

ASIA ECONOMICS ANALYST

China's Broad-Based Export Strength to Persist Despite Limited AI Boost

- China's nominal export growth has accelerated sharply in 2026, with higher prices playing a bigger role but volumes still up 11% in H1, pointing to China's broad manufacturing competitiveness. Under our narrow definition—semiconductors, printed circuits, storage and processing units, and computer parts, excluding downstream electronic devices—AI-related products accounted for almost half of nominal export growth in Q2. In this note, we assess AI's role in recent trade dynamics, revisit the drivers of real export growth, review recent import dynamics, and examine the potential impact of tightening EU trade policy.
- AI-related trade has lifted headline (nominal) export values but is not yet a significant driver of *real* export growth. The recent boost has come mainly through prices, with AI-related products accounting for around two-thirds of export price growth, while volume growth has declined to -1.4% yoy in Q2. Moreover, around 80% of AI-related nominal exports are shipped under processing-trade regimes or special customs supervision zones. This suggests that much of the trade consists of imported inputs that are assembled or integrated in China before re-export, limiting the domestic value added and trade-balance impact.
- Real export growth instead remains rooted in China's broader manufacturing base. Ex-AI electrical equipment and machinery are still the largest contributors, while the "New Three"—solar cells, EVs and lithium-ion batteries—account for only around 5% of nominal exports but have added roughly 1.5-2pp to real export growth in recent quarters. Real exports of electrical machinery and transport equipment to the EU rose 19% in H1 2026. Most EM-bound export growth appears to reflect genuine local final demand rather than rerouting to DMs, with ASEAN remaining the primary exception as an active rerouting hub.
- Chinese officials have identified AI, robotics and innovative drugs as the "New New Three," the next generation of strategic export industries. Yet their measurable contribution remains limited, partly because these sectors are more services-oriented and are not captured cleanly in trade data. Their near-term significance is mainly strategic, as they offer China potential channels to export AI capabilities, automation solutions and pharmaceutical licensing income, supporting longer-term efforts to move up global value chains and reduce reliance on goods trade amid rising geopolitical tensions.

Chelsea Song

+852-2978-0106 |
chelsea.song@gs.com
Goldman Sachs (Asia) L.L.C.

Xinquan Chen

+852-2978-2418 |
xinquan.chen@gs.com
Goldman Sachs (Asia) L.L.C.

- In contrast, China's import growth in 2026 has been narrow and price-led, concentrated in gold, while higher energy prices weighed on import volumes in Q2. AI-related imports mainly reflect processing trade and supply-chain requirements, while non-monetary gold import flows appear partly driven by policy decisions under China's quota-based import regime. Excluding gold, our measure suggests China's underlying trade balance widened further, reaching a cumulative US\$1.3tn over the last 12 months.
- Trade frictions with the EU impose a downside risk to China's export outlook. Concerns over trade diversion and industrial pressure are likely to drive more targeted measures on sectors such as steel, plug-in hybrid electric vehicles (PHEVs), machinery, wind-turbine components and basic chemicals. We estimate existing and proposed EU measures could cover (at least on the margin) ~27% of China's annual nominal exports to the EU. But this does not translate directly to export loss, with actual impact contingent on final policy specifics and implementation. Broader restrictions would threaten China's market-share gains, though cost competitiveness, leverage in critical materials and Europe's commercial interests should cushion the impact.

China's Broad-Based Export Strength to Persist Despite Limited AI Boost

China's nominal export growth has accelerated sharply in 2026, rising 18.5% year-to-date through July, the fastest pace since the post-pandemic reopening in 2021. Although higher export prices have made a larger contribution to nominal growth this year, export volume growth remained strong at 10.8% in H1 2026.

While this strength reflects structural factors over recent years—including China's significant manufacturing cost competitiveness—clients are increasingly asking whether the recent strength can be sustained, whether the global AI investment cycle marks a new source of export growth, and how rising trade frictions with the EU could reshape the outlook.

In this *Asia Economics Analyst*, we assess how much recent export strength can genuinely be attributed to AI-related trade, revisit the broader drivers of export growth after adjusting for prices, and examine the potential of China's "New New Three" exports — AI, robotics, and innovative drugs. Finally, we review recent import dynamics and their implication for trade balance and assess the risk from rising EU-China trade tensions.

AI-Related Goods Trade - Large Headline Effects, Limited Real Growth Contribution

Measuring the role of AI-related trade is inherently difficult, given the lack of a standard definition¹. Our measure is deliberately narrow, covering semiconductors, printed circuits, storage and processing units, and computer parts, in order to isolate products linked to the expansion of AI capacity rather than the broader digitalization trend. We therefore exclude downstream electronic end-devices (see [Exhibit 12](#) for definition). On this basis, AI-related products accounted for almost half of China's nominal export growth in Q2 2026 ([Exhibit 1](#), left). Export growth has also become more concentrated in AI-linked economies, including some ASEAN markets involved in assembly, testing, and packaging, as well as Northeast Asian technology producers ([Exhibit 1](#), right).

¹ Under the WTO classification, AI-related products encompass roughly 100 product lines, ranging from raw silicon and semiconductor manufacturing equipment to high-end servers that power AI applications. A recent [Fed paper](#) defines AI-related goods narrowly on three HS-6 categories covering servers, graphics cards, and related parts essential for AI data center tasks.

Exhibit 1: AI-Related Products Have Driven Much of the Recent Nominal Export Strength, Alongside Rising Shipments to AI-Hardware Producers

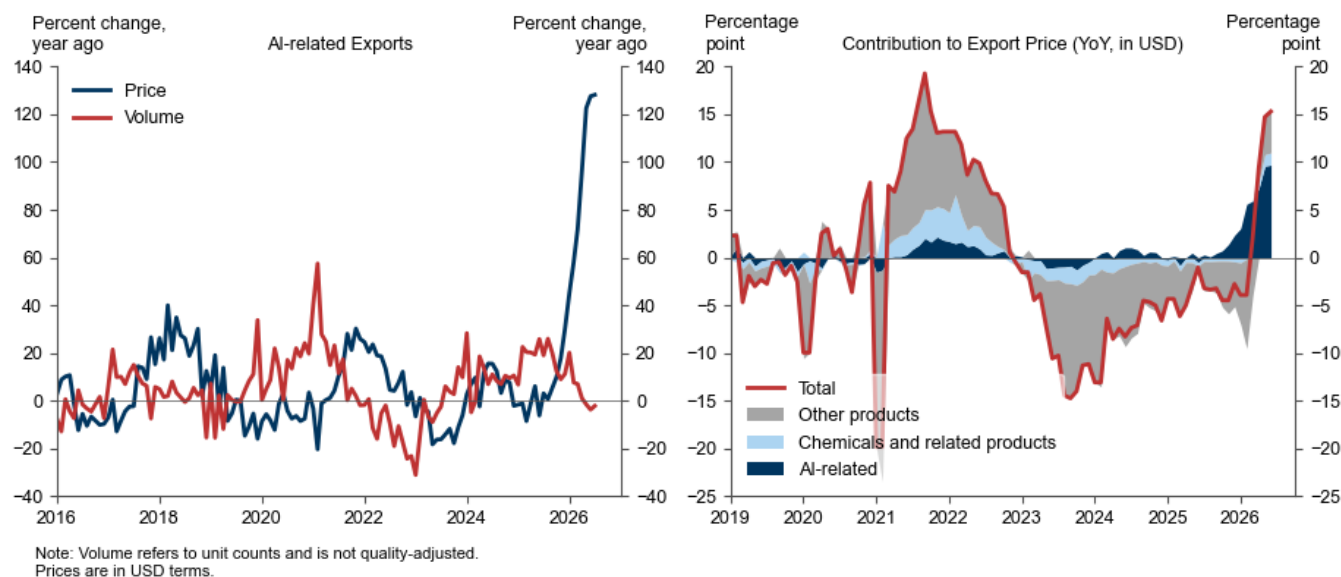


Source: Haver Analytics, CEIC, Goldman Sachs Global Investment Research

However, the recent AI-related boost to China's export values is driven mainly by prices rather than volumes, with volume growth softening in recent months² ([Exhibit 2, left](#)). This is consistent with a broader global inflation of AI-related hardware, especially memory chips, as rapid data-center expansion has created outsized demand and pushed some memory prices five- to sevenfold higher since mid-2025. Overall, AI-related products have been the dominant price driver, accounting for around two-thirds of China's export price growth recently ([Exhibit 2, right](#)).

² The recent deceleration in volume growth might partly reflect capacity shortages in certain areas as well as China's priority on domestic self-sufficiency.

Exhibit 2: AI Has Boosted Export Values Through Prices, Not Volumes – Accounting for Two-thirds of Recent Export Price Growth

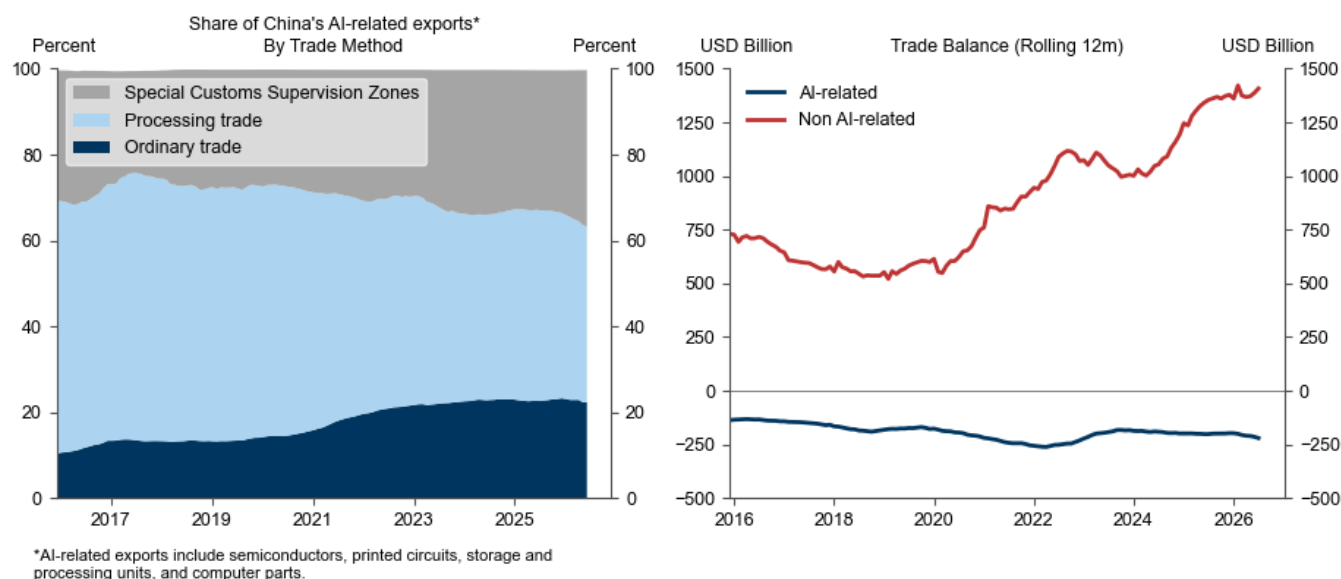


Source: Haver Analytics, CEIC, Goldman Sachs Global Investment Research

In addition, AI-related exports likely contribute less to China's economy in value-added terms than the headline export figures suggest. Customs data record the gross value of goods crossing the border rather than the value added within China. This distinction is especially important for semiconductors, where supply chains are spread across several economies. For example, two major foreign memory companies operate major manufacturing facilities in China. Exports from these plants are recorded as Chinese exports, but a significant part of the associated value may accrue offshore.

The prominence of these cross-border production networks is clear in the trade data. Around 80% of AI-related nominal exports are shipped under processing-trade regimes or through special customs supervision zones rather than ordinary trade ([Exhibit 3, left](#)). These regimes typically involve imported components being assembled or integrated in China before re-export, implying lower domestic value added than in more localized supply chains such as autos. For now, AI-related goods have had a limited net effect on China's trade balance, suggesting that their contribution to domestic value added remains much smaller than gross export figures imply ([Exhibit 3, right](#)).

Exhibit 3: AI-Related Nominal Exports Are Mostly Non-Ordinary Trade, With Limited Value Added and Trade-Balance Impact



Source: China Customs, Haver Analytics, Goldman Sachs Global Investment Research

The Real Export Driver

If AI-related trade has lifted headline export values mainly through price effects and processing trade, what is driving China's real export growth? To answer this question, we construct a product-level Laspeyres volume index that holds prior-year export values constant and applies product-level volume growth. This allows us to distinguish changes in real export volumes from changes in prices.

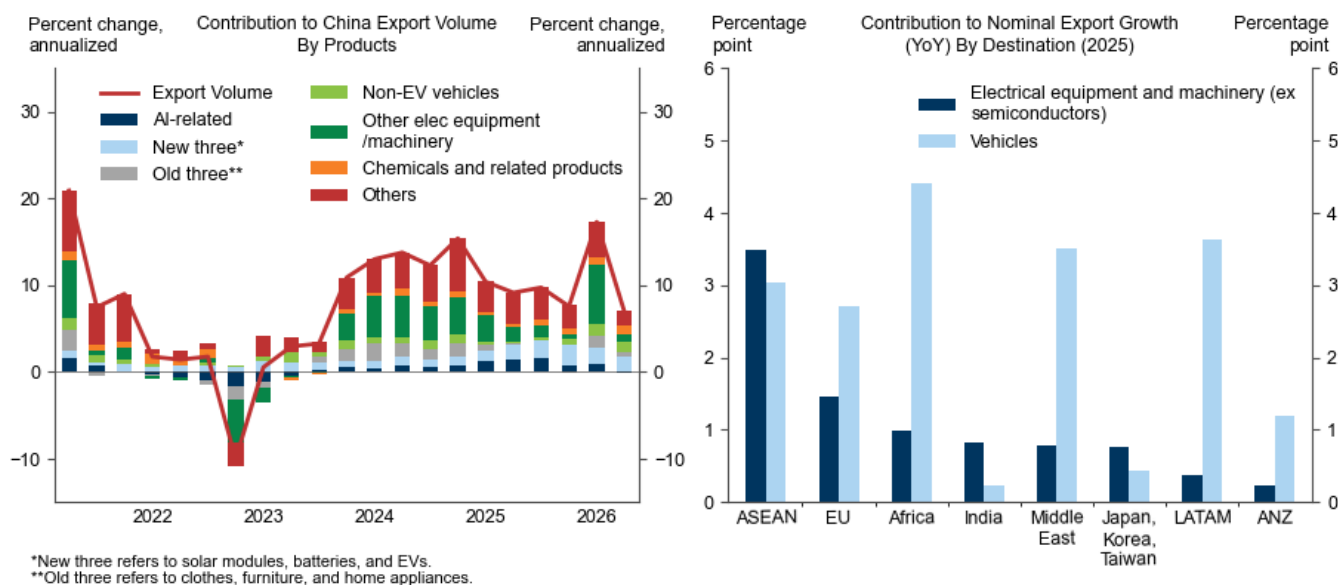
Once price effects are stripped out, China's real export growth remains broad-based and driven mainly by its ex-AI high-tech manufacturing rather than AI-related products. As shown in [Exhibit 4](#) (left), electrical equipment and machinery (excluding AI-related products) remain the largest single contributors to real export growth. The "New Three" exports — solar cells, electric vehicles, and lithium-ion batteries — have become an increasingly important source of growth. Despite accounting for only around 5% of nominal exports, they have contributed roughly 1.5-2pp to real export growth in recent quarters, nearly matching the contribution of the traditional "Old Three" exports of furniture, home appliances and apparel. By contrast, AI-related products have added less than 1pp to real export growth, and their contribution has faded in recent quarters as volume growth softened. Chemicals have also contributed more recently, as Middle East supply disruptions pushed global buyers toward Chinese producers.

To determine where these exports are going while limiting the distortion from AI-related price effects, we analyze annual trade flows of electrical equipment and machinery and vehicles in 2025³, excluding electronics products that saw large price increases in late 2025 (mainly semiconductors). [Exhibit 4](#) (right) shows ASEAN, the EU, and other EM destinations — including Africa, Middle East and Latam — were the largest contributors to China's export growth. While increasing exports to EM economies have been the key driver of Chinese export growth in recent years, shipments to the EU have risen quickly

³ We take 2025 nominal growth as a proxy for volume growth as these categories saw less price changes.

too. China's exports of electrical machinery and transport equipment to the EU rose 19% in real terms in H1 2026 versus H1 2025.

Exhibit 4: Real Export Growth Remain Concentrated in High-tech Manufacturing Products, Such As Electrical Machinery and Vehicles, Not AI, with Most Shipments Going to ASEAN and the EU



Source: Haver Analytics, CEIC, Goldman Sachs Global Investment Research

Where goods are shipped is not necessarily where the final demand for them originates. That distinction mattered a lot during last year's trade war with the US, when the sharp rise in EM-bound exports was widely regarded as rerouting, and therefore as final demand that ultimately sat in DMs. Our earlier work argued that rerouting is largely confined to ASEAN economies shipping to the US, and that rising Chinese exports elsewhere in EM reflect genuine local demand.

We test this using the Asian Development Bank's multi-regional input-output tables⁴, comparing 1) where China's goods are shipped and 2) where the Chinese value added embedded in those goods is ultimately absorbed. As Exhibit 5 (left) shows, the differences in those two measures are relatively small for most EM economies except for ASEAN and Mexico. These economies received around 39% of China's gross goods exports and absorbed roughly 38% of the Chinese value added embodied in foreign final demand. While we previously highlighted that China's expanding investment in EM economies appears to be inducing demand for Chinese capital goods, consumption still accounted for around 60% of the final demand absorbed in these markets, indicating that local household demand remains the main driver.

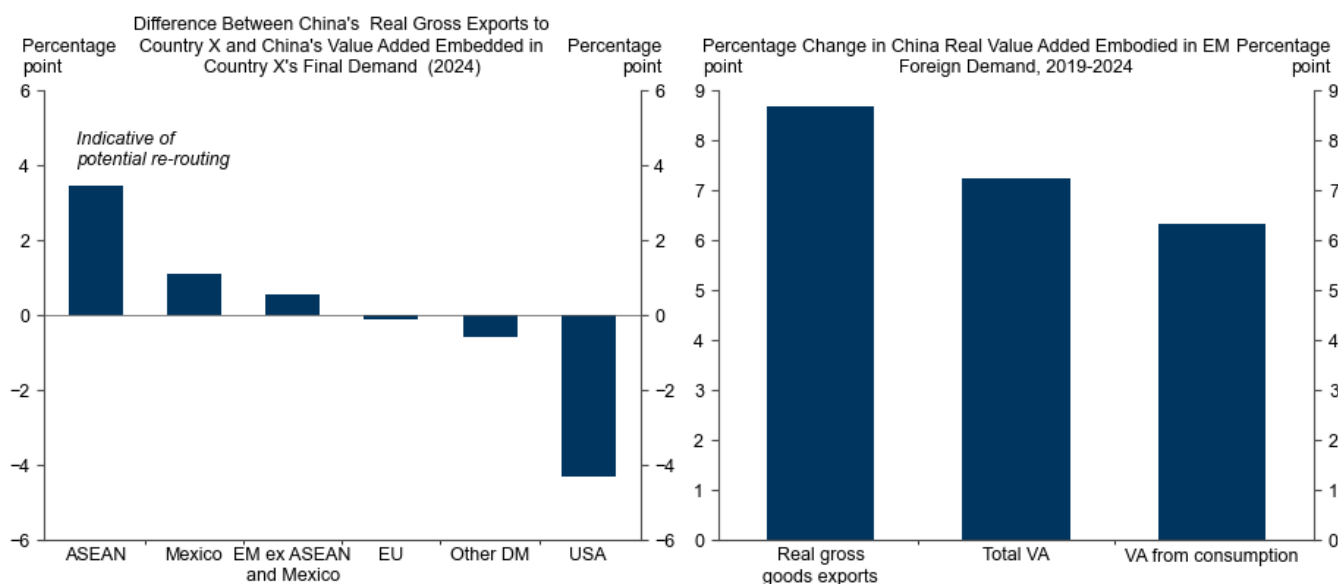
ASEAN and Mexico are the main exceptions. ASEAN remains a primary transshipment hub, receiving approximately 12% of China's gross exports but absorbing only 9% of Chinese value-added in final demand. That said, three-quarters of the shipments to ASEAN still reflected local demand—particularly for electric vehicles and capital goods. In contrast, Mexico shows a smaller value-added gap, receiving 3.3% of China's gross goods exports while absorbing 2.2% of Chinese value-added in final demand. While

⁴ We use ADB IO table because it is more timely. We are aware that they may not address the problem of changes in ownership i.e., don't differentiate value added in ordinary trade and processing trade, but it shouldn't affect our result since we do not focus on the absolute levels of Chinese value added.

Mexico previously served as a regional hub for supply chain relocation and re-export during the 2018 US-China trade war (particularly for electronics and autos), we found no comparable evidence of such transshipment during the recent 2025 trade war⁵. This likely reflects Mexico's efforts to curb Chinese transshipment, including tariff increases on Chinese imports amid US pressure to tighten enforcement. Consistent with this pattern, the US absorbed more Chinese value-added than it imported directly, reflecting indirect supply-chain routing that was shared between ASEAN and Mexico during the 2018 trade war but has since become more concentrated in ASEAN.

Exhibit 5 (right) points to a broader shift toward EM final demand: Chinese value added absorbed by EMs rose by around 7pp between 2019 and 2024, with consumption accounting for roughly 6pp of the increase. This suggests China's EM-bound export growth is largely supported by genuine local demand, rather than merely reshipment to DMs. Transshipment is now concentrated in ASEAN as Mexico's re-export role has receded.

Exhibit 5: Most EM-Bound Exports Reflect Local Final Demand, with ASEAN Remaining the Primary Rerouting Channel to the US



Source: Asia Development Bank, Goldman Sachs Global Investment Research

China's Targeted Future Export Drivers Remain Nascent

China's export model has progressed from the labor-intensive "Old Three" — furniture, home appliances and apparel — to the more technologically advanced "New Three" of solar modules, electric vehicles and lithium-ion batteries. Chinese officials and state media now identify AI, robotics and innovative drugs as the "New New Three", positioning them as the next generation of strategic industries and potential growth engines.

Unlike the earlier export cohorts, the "New New Three" are more service-oriented and lack a precise official definition. Their contribution to trade is therefore difficult to measure. Our estimates below should be interpreted as observable, but incomplete,

⁵ This also aligns with a decline in China's greenfield manufacturing foreign direct investment in Mexico in 2024.

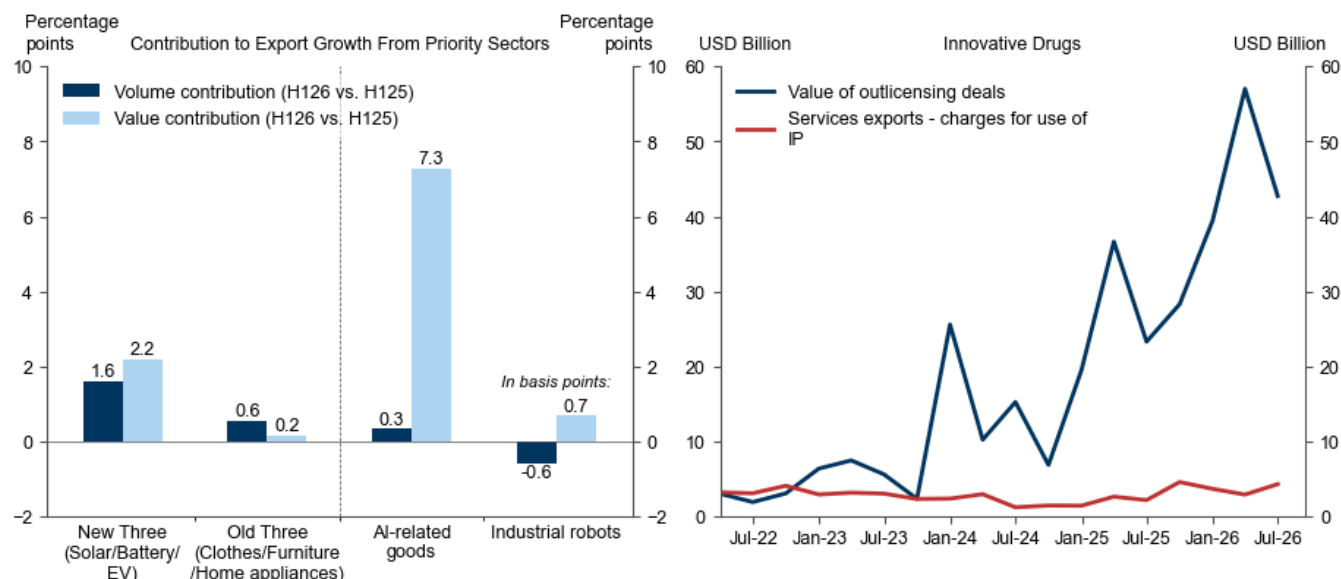
proxies.

- **AI:** We use exports of AI-related goods, as defined earlier, as an observable but incomplete proxy for China's AI exports. While state media has highlighted overseas use of Chinese open-source large language models—including token consumption and model downloads—these activities are difficult to capture in official services-trade data, given limited sectoral detail and the fact that many Chinese models are offered free of charge or at very low prices. Usage may therefore be substantial even when associated cross-border revenue is limited. OpenRouter data indicate that Chinese providers accounted for 71% of global token consumption in July, although the platform is skewed toward individual users and does not fully capture enterprise demand, where usage and monetization may differ materially. Token-export activity—where overseas user requests are processed in Chinese data centers and the results returned overseas—is also concentrated in a few southern cities, notably Shantou, reflecting its status as one of China's first special economic zones and its established framework for compliant cross-border data transfers.
- **Robots:** We focus primarily on industrial robots, which officials have cited as a key example. China became a net exporter of industrial robots in 2025, while total robotics exports reached USD 747 million in H1 2026. However, the sector remains immaterial in aggregate trade terms, accounting for only 0.03% of total exports in H12026⁶.
- **Innovative drugs:** In line with the official framing, we focus on China's outbound pharmaceutical licensing transactions. Announced deal value rose 66% yoy in H1 2026 to around US\$100bn. However, these transactions should be treated as services exports rather than goods exports, and the headline deal value is unlikely to translate immediately into export receipts. Payments are typically contingent on clinical-trial progress, regulatory approval and other milestone achievements. As a result, any proceeds are more likely to appear gradually in intellectual-property-related services exports over coming years. For now, official services export data remain modest relative to the scale of announced transactions, with total year-to-date services exports at US\$218bn (Exhibit 6, right).

Overall, the contribution of the “New New Three” remains too small to materially affect China's aggregate export trajectory at present, especially relative to the “New Three” exports (Exhibit 6). Their near-term importance is therefore primarily strategic. Compared with previous export cohorts, they are more services-, and intellectual-property-intensive, offering China a route to export AI capabilities, licensing income and automation solutions in addition to purely physical goods. This shift supports policymakers' broader objectives of moving up global value chains, broadening export markets and diversifying export products to increase export resilience amid rising protectionism and geopolitical tensions. Over the longer term, sustained policy support for high-tech industries could generate meaningful longer-term

⁶ Moreover, many of the robots are being sold to government-backed training centers, raising questions about actual demand in the industry.

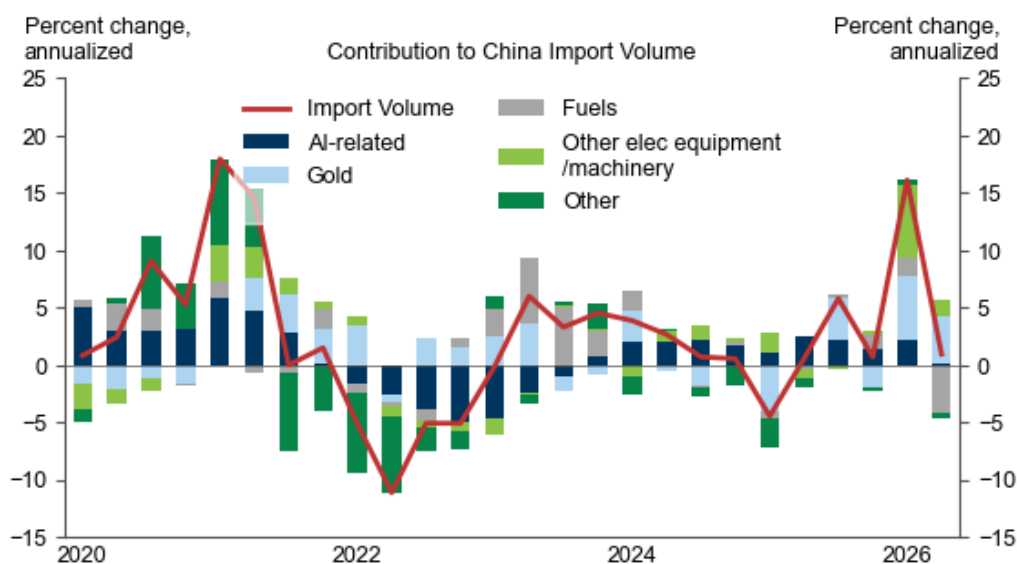


Exhibit 6: China's "New New Three" (AI, Robotics, and Innovative Drugs) Contributions to Exports Remain Very Small


Source: Wind, Haver Analytics, Company Data, Goldman Sachs Global Investment Research

China's Imports – Gold-Led and Price-Driven

China's nominal import growth in 2026 has been driven primarily by higher prices rather than volume growth. Nominal imports rose 26.6% yoy in H1, while import volume only increased 7.8% yoy. Real import growth were also concentrated in a narrow range of products in Q2, notably gold (Exhibit 7), rather than reflecting a broad recovery in domestic demand. This is consistent with our domestic-demand tracker, which has remained subdued at around 2pp in recent months.

Exhibit 7: China's Import Volume Mainly Lifted by Gold While Weighed Down by Energy


Source: CEIC, Goldman Sachs Global Investment Research

- **Energy products** were a notable drag on import volumes in Q2, reflected in a sharp decline in fuels imports. This likely owed both to high sensitivity to price movements

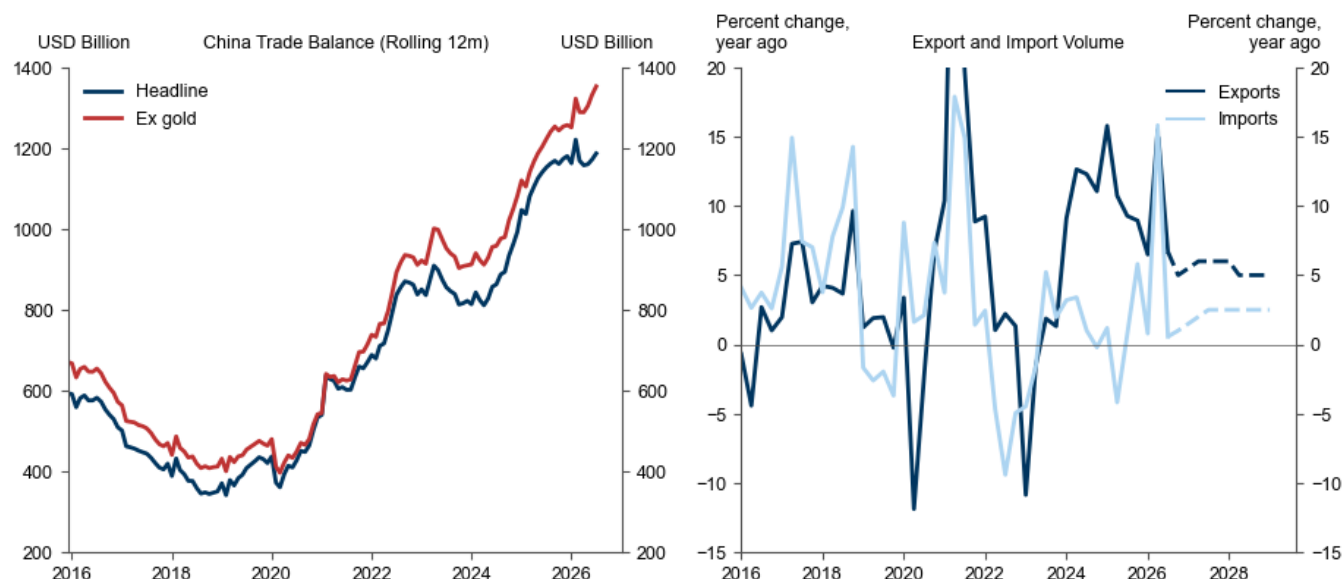
and to ample domestic inventories, which reduced the need for incremental purchases. Energy-import volumes could recover modestly if global energy prices stabilize and inventories are gradually drawn down.

- **Gold imports**⁷ have risen substantially since the start of 2026, but we see this as partly reflecting policy support for larger inflows rather than market demand alone. China's non-monetary gold trade is tightly administered: imports are subject to quota approvals, while exports are generally prohibited except for a limited number of authorized institutions. Although market conditions influence demand for gold, actual import volumes will depend on how authorities calibrate quotas.
- **AI-related imports**, which we define in the same way as AI-related exports, primarily reflect supply-chain requirements and processing trade rather than final domestic demand. This is increasingly the case due to policymakers' emphasis on high-tech self-reliance and supply-chain security.

After adjusting for the distortions created by the large gold imports, China's underlying trade balance has continued to widen further to around 1.3 trillion USD annualized in July (Exhibit 8, left).

Taken together, China's export growth remains supported by broad manufacturing competitiveness and resilient final demand from EM economies. We have therefore raised our full-year 2026 export-volume growth forecast to 7.9% yoy (which implies 5.3% yoy volume growth in H2) and continue to expect growth of around 5% yoy in subsequent years. By contrast, subdued domestic demand leads us to forecast import-volume growth of 4.4% yoy in 2026, moderating to around 2.5% yoy thereafter (Exhibit 8, right).

Exhibit 8: Ex-Gold Trade Balance Continued to Grow; Our Real Export Growth Forecast Remains Constructive



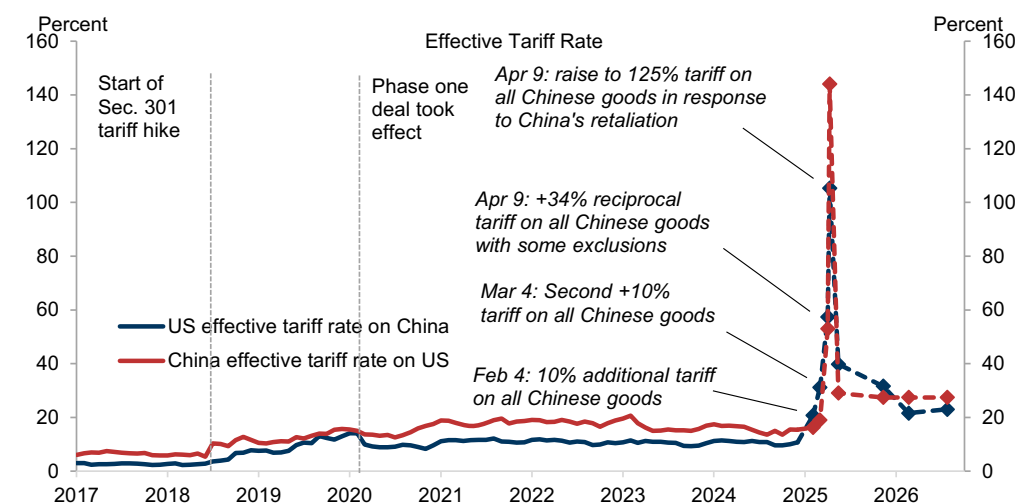
Source: Haver Analytics, Goldman Sachs Global Investment Research

⁷ China's customs gold imports refer to non-monetary gold, in line with international statistical guidelines, and exclude official monetary gold transactions such as PBOC reserve accumulation. Gold import volume has recently increasingly been flowing through free trade zones. One potential possibility includes China's push to court foreign central banks to vault their gold in China.

Downside Risks to Exports From External Trade Frictions

US-China trade policy has shifted from an acute tariff escalation of 2025 towards a more managed and selective stabilization. Our estimate of the effective US tariff rate on Chinese imports remained broadly stable in 2026 at 23%, following the expiration of the temporary Section 122 tariffs on July 24 that was offset by new Section 301 forced-labor-related duties ([Exhibit 9](#)). As a result, China's effective tariff rate on US imports (27.4%) remains higher than the US rate on Chinese products. But the bilateral relationship continues to be shaped by strategic competition in AI, advanced technology, investment and critical minerals (see [Exhibit 13](#) for recent US-China trade and technology developments).

Exhibit 9: US Tariff Rate on China Remained Broadly Stable in 2026



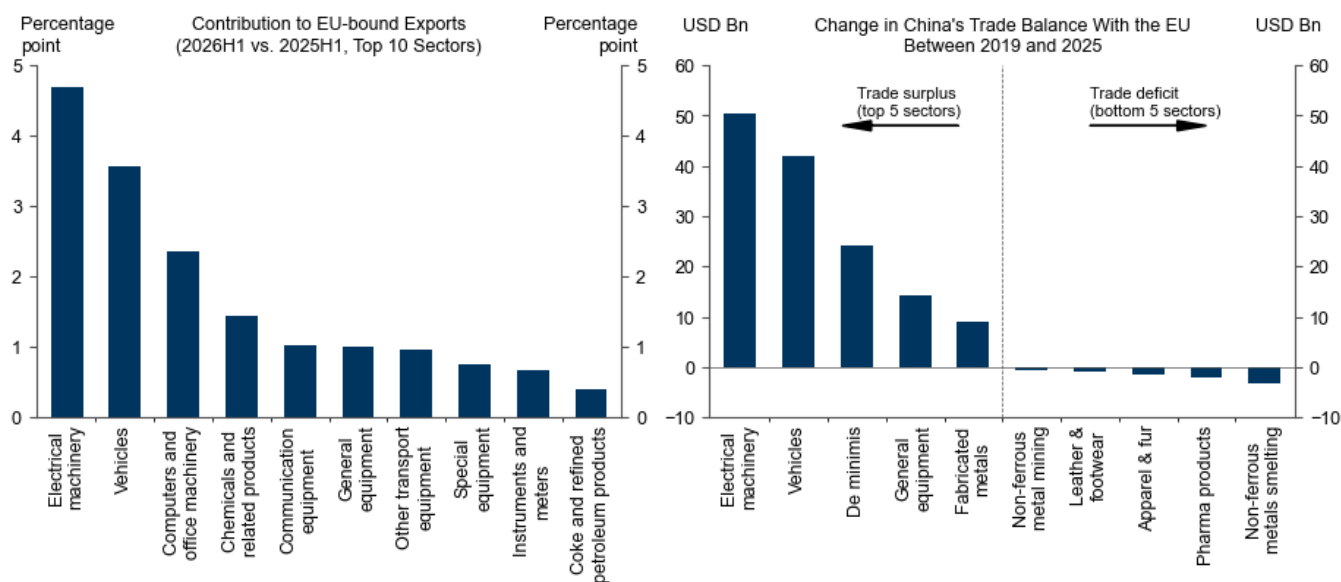
Source: WTO, Trademap, Haver Analytics, Goldman Sachs Global Investment Research

However, China-EU trade tensions have intensified this year. With the EU accounting for 15% of China's exports in 2025 and shipments accelerating in recent months, this has become a growing policy risk for China's export outlook.

Chinese exports are increasingly concentrated in advanced manufacturing products that pose competitiveness challenges to the EU, including electrical machinery (e.g., lithium-ion batteries), vehicles (particularly EVs), and computers. China's bilateral trade surplus with the EU is also increasingly concentrated in these sectors, alongside low-value shipments entering under *de minimis* arrangements⁸ ([Exhibit 10](#)).

⁸ Following the EU's elimination of the €150 duty-free *de minimis* exemption on July 1, 2026 – aimed at curbing high parcel volumes from platforms like Temu, Shein, and AliExpress – China's trade surplus in this area may shrink somewhat.

Exhibit 10: China Is Exporting More Electrical Machinery and Vehicles to the EU, Where Trade Imbalances Are Also the Largest



Source: Goldman Sachs Global Investment Research, Trademap

The EU has so far taken a relatively targeted approach to Chinese products, but our European economists expect policy to become more assertive. The EU's new trade-diversion monitoring framework is likely to guide future action, with measures focused on sectors showing the clearest evidence of trade diversion and domestic industrial pressure, including steel, plug-in hybrid electric vehicles (PHEVs), electrical machinery, wind-turbine components, and basic chemicals.

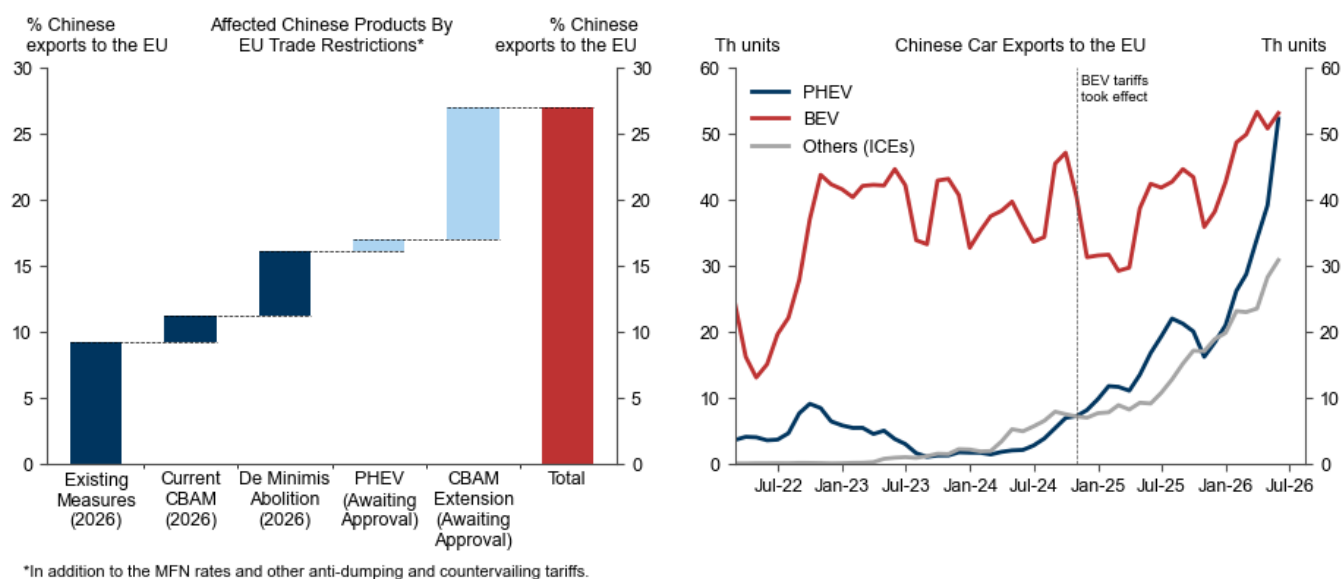
We estimate that existing and proposed EU measures⁹ targeting China could cover (at least on the margin) around 27% of China's annual exports to the EU (Exhibit 11, left). But this does not translate directly to export loss, with actual impact contingent on final policy specifics and implementation. The main new proposals include new tariffs on plug-in hybrids, with countervailing duties likely to range from 17% to 38%, and an extension of the Carbon Border Adjustment Mechanism (CBAM)—which mandates EU-importers of certain carbon-intensive goods to report and pay for embedded emissions—to downstream products. This proposed downstream CBAM extension represents a major escalation, with China facing the largest exposure. The proposal would expand coverage from basic steel and aluminum products (which affect just 2.1% of China's 2025 exports to the EU) to include an additional \$58 billion of exports, raising the total CBAM-affected share of Chinese exports to 12.1%. The expansion would primarily hit electrical equipment, machinery, and transport equipment - sectors that contributed 4.9pp of China's 8.5% nominal export growth to the EU in 2025. However, the effective implementation is not expected until 2028 at the earliest, and the actual tax rate on downstream products may represent only a small share of the final export price. This is because CBAM charges are assessed on the embedded carbon of steel and aluminum precursors rather than the total monetary value of the finished goods, although costs could still be meaningful for more carbon-intensive products, such as

⁹ Note that this does not include products tracked by the EU import barometer that may also face anti-dumping investigations, as final duty rates and target goods remain fluid ahead of the EU trade chief's October timeline.

heavy-duty trucks.

Broader tariff coverage would pose downside risks to China's continued market-share gains in Europe, but we think several factors should cushion the impact. First, China's cost advantages and ongoing improvements in product quality remain a significant buffer as exporters continue to move up the value chain. BEVs are a useful example: despite facing the EU's 10% base import duty and manufacturer-specific countervailing duties since October 2024, Chinese BEV exports to the EU recovered quickly in 2026 after an initial decline ([Exhibit 11](#), right). At the same time, exports of internal-combustion-engine (ICE) vehicles and PHEVs — which are not subject to the additional BEV duties — have risen rapidly, underscoring Chinese exporters' ability to adapt to policy changes and exploit regulatory gaps. Finally, China retains leverage in critical inputs such as rare earths, supplying more than 90% of the EU's rare earth elements by weight, while European policymakers have incentives to preserve access to the Chinese market and avoid significant retaliation. We therefore expect EU policy to become tougher, but to stop short of measures likely to trigger a severe response from Beijing—and consequently have only a modest impact on China's export growth to the EU.

Exhibit 11: EU Trade Measures on Chinese Products Have Been Targeted



Source: Trademap, China Customs, Goldman Sachs Global Investment Research

Chelsea Song and Xinquan Chen