



TDM Insight: Chinese Exports to U.S. Plunge Along With Smartphone Shipments.

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First Impact of U.S. Tariffs

Chinese shipments to the U.S. plummeted 21% year-on-year in April as the impact of Washington's new import tariffs started to punish the world's largest exporter.

However, as Beijing was quick to point out, China compensated by selling more to its economic partners in Southeast Asia. In a striking coincidence, Chinese exports to the ASEAN bloc of countries increased by the same number: +21%.

The decline in shipments to the U.S. is the first time that China has reported a significant harmful impact of the tariffs. In the first quarter, exports to the U.S. continued their rise as manufacturers and shipping companies rushed goods into ports before the expected duties took effect.

Eager to temper the market's worries about a severing of the trade relationship between the world's top two economies, diplomats are meeting in Switzerland in an attempt to secure a new agreement about trade terms. The outcome is certain to be higher tariffs than a decade ago, but officials are wary of triggering a recession.

Focus: U.S.

The focus of the April data release was, of course, shipments to the U.S. Exports to the U.S. plummeted 21% to \$33 billion. The preliminary data form does not break out exports per individual country. But the biggest drop in exports among significant consumer goods was in mobile phones: Shipments dropped 20.9% to \$7.6 billion. The number of handsets shipped fell 5.8% to 56.1 million. However, overall of high-tech goods rose 6.9% to \$74.7 billion.

Overall exports of toys declined 5.9% to \$2.9 billion. Exports of textiles rose 3.4% to \$12.6 billion. Exports of mechanical and electrical products jumped 10.5% to \$190.6 billion.

The Asian Solution

Overall, China's exports to the rest of the world increased 8.1% to \$315.7 billion, raising the country's hopes that its mighty export economy can survive an onslaught of protectionism. The U.S. currently has tariffs of 145% on Chinese imports.

Where will all this excess capacity no longer going to U.S. markets be going? Exports to ASEAN countries rose 21% to \$60.4 billion. Imports increased 3.5% to \$33.2 billion. The biggest jump was in shipments to Indonesia, which rose 37.5% to \$7.8 billion. Exports to Vietnam increased 23% to \$17.2 billion. Sales to Thailand rose 28.1% to \$9.3 billion.



Lu Daliang, a Chinese government spokesman, said that “all-round co-operation with neighboring countries continued to deepen and economic and trade relations became increasingly close.”

Rest of the World

It's not just Asia. There are many other markets targeted by companies manufacturing in China, many of which are not Chinese. Exports to Africa ballooned 25.9% to \$18 billion. Imports from Africa increased 22.3% to \$12.4 billion. Exports to the European Union increased 8.2% to \$46.7 billion. Among EU customers, there was a big jump in exports to Germany, up 20.4% to \$10.4 billion. Another important market: India. Exports to that country rose 21.9% to \$11.2 billion.

What China is Buying

China's overall imports in April slipped 0.2% year-on-year to \$219.5 billion. There are concerns that China's domestic spending has been lackluster. Chinese officials have set an economic growth target of around 5%. This week, policymakers said they would cut interest rates and inject more money into the economy.

China has imposed retaliatory tariffs of 125% on imports of U.S. goods. Imports from the U.S. dropped 13.6% in April to \$12.6 billion. The upshot: the trade surplus with America finally fell, a key strategic objective for U.S. leaders, to \$20.5 billion from \$27.3 billion.

Clearly a big part of the cut in U.S. imports was agricultural products. Purchases of soybeans fell 38.2% to \$2.7 billion. Imports of grains fell 41.1% to \$3.7 billion. Imports from the EU declined 16.5% to \$20 billion. Imports from Germany fell 12% to \$7.6 billion.

Some products with changing demand in China: Imports of high-tech products increased 9.8% to \$67.6 billion. Imports of pharmaceuticals declined 11.2% to \$4.1 billion.

Getting Ready for the Storm

The U.S. has allowed a 90-day pause in application of tariffs of other countries. That's why it's significant that Chinese exports of steel increased 13.4% to 10.5 million tons. Buyers in countries like South Korea and Vietnam are snapping up metal so they can sell to the U.S. and EU before more aggressive tariffs take effect.