

Snap | 10 March 2026

UNITED STATES

China's trade growth starts 2026 strong with biggest gain in four years

China's trade growth handily beat forecasts at the start of the year. Exports continue to be driven by ships, chips, and autos, as global demand offsets the drag from US tariffs. As exports boom, trading partners will be encouraged by strong import growth as China aims to balance out trade



21.8% YoY

Higher than expected

China's export growth in the first two months of 2026

Key export engines continue to drive strength in China's exports

China's exports grew by 21.8% year-on-year in the first two months of 2026, up from 5.5% in 2025, well above market expectations. This marked the highest monthly YoY growth level since January 2022. As the data combines the first two months of the year, the strength can't be attributed to the Lunar New Year effect.

Many of last year's prevalent themes carried forward into 2026.

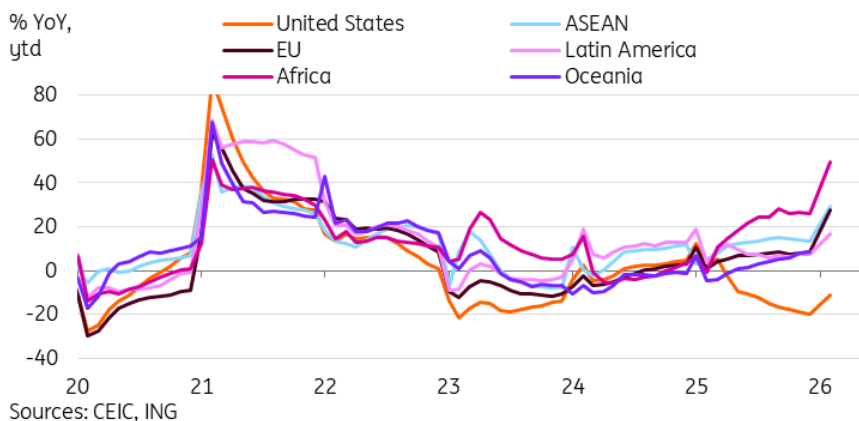
By export destination, the US continued to see a sharp YoY decline, down -11.0%. The tariff impact remains in play, given the current higher tariff rates and last year's trade front-loading. The brighter side of this story is that the contraction is smaller than the -19.9% YoY drop we saw in 2025. The effects of the trade war on the YoY numbers are likely to reverse starting in April, when we see a sharper drop in trade after Trump's Liberation Day tariffs. As last year, weakness in the US was more than offset by strength in other markets. Through the first two months of the year, China saw surges in exports to Africa (49.9%), the EU (27.8%), ASEAN (29.4%), Korea (27.0%), and Australia (29.4%).

By export product, China's key exports from last year continued to see the strongest growth at the start of 2026. Semiconductors (72.6%), autos (67.1%), and ships (52.8%) saw incredibly strong export growth at the start of the year. A 26.9% YoY surge in hi-tech exports also shows that China is increasingly a major player in the high end of the value-added ladder.

An encouraging sign for those worried about excessive Chinese price competition is that, unlike in 2025, value growth for China's key exports outpaced volume growth. This implies that these exports are being sold at a higher price.

Strong global demand continues to offset drag from the US

US headwinds could start turning around in 2Q26



Imports also surged in positive sign for China's trade partners

Export strength isn't a new story for China, having been one of the primary drivers for growth in the last two years. What is new is China's recent focus on ramping up imports in order to promote more balanced trade. This has been mentioned multiple times at high-level meetings, including the Two Sessions.

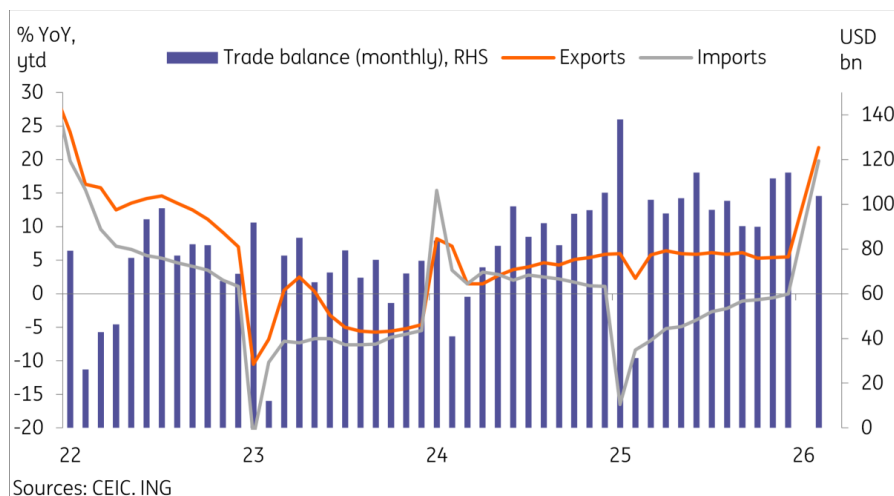
Encouragingly for China's trade partners, imports are also off to a strong start in the first two months of the year, up 19.8% YoY, year-to-date, well above market forecasts for import growth of around 7%. One caveat: this strength partially reflects a supportive base effect, as imports were down -8.4% YoY ytd in the first two months of 2025.

Nonetheless, after import growth has been quite flat since 2022, the data represents a solid start to 2026.

By import origination, China's imports from India (43.1%), Korea (35.8%), Australia (33.8%), and Latin America (28.9%) outperformed in the first two months of the year. Imports from the EU (11.7%) and ASEAN (12.9%) were below headline growth but still respectable. Imports from the US were the clear outlier, down -26.7% YoY ytd.

By product, the areas with the fastest import growth continue to be centred on tech products, with hi-tech products (27.7%), automatic data processing machines (68.7%), and semiconductors (39.8%) seeing robust growth over the first two months of the year. We also saw solid YoY growth in agricultural product imports of 9.7%. As the world's largest crude oil importer, China saw the value of crude oil imports fall by -5.2% YoY. But the volume actually rose by 15.8% YoY. With the crude oil price spike in March, China's oil imports are set to get more expensive. It remains to be seen how supply disruptions factor into overall imports.

Exports, imports, and trade surplus all eclipsed expectations



Trade balance continues to expand and should support 1Q growth

China's trade surplus expanded to \$213.6bn in the first two months of the year, up 26.2% YoY from USD 169.2bn in the same period last year.

The first instinct is that, following a record-breaking year for China's exports despite rising global protectionism, the torrid pace of trade growth from the first two months of the year isn't likely to persist throughout 2026. Trade growth can be choppy month to month. Given the growing possibility of stagflation after the outbreak of the Iran war, it might seem a risky wager to assume this positive momentum continues - especially if energy prices remain higher for longer.

However, if Trump's prediction of an end to the Iran war coming "very soon" comes to fruition and we see a timely resolution, we may need to revisit our expectations for a more modest boost from external demand this year. The headwind from the US could soon fade, starting from the second quarter. If strong growth from the rest of the world remains intact, exports could continue to surprise on the upside.

Strong external demand will be welcome news, as domestic activity indicators are likely to start the year on a notably softer note. This is despite the recent policy focus on boosting domestic demand. Next week's hard economic activity data will give us a more complete picture of how China's economy has started 2026 but today's data confirmed that China's export engine continued to hum to start the year.

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THINK economic and financial analysis

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