

Macro Roundup Article

Headline: [The World Is In For Another China Shock](#)

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Tweet: While excess Chinese capacity is contributing to lower import prices, the US, EU, and Japan are seeking to avoid another “China Shock” with subsidies and tariffs to buttress their economies from a flood of cheap Chinese goods. @WSJ

Summary: Weak demand and overcapacity means Chinese producer prices have been falling for 16 months, led by consumer and durable goods, food products, metals, and electrical machinery. That disinflationary impulse is showing up around the world. The price of U.S. imports from China fell 2.9% in January from a year earlier, while the price of imports from the European Union, Japan, and Mexico all rose. Unlike in the early 2000s, however, the Western world now sees China as its chief economic rival and geopolitical adversary. The EU is considering whether Chinese-made electric vehicles are unfairly subsidized and should be subject to tariffs or other import restrictions. Former President Donald Trump has floated the idea of hitting imports from China with tariffs of 60% or higher. Such protectionism might shift some of the deflationary impact to other parts of the world, as Chinese exporters look for new markets in poorer countries. Related: [Setser On Sources Of Chinese Demand](#) and [US Warns China Against Dumping Goods on Global Markets and Can Trade Intervention Lead to Freer Trade?](#)

Primary Topic: China

Topics: China, Database, GDP, News article, Politics, Savings Glut/Trade Deficit, Trade (not deficits)

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