China Musings

The Tariff Pandora's Box has been opened

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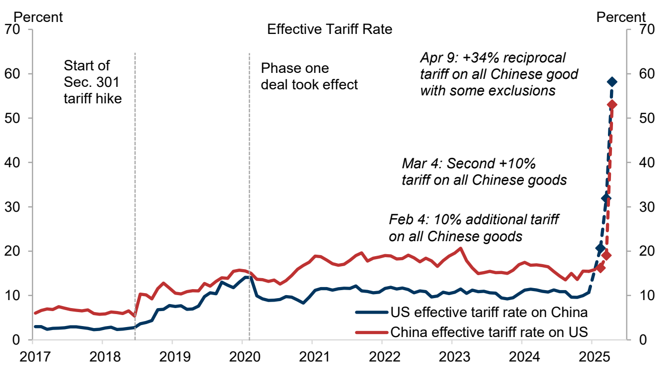
- On April 2, President Trump raised the average effective US tariff rate on China by 26pp, **bringing the total effective tariff rate on Chinese goods to 58%, up from 11%** before he took office. On April 4, China retaliated by levying 34% tariffs on all US imports. MSCI China and CSI300 fell 1.5% and 0.6% on April 3 before closing for Qingming Festival holidays, with global equities having corrected 9% since then.
- The **US tariff impacts on China equity's fair value** will be a multivariate function comprising: 1) direct revenue hit to Chinese exporters, and indirect spillovers to global and China growth; 2) Rmb depreciation; 3) the extent of tariff pass-through to end users; 4) potential policy offsets, notably fiscal stimulus; and, 5) broader US-China relations.
- We trim our 2025 EPSg from 9% to 7%, and lower our target PE for MSCI China to 11.5x from 12x. **Our refreshed targets imply 10%/17% 12m upside for MSCI China/CSI300**, with a 50% effective US tariff rate (up from 30%), 4.5% GDP growth (unchanged), and **close to Rmb2tn of additional fiscal stimulus** (vs. our economists' previous base case) embedded in our equity assumptions.
- China equity's resiliency thus far perhaps reflects: a) the **possibility for the two sides to negotiate** which might lead to subsequent tariff rollbacks; b) the potential for Chinese policymakers to intensify easing impetus; and, c) record-breaking pace of Southbound buying which has reached US$64bn ytd.
- But with the US-China policy calendar still looking active in the coming weeks and the bilateral trade tensions escalating, we reiterate our view that **the bull run will slow on event risks and profit-taking pressures**, and now believe that the market may test our risk-case valuations in the short term until trade and policy clarity emerges, and/or a new tariff equilibrium is reached.
- We'd continue to focus on **domestic, policy-powered, and idiosyncratic opportunities** when external risks are elevated. We favor A over H tactically, retain our allocation bias for consumption sectorally, and emphasize select AI beneficiaries, EM exporters, and shareholder/cash returns as our preferred ideas thematically. We also screen for stocks that are levered to US consumer and quality names that are mostly domestic-oriented.

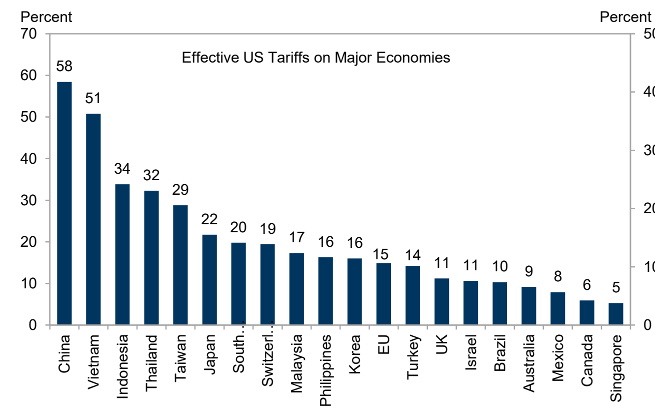
1. On April 2, President Trump announced "reciprocal" tariffs on trading partners with exclusion of products that are subject to sectoral tariffs, resulting in an increase of 26pp in the average effective US tariff rate on China per our economists' estimate. With the 20% tariffs related to Fentanyl already in effect, the latest announcement would bring the **total effective tariff rate on Chinese goods to 58%**, up from 11% when President Trump assumed office in mid-January. The increase is substantially higher than our economists' previous base case and most investors had expected. Additionally, President Trump also signed an Executive Order to rescind de minimis treatment for shipments from China (including HK), which currently account for a substantial share of total de minimis volume. On April 4, China retaliated by levying 34% tariffs on all US imports, along with export control measures, entity list additions, and antitrust investigations to targeted US corporates.

Exhibit 1: President Trump announced a 26pp effective increase in tariffs on Chinese goods, and China's latest retaliatory tariffs are about to raise average tariff rate on US goods to around 53%



Source: Goldman Sachs Global Investment Research, USTR, USITC

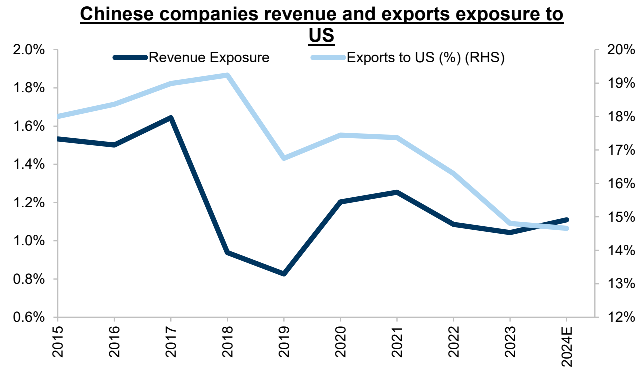
Exhibit 2: US tariffs have been raised across the board



Source: USTR

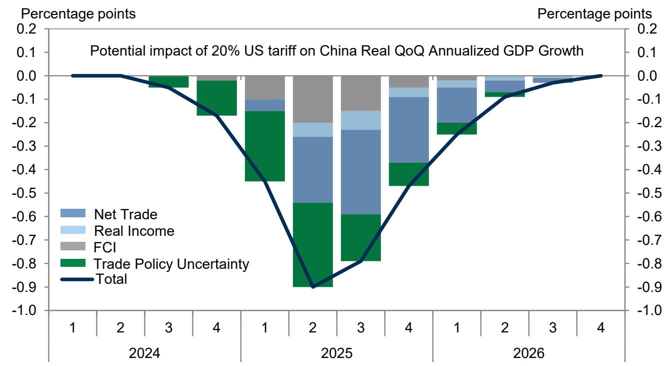
2. Conceptually, US tariffs could weigh on corporate profits via the following channels: a) revenue and earnings hit to **Chinese exporters that sell directly into the US**. We estimate around 2% of MSCI China and 1% of all China listed universe revenues are directly exposed to the US market; b) the **indirect growth drags to global and Chinese GDP growth** given the potential negative spillovers to investment and confidence. For reference, our economists estimate that, in the absence of any policy counter measures, a 20%/60% effective US tariff rate on Chinese goods would reduce China GDP growth by 0.7/2pp. In the US, our economists recently raised the 12-month recession probability from 20% to 35% on a more challenging growth/inflation outlook; and, c) **a weaker Rmb** may improve export competitiveness and partially alleviate tariff-induced costs in local currency terms, but could lead to translation losses for offshore listed Chinese companies that are quoted in either HKD or USD in the stock market;

Exhibit 3: China's direct trade and revenue linkages to the US have fallen over the past decade



Source: Wind, FactSet, Goldman Sachs Global Investment Research

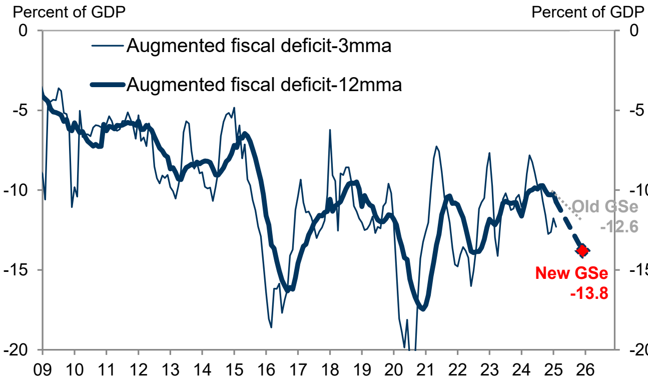
Exhibit 4: Our economists estimate that a 20/60pp increase in US tariffs on Chinese goods would weigh on China's real GDP by 0.7/2pp in 2025



Source: Goldman Sachs Global Investment Research

3. There are nevertheless **potential offsets to the adverse tariff impacts**. First, the higher frictional costs will likely be shared between producers and end customers. For instance, empirical evidence and academic studies suggest that a meaningful portion of the tariff-induced costs for Chinese imports, especially those that were selling at competitive prices on a global basis and/or difficult to substitute in the short term, was passed through to US consumers during Trade War 1.0. Second, and more importantly, our economists believe **Chinese policymakers could dial up the policy easing intensity** to soften the tariff headwinds, and to help facilitate the rotation from external demand to domestic consumption. Specifically, they expect the broad fiscal deficit spending (to GDP) to rise from 12.6% to 13.8% in response to the tariff shock, more or less neutralizing the growth drags from the newly announced tariffs. All in, **we trim our 2025 EPS growth from 9% to 7%**, with a 50% effective US tariff rate (up from 30%), 4.5% GDP growth (unchanged), and close to Rmb2tn of additional fiscal stimulus (vs. our economists' previous base case) embedded in our equity assumptions.

Exhibit 5: Our economists expect the broad fiscal deficit spending (to GDP) to rise to 13.8% (from 12.6% previously) in response to the tariff shock



Source: Goldman Sachs Global Investment Research, CEIC, Wind

Exhibit 6: We trim our 2025 EPS growth from 9% to 7% to account for higher US tariffs but more forceful fiscal policy easing

2025E MSCI China earnings growth (in HKD)

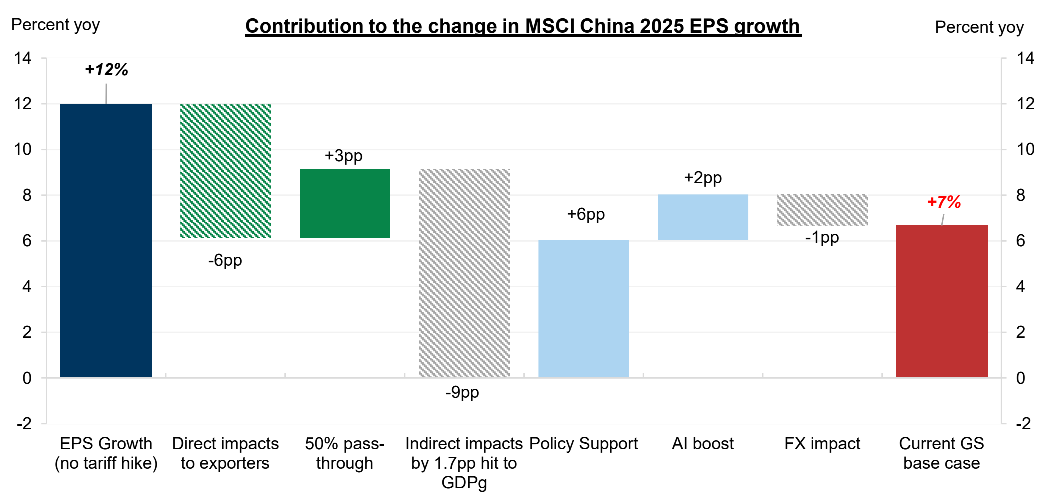
AFD as % of GDP^^ \ Effective US tariffs on Chinese goods^	60%	50%	40%	30%	20%
12.5%	-1%	2%	6%	9%	13%
13%	1%	5%	8%	11%	16%
13.5%	2%	6%	9%	12%	17%
14%	3%	7%	10%	14%	18%
14.5%	4%	8%	11%	15%	19%

Risk case: -1% (12.5%, 60%). Old base case: 9% (12.5%, 30%). New base case: 7% (14%, 50%).

^Base case has been moved from 20% increase in US effective tariff rate (~10% tariff rate in 2024) to 40% increase in US tariff rate in 2025 (assuming less than half of reciprocal tariffs would be rolled back after negotiation while the rest would remain); ^^Our economists expect augmented fiscal deficit (AFD) will rise to 13.8% of GDP, implying a 1.2pp widening than our previous assumption of 12.6%

Source: MSCI, Wind, FactSet, Goldman Sachs Global Investment Research

Exhibit 7: A significant portion of the tariff-provoked growth drags could be neutralized by additional fiscal policy easing



Source: MSCI, Wind, FactSet, Goldman Sachs Global Investment Research

4. The transmission mechanisms of tariffs on China equity valuations are expansive, encompassing various macro, micro, and liquidity conduits. After incorporating our economists and strategists' updated forecasts on global and China growth, FX and policy responses, China's equity beta to the US stock market, and our estimated upside optionality from AI and US-China tensions into our top-down PE model, we **moderate our fair PE target for MSCI China from 12x to 11.5x** (now @11.0x), mainly reflecting slower US/global growth and a lower fair PE multiple for S&P500 from our US Strategy

team. This, combining with our refreshed earnings analysis, reduces our MSCI China and CSI300 12m target to 81 and 4,500 (from 85 and 4,700), **implying 10% and 17% potential upside**. Our macro and markets baseline assumptions are admittedly subject to high degrees of uncertainty as the new Trade War and possible negotiations unfold. In fact, our scenario analysis points to a wide distribution of fair-value outcomes for Chinese equities, conditioning on the effective US tariff rates on Chinese goods and the magnitude of (fiscal) policy stimulus.

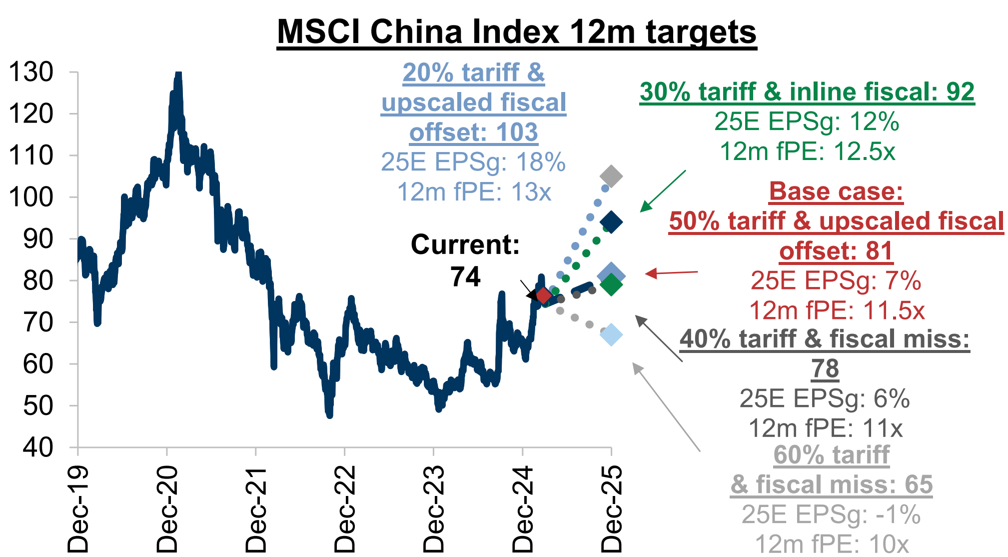
Exhibit 8: We have moderated our fair PE target for MSCI China from 12x to 11.5x, reflecting slower global growth and lower US equity valuations

				MXCN sensitivity		CSI300 Sensitivity	
	Variable	GS forecast (old)	GS forecast (new)	Change from baseline	PE impact	Change from baseline	PE impact
Growth	China nominal GDP	4.4%	4.4%	+50bp	0.5%	+50bp	1.5%
	World real GDP	2.5%	2.3%	+50bp	0.7%	-	-
Policy /Rates	10-year UST yield (nominal)	4.4%	4.0%	+10bp	-0.1%	-	-
	China 7D repo	1.3%	1.3%	-	-	+10bp	-0.8%
	China Augmented Fiscal Deficit	12.6%	13.8%	+1pp	9.4%		
	China domestic policy proxy^^	-	-	-	-	+0.1	-0.2%
FX /Flows	USDCNY	7.35	7.35	+10%	-5.6%	-	-
	Southbound Connect flows	US$75bn	US$75bn	+US$10bn	0.4%	-	-
Market	S&P500 fPE	21x	19.5x	+10%	4.0%	+10%	7.6%
Risk	US-China relation (GSSRUSCN)	70%	90%	+10pp	-0.5%	+10pp	1.0%
	China regulation (GSSRCNRG)	40	40	+10	-3.4%	+10	-1.2%
AI	ROE, EPMI, Valuation gap vs US peers	-	-	-	15-20%		
	12m fPE forecast	***12.0x***	***11.5x***				***14.7x***
	Implied valuation +/-	***8%***	***4%***				***17%***

^ Calculated as the nominal UST10Y yield minus the breakeven inflation (BBG: USGGBE10) as the long-term inflation expectation. ^^ Assuming policy stance is neutralized. Implied valuation +/- is calculated based on PE as of Apr 3, 2025.

Source: Bloomberg, Wind, FactSet, Goldman Sachs Global Investment Research

Exhibit 9: Our scenario analysis on US tariff risk and domestic fiscal stimulus points to a wide distribution of fair-value outcomes



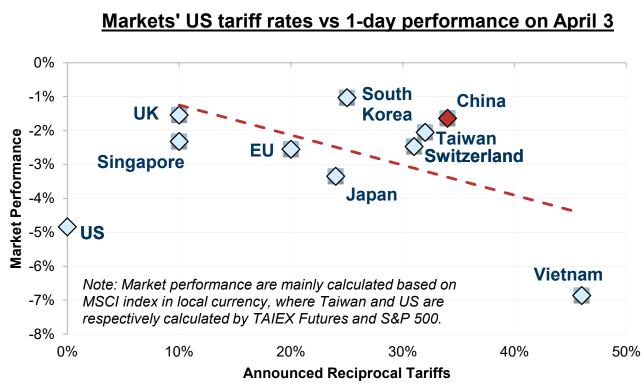
tariff indicates US effective tariff rate level to Chinese goods

Source: MSCI, FactSet, IBES, Goldman Sachs Global Investment Research

5. **Chinese stocks have been resilient** so far (even considering the 2.9% drop in China A futures when the cash market was closed) and outperformed relative to the

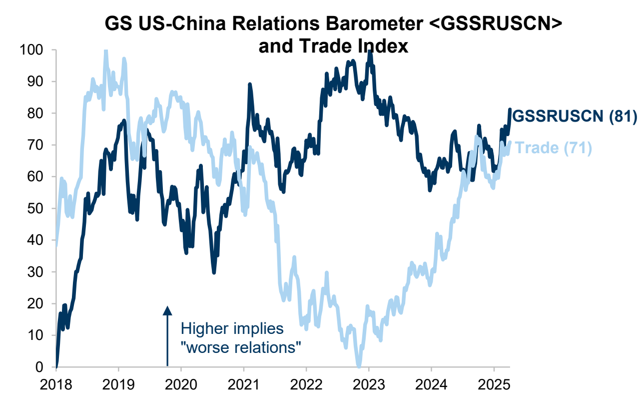
magnitude of the tariff increase on April 3. Commonly-cited explanations include: a) as suggested by President Trump in a few occasions, **the possibility for the two parties to negotiate a comprehensive agreement in the months ahead** which might potentially lead to tariff rollbacks; b) the likely step-up in policy stimulus intensity to dilute the negative tariff shock, especially given an "around 5%" official growth target was just recently unveiled at the Two Sessions meeting; c) China's reduced direct exports to the US and improved product competitiveness; d) China was the primary target of US trade policy previously but most US trading partners now are subject to US tariffs, albeit at lower rates; e) record-breaking Southbound buying, which has amounted to US$64bn ytd and reached US$3.7bn on April 3, the second-largest single day inflows in 2025. Our US-China Relations Barometer, a proxy for bilateral tensions based on equity market pricing, has indeed risen to 2-year highs but is still below the stressed levels in 2018 and 2023.

Exhibit 10: China equity outperformed their global peers vis-a-vis the announced US tariff rates on April 2



Source: MSCI, FactSet, Goldman Sachs Global Investment Research

Exhibit 11: Market-implied trade tensions have risen to 26-month highs, but still below the stress points in 2018/2019



Source: Goldman Sachs Global Investment Research

6. We broadly agree with the narrative and prevailing market pricing that China might be better placed and prepared to deal with the external demand headwinds now compared to the Trade War 1.0 seven years ago. However, the combination of a still-very **active US-China policy and geopolitical calendar in the coming months**, the risks for the bilateral frictions regarding trade and in other strategic domains to escalate before a potential negotiation would be held, rising probability of US recession, and China's significant absolute and relative equity gains this year reinforces our view that the **bull run will slow on event risks and profit-taking pressures.** If the tariff spiral continues to worsen (e.g. tit-for-tat responses), we believe that the market may test our risk-case valuations in the short term until trade and policy clarity emerges, and/or a new tariff equilibrium is eventually reached. The April Politburo meeting, which typically focuses on economic issues, will be watched closely by investors for incremental policy responses (if any) from China.

Exhibit 12: Event risks and uncertainty will stay high in the near term

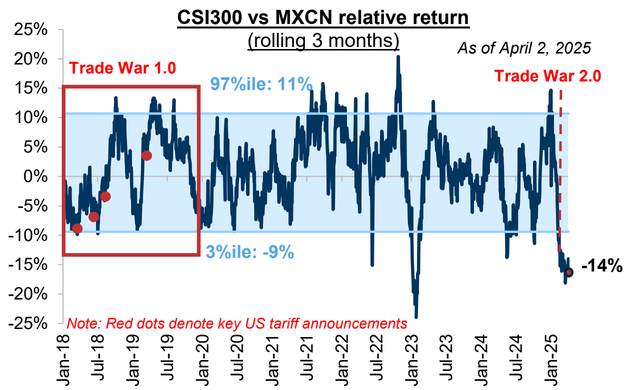
	Date	Events
	1 Feb 2025	Trump announced 10% tariff on imports from China
	4 Feb 2025	The first 10% tariff on all Chinese goods took effect
	10 Feb 2025	Trump announced 25pp tariff on steel and aluminum
	21 Feb 2025	President Trump signed the "America First Investment Policy"
	25 Feb 2025	Trump announced additional 10% tariff on all Chinese goods
	27 Feb 2025	Trump posted "April Second Reciprocal Tariff date will remain in full force and effect"
	4 Mar 2025	Additional 10% tariff on all Chinese goods took effect
	12 Mar 2025	The 25% tariff on steel and aluminum took effect
	18 Mar 2025	Trump announced 25% tariff on autos
	1 Apr 2025	US trade probe on China's adherence to the Phase One trade deal finishes
	2 Apr 2025	Trump announced 34% reciprocal tariffs on China. He also announced a "reciprocal" tariff plan that consists of two parts, a 10% baseline tariff would apply to imports from all countries excluding Canada and Mexico and an additional tariff on most major trading partners excluding Canada and Mexico
	2 Apr 2025	The 25% tariff on autos took effect
	4 Apr 2025	Trump postponed TikTok ban with another 75-day extension
	4 Apr 2025	China announced that it will impose 34% reciprocal tariffs on all imports from US
Expected	5 Apr 2025	US planned to impose a 10% baseline tariff that would apply to imports from all countries excluding Canada and Mexico
	9 Apr 2025	US planned to impose an additional tariff that equals half the ratio of the US bilateral trade deficit with the country divided by US imports from that country on most major trading partners excluding Canada and Mexico
	10 Apr 2025	China planned to impose 34% reciprocal tariffs on all imports from US
	16 Apr 2025	Q1 2025 GDP release
	Late Apr 2025	Politburo meeting on economic policies
	9 May 2025	Moscow Victory Day
	15-17 Jun 2025	G7 Summit in Canada
	18 Jun 2025	Trump's another 75-day extension of the TikTok ban ends
	6-7 Jul 2025	17th BRICS Summit
	15 Jul 2025	Q2 2025 GDP release
	End-Jul 2025	Politburo meeting on economic policies
	9 Sep 2025	80th Session of UN General Assembly

Source: Data compiled by Goldman Sachs Global Investment Research

7. The negative tariff headlines and the continued uncertainty regarding the path, profile, and magnitude of tariffs reinforce our **domestic-oriented allocation bias and preference for policy-driven, idiosyncratic opportunities**. At the market level, we favor the tactical case and setup for China A given its significant underperformance vs. H shares so far this year and its more favorable return sensitivity to policy stimulus. Sectorally, we stay Overweight on consumer tech and consumer services which are mostly levered to domestic policy impulse and Chinese consumers as opposed to US demand. Thematically, we'd emphasize Chinese EM exporters, mid-to-late cycle AI beneficiaries, local government spending, and shareholder/cash returns, all of which have generated strong alpha in an increasingly complex and volatile beta environment. For stock operators, we screen for names that are most exposed to the US market fundamentally in Exhibit 15, and GS-Buy rated names that reside in our preferred

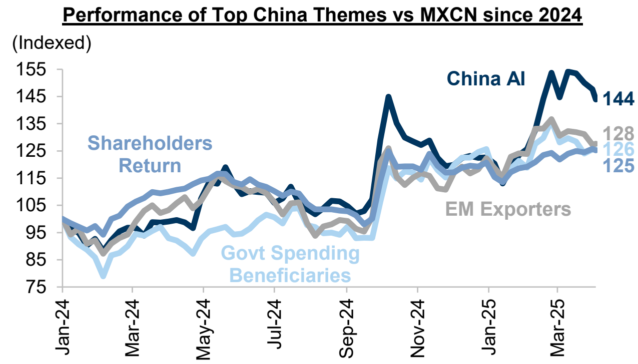
thematic cohorts in Exhibit 16.

Exhibit 13: China A traded relatively well vs. H shares during Trade War 1.0



Source: FactSet, MSCI, Goldman Sachs Global Investment Research

Exhibit 14: Alpha and idiosyncratic opportunities abound underneath the surface



Source: Compustat, FactSet, MSCI, Goldman Sachs Global Investment Research

Exhibit 15: We screen for Chinese companies that are most exposed to the US market fundamentally

			>15%			>=US$5bn	>US$20mn				
Ticker	Name	GICS Industry Group	US Sales Exposure	Quoted Price	Quoted Currency	Listed Mkt Cap (US$bn)	ADVT (US$mn)	24-26E EPS CAGR (%)	25E P/E (X)	25E P/B (X)	25E DY (%)
Chinese companies with highest US Sales exposure											
300979 CS	Huali Industrial	Cons Dur	86%	53.5	CNY	9	21	15	14.0	3.1	3.1
002938 CS	Avary	Tech HW	81%	33.4	CNY	11	76	21	17.0	2.2	2.2
300308 CS	Zhongji Innolight	Tech HW	76%	93.9	CNY	14	618	41	12.0	3.8	1.1
002241 CS	GoerTek	Tech HW	71%	23.4	CNY	11	394	28	21.7	2.2	1.5
9926 HK	Akeso, Inc.	Pharma	65%	85.9	HKD	10	74	-	1,000.6	10.2	0.0
600584 CG	JCET Group	Semis	59%	34.4	CNY	8	333	42	23.4	2.1	0.5
6160 HK	BeiGene Ltd	Pharma	51%	162.9	HKD	27	50	-	488.0	8.4	0.0
601138 CG	Foxconn	Tech HW	50%	19.1	CNY	52	409	25	12.2	2.3	4.2
2269 HK	Wuxi Biologics	Pharma	25%	24.9	HKD	13	134	4	23.7	2.0	0.0
600690 CG	Haier Smart Home	Cons Dur	24%	26.2	CNY	22	158	12	11.5	2.0	4.3
002600 CS	Lingyi iTech	Tech HW	23%	8.4	CNY	8	283	44	21.9	2.6	0.8
285 HK	BYD Electronic	Tech HW	21%	37.1	HKD	11	105	30	14.1	2.1	2.1
603986 CG	GigaDevice Semi	Semis	20%	115.8	CNY	11	439	38	47.4	4.4	0.5
600418 CG	Jianghuai Auto	Autos	19%	35.5	CNY	11	490	-	160.5	5.6	0.1
300476 CS	Victory Giant Tech	Tech HW	19%	73.0	CNY	9	304	97	20.1	5.7	0.4
000725 CS	BOE Technology	Tech HW	19%	4.2	CNY	21	310	49	17.3	1.1	2.3
300433 CS	Lens Technology	Tech HW	19%	22.6	CNY	15	179	35	20.3	2.2	2.4
600031 CG	Sany Heavy	Cap Goods	18%	19.1	CNY	22	164	30	20.3	2.1	2.0
605117 CG	Deye Tech	Cap Goods	18%	92.0	CNY	8	96	24	15.2	5.1	2.7
603259 CG	WuXi AppTec	Pharma	18%	63.5	CNY	22	344	17	16.0	2.7	1.9
603799 CG	Huayou Cobalt	Cap Goods	18%	33.2	CNY	8	194	16	13.0	1.4	1.2
603893 CG	Rockchip Electronics	Semis	17%	163.4	CNY	9	244	41	93.9	17.0	0.8
000157 CS	Zoomlion Heavy	Cap Goods	16%	7.6	CNY	7	66	30	13.1	1.1	4.1
002001 CS	Zhejiang NHU	Materials	16%	21.7	CNY	9	63	6	11.3	2.0	3.8
002236 CS	Dahua Tech	Tech HW	16%	16.5	CNY	7	155	20	14.5	1.4	2.5
002384 CS	Dongshan Precision	Tech HW	16%	29.7	CNY	7	346	39	18.5	2.3	1.1
2313 HK	Shenzhou Int'l	Cons Dur	16%	53.1	HKD	10	42	10	11.3	1.9	5.3
300502 CS	Eoptolink	Tech HW	15%	92.8	CNY	9	501	54	13.0	5.3	0.7
300765 CS	CSPC	Pharma	15%	39.1	CNY	7	38	340	75.9	7.6	0.5
300408 CS	Chaozhou Three-Circle	Tech HW	15%	38.1	CNY	10	71	21	26.6	3.3	1.1
Median			19%	34.9		10	172	30	17.9	2.3	1.4

Note: Prices as of Apr 4, 2025; Valuation items are I/B/E/S consensus.

Source: FactSet, IBES, Goldman Sachs Global Investment Research

Exhibit 16: We screen for 30 GS-Buy rated names that reside in our preferred thematic cohorts, including EM exporters, AI Tech, local government spending beneficiaries, and stocks with high shareholder returns

							>95%			*Top 30*						*B*/B*
Ticker	Name	GICS Sector	EM exporters	AI Tech	Local govt spending	Shareholder returns	Non-US revenue exposure	Quoted Price	Quoted Currency	Listed Mkt Cap (US$bn)	ADVT (US$mn)	24-26E EPS CAGR (%)	25E P/E (X)	25E P/B (X)	25E DY (%)	GS Rating
Top 30 Chinese domestic companies																
700 HK	Tencent	Comm Svcs		✓		✓	97%	497.8	HKD	589	1607	12	17.6	3.6	1.0	B
BABA UN	Alibaba	Cons Disc		✓			100%	116.5	USD	278	2384	14	11.6	1.7	1.0	B
600519 CG	Kweichow Moutai	Cons Stap				✓	99%	1,568.9	CNY	270	630	9	20.8	7.3	3.6	B
1810 HK	Xiaomi	IT	✓	✓			100%	45.9	HKD	122	1173	27	32.9	4.9	0.0	B
3690 HK	Meituan	Cons Disc		✓			100%	157.9	HKD	111	824	21	17.6	4.2	0.0	B
NTES UW	Netease	Comm Svcs		✓			100%	98.9	USD	64	122	8	12.9	2.8	2.5	B
JD UW	JD.com	Cons Disc		✓		✓	100%	36.8	USD	53	454	11	7.7	1.4	3.0	B*
3988 HK	Bank of China	Financials				✓	98%	4.6	HKD	50	144	3	5.7	0.5	5.7	B
600276 CG	Hengrui Pharma	Health Care				✓	96%	51.0	CNY	45	264	10	48.2	6.4	0.4	B
TCOM UW	Trip.com	Cons Disc		✓			96%	55.9	USD	38	222	7	15.8	1.7	0.0	B
600809 CG	Fen Wine	Cons Stap				✓	100%	218.2	CNY	36	161	14	18.8	6.3	2.7	B
002371 CS	NAURA Technology	IT		✓		✓	100%	440.0	CNY	32	394	32	30.8	6.3	0.3	B
3968 HK	China Merchants Bank	Financials				✓	99%	44.8	HKD	26	105	6	7.1	0.9	4.9	B
1024 HK	Kuaishou	Comm Svcs		✓			99%	56.2	HKD	26	333	18	11.4	2.8	0.0	B
BIDU UW	Baidu	Comm Svcs		✓			100%	82.4	USD	23	374	3	8.1	0.7	0.0	B
LI UW	Li Auto	Cons Disc		✓			100%	23.1	USD	21	152	43	19.4	2.1	0.0	B
688111 CG	Kingsoft Office Software	IT		✓			99%	304.5	CNY	19	252	20	72.0	11.0	0.4	B
YUMC UN	Yum China	Cons Disc		✓			100%	47.9	USD	18	117	12	18.8	3.2	2.0	B
688012 CG	Advanced Micro-Fabrication	IT			✓		100%	186.6	CNY	16	264	42	47.0	5.3	0.2	B
300274 CS	Sungrow Power Supply	Industrials	✓				100%	67.2	CNY	15	391	13	10.8	2.9	1.4	B
002027 CS	Focus Media	Comm Svcs		✓			100%	7.0	CNY	14	110	8	17.6	5.3	4.9	B
688036 CG	Shenzhen Transsion	IT	✓				100%	89.0	CNY	14	105	16	15.9	3.9	3.4	B
6618 HK	JD Health	Cons Stap		✓			100%	33.0	HKD	14	56	1	21.8	1.7	0.0	B
1698 HK	Tencent Music	Comm Svcs		✓			100%	54.3	HKD	12	1	18	17.6	1.5	1.6	B
1179 HK	H World	Cons Disc		✓			98%	28.8	HKD	12	7	28	19.3	5.2	3.4	B
2057 HK	ZTO Express	Industrials				✓	100%	151.4	HKD	12	36	17	11.0	1.7	3.7	B
EDU UN	New Oriental Education	Cons Disc		✓			100%	44.6	USD	7	92	28	137.1	15.8	0.0	B
780 HK	Tongcheng Travel	Cons Disc		✓		✓	100%	20.8	HKD	6	26	18	13.5	2.0	1.2	B
BZ UW	Kanzhun	Comm Svcs		✓			100%	15.4	USD	6	70	18	15.3	2.7	0.0	B
BILI UW	Bilibili	Comm Svcs		✓			100%	16.6	USD	6	118	-	26.1	3.1	0.0	B
Average							99%	-	-	65	366	16	24.3	4.0	1.6	

Note: Prices as of Apr 4, 2025; Valuation items are I/B/E/S consensus.

* On CL

Source: FactSet, IBES, Goldman Sachs Global Investment Research

Appendix

Exhibit 17: We estimate a 50% tariff rate on all Chinese exports to the US could reduce listed companies' earnings by 3% in 2025, assuming an 1.7pp hit to GDP growth (to non-export-oriented sectors), 50% tariff passthrough rate, and the USDCNY to rise to 7.35

	All MSCI China companies			59 companies with total foreign revenue (>3%) breakdown by region			Estimated earnings impacts (assuming 50% tariffs, 50% tariff passthrough, USDCNY=7.35)^^
	MSCI China revenue weight	Aggregate foreign revenue exposure (a)	Estimated US revenue exposure^ (b)	MSCI China revenue weight	Aggregate foreign revenue exposure (c)	Aggregate US revenue exposure (d)	
Consumer Durables & Apparel	2%	41%	23%	1%	52%	29%	**-57%**
Technology Hardware & Equipment	2%	44%	16%	1%	40%	15%	**-46%**
Pharmaceuticals Biotechnology & Life Sciences	1%	28%	20%	0%	58%	41%	**-34%**
Capital Goods	10%	12%	4%	0%	56%	17%	**-18%**
Transportation	1%	49%	12%	1%	92%	23%	**-17%**
Semiconductors & Semiconductor Equipment	0%	22%	6%	0%	32%	8%	**-10%**
Materials	7%	18%	1%	2%	37%	3%	**-5%**
Software & Services	0%	2%	1%	0%	33%	9%	**-4%**
Consumer Discretionary Distribution & Retail	8%	6%	2%	3%	14%	4%	**-3%**
Automobiles & Components	5%	21%	0%	0%	16%	0%	**-2%**
Health Care Equipment & Services	3%	1%	0%	0%	27%	9%	**-2%**
Food Beverage & Tobacco	1%	3%	1%	0%	56%	11%	**-1%**
Energy	27%	21%	0%	0%	28%	0%	**0%**
Insurance	11%	0%	0%	0%	0%	0%	**0%**
Banks	10%	8%	0%	0%	0%	0%	**0%**
Real Estate Management & Development	3%	0%	0%	0%	0%	0%	**0%**
Media & Entertainment	3%	6%	0%	0%	0%	0%	**0%**
Utilities	3%	7%	0%	0%	3%	0%	**0%**
Consumer Services	1%	1%	0%	0%	21%	0%	**0%**
Financial Services	1%	9%	0%	0%	0%	0%	**0%**
Telecommunication Services	0%	0%	0%	0%	0%	0%	**0%**
Consumer Staples Distribution & Retail	0%	1%	0%	0%	0%	0%	**0%**
Household & Personal Products	0%	3%	0%	0%	0%	0%	**0%**
Commercial & Professional Services	0%	3%	0%	0%	0%	0%	**0%**
Direct earnings impacts to exporters to the US		**14%**	**2%**	**9%**	**34%**	**10%**	**-3%**
Indirect earnings impacts of GDP slowdown (around 1.7pp drag) to exporters to non-US countries							**-9%**
Total earnings impacts							**-12%**

*Note: ^ 59 of MSCI China companies have foreign revenue breakdown by country/region. We use US as % of total calculated based on the 59 companies (column d/c) to proxy for the whole MSCI China universe to estimate column (b=d/c*a). ^^ Earnings impacts are estimated as [(US revenues * (1+ potential FX change) * (1-potentail tariff) - US revenue exposure * (1-current tariff)]/current earnings by sector.*

Source: MSCI, Wind, FactSet, Goldman Sachs Global Investment Research

Disclosure Appendix

Reg AC

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