

Macro Roundup Article

Headline: [China's Record Manufacturing Surplus](#)

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Tweet: China's post-pandemic manufacturing goods surplus is now 2% of global GDP and shows no sign of shrinking, driving countries to seek protection from Chinese overcapacity. @Brad_Setser @Mike_Weilandt @BaurVolk

Summary: China's post pandemic surplus in manufacturing – which has now reached about two percent of world GDP – far exceeds the peak surpluses run by export powerhouses like Japan and Germany. More importantly, China's surplus shows no signs of shrinking. While there was a pause in the expansion of the surplus in 2023, that only came after a huge jump between 2018 and 2022. Chinese policy continues to emphasize upgrading China capacity in advanced manufacturing as a major driver of future growth. It should go without saying that a large manufacturing surplus requires an offsetting deficit in manufactured elsewhere in the global economy. That deficit could just be with commodity exporters – there is a natural trade between oil exporters like Russia and the Gulf and manufacturing exporters like Europe and East Asia. But right now the main counterpart to the Chinese surplus is not in the commodity exporters but in the United States. The U.S. deficit has continued to increase in the past few years as a share of world GDP, in part because global dollar GDP has shrunk with the dollar's rise.

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Primary Topic: Savings Glut/Trade Deficit

Topics: China, Database, GDP, Op-Ed/Blog Post, Politics, Savings Glut/Trade Deficit, Trade (not deficits), Weekly

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