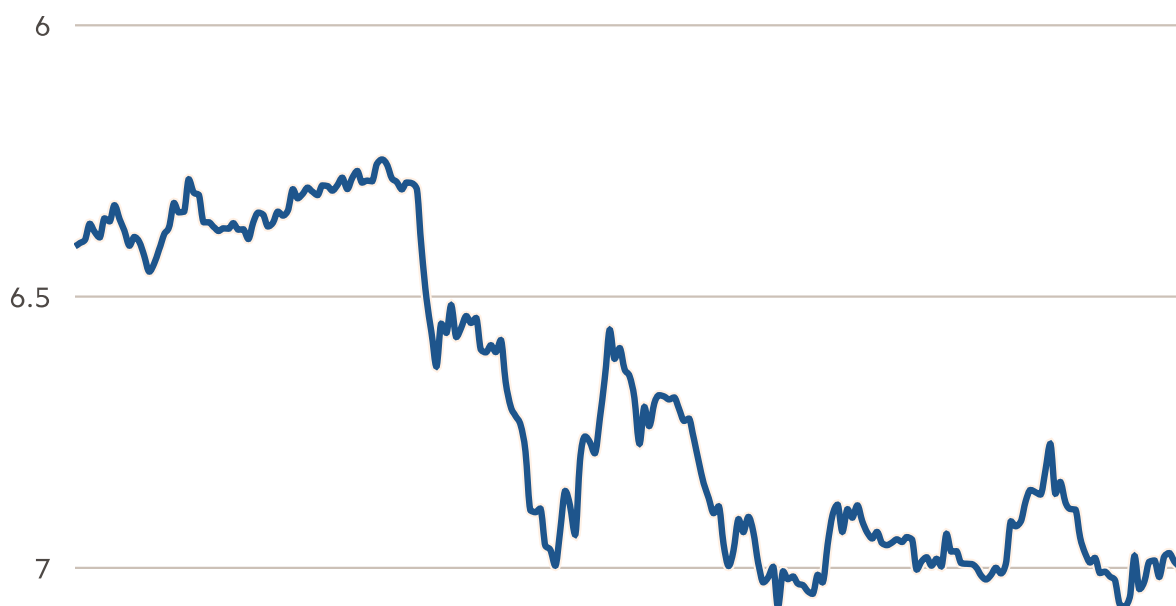
Adam Wolfe, an economist at Absolute Strategy Research, said China's share of global export volumes was rising at a rate not seen since the initial "China shock" in the 2000s following the country's accession to the World Trade Organization. But at the same time, the overall value of its exports had remained steady in nominal terms because prices had fallen.

Economists said that deflationary pressure was making China's producers more competitive against global rivals. "Every year, the inflation differential also gives China additional competitiveness in terms of pricing," said Shuang Ding, chief economist for greater China and north Asia at Standard Chartered.

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## The renminbi is at a relatively low level against the dollar

Offshore Rmb per \$, inverted y-axis



# What is China buying?

While China's exports have grown this year, imports have edged down in dollar terms to \$2.3tn. China's biggest source of individual imports is commodities, such as iron ore, copper, soyabeans and petrochemicals. It is also a major importer of semiconductors, a focal point of US trade pressure.

Ding said there were some "signs of import substitution", meaning products that China previously imported, such as machinery and industrial robots, were now being made domestically.

But China is also grappling with slack domestic demand and a property sector downturn now entering its fifth year. A host of recent indicators, such as [falling investment](#), underscore the importance of exports in driving economic growth.

Wolfe forecast the trade surplus could continue to climb towards \$1.5tn if fixed-asset investment remained weak, especially in construction, which is more reliant on commodities and helps boost imports.

"The New China Shock will persist as long as domestic demand remains weak," he said.

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