CAPITAL ECONOMICS



China Shock 2.0

The drivers and implications of growing global imbalances

The China Shock 2.0 series

CHIEF ECONOMIST'S NOTE

China Shock 2.0: Key Messages

This note summarises the key conclusions from our recent series on China Shock 2.0. The ongoing shock is not simply a repeat of the original China shock of the 2000s. China is once again increasing...

13th October 2026

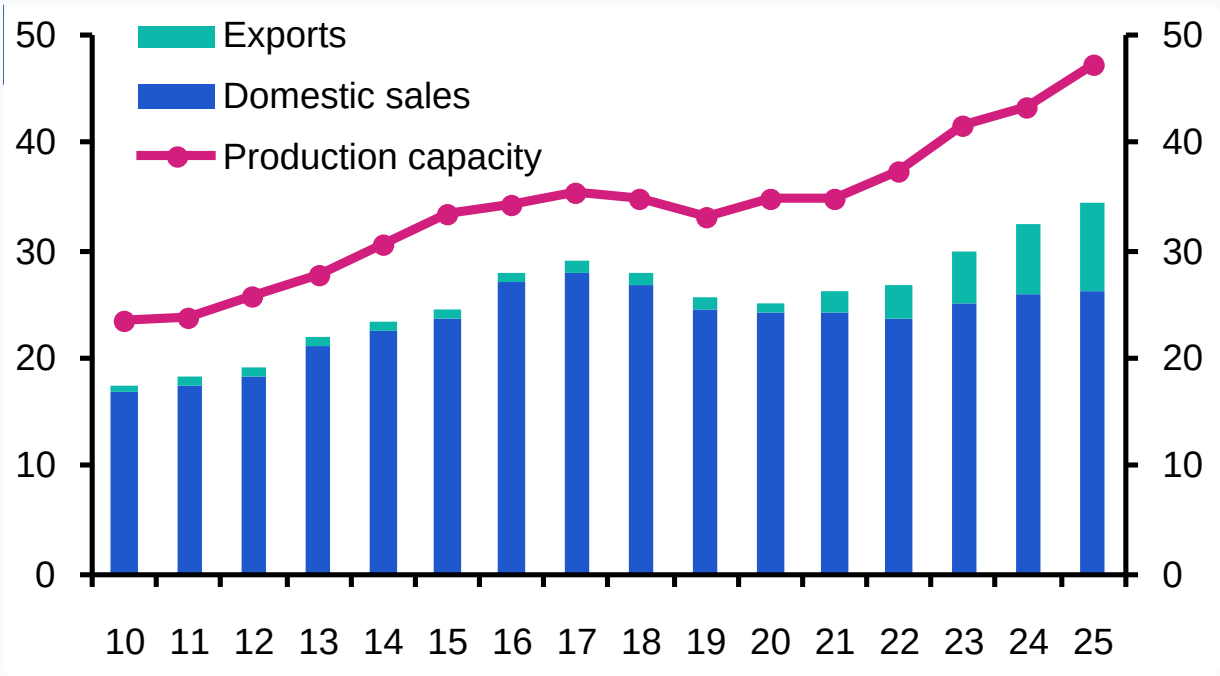


EVENT

Drop-In: China Shock 2.0 and the return of global imbalances

8th October 2026, 3:00PM BST

China's rapidly expanding trade surplus is the clearest sign of a widening in external imbalances on a scale not seen since the mid-2000s. But how much of a risk do they pose to global macro…

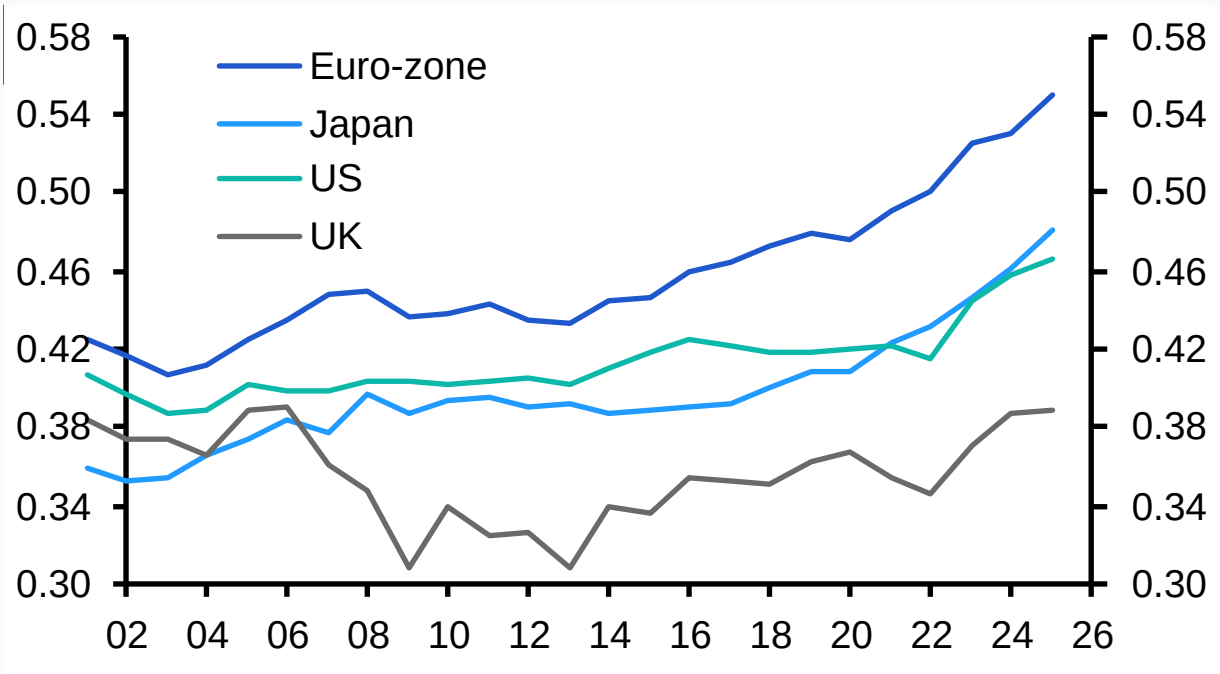


CHINA ECONOMICS FOCUS

How long can Chinese industry keep losing money?

Overcapacity in China and the trade surplus that it feeds are sustained by policy choices made in Beijing. These policies hurt China’s banks, its fiscal position, economic productivity and household...

8th September 2026 · 22 mins read

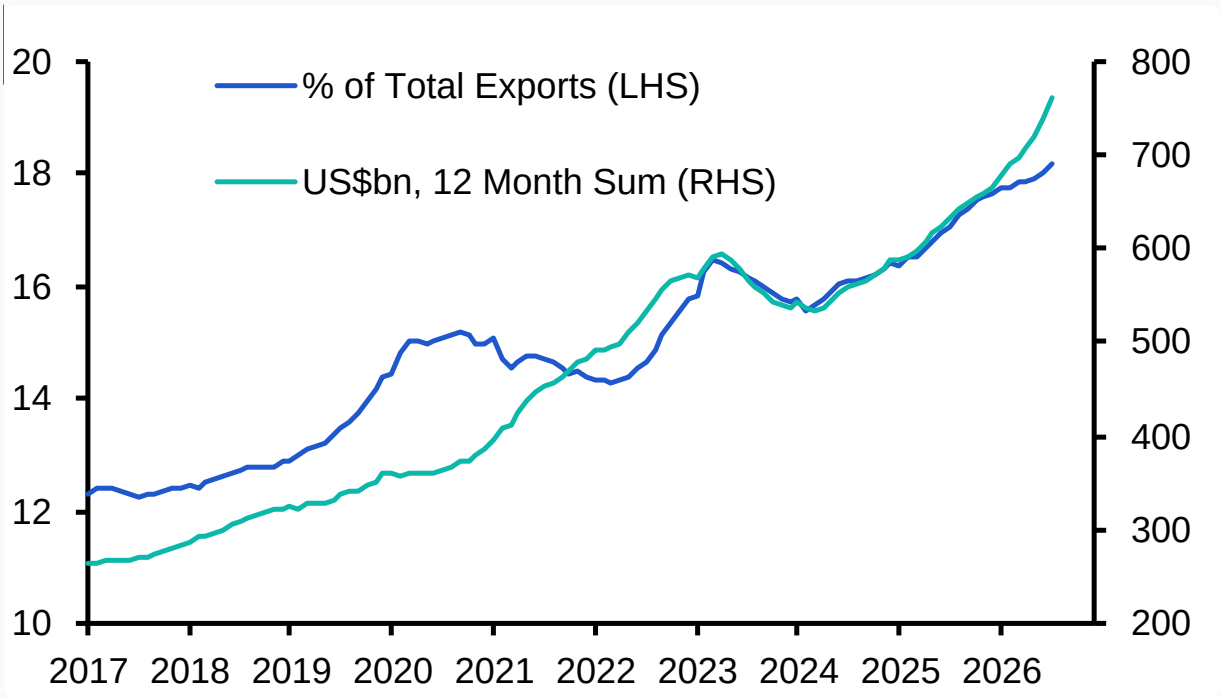


EUROPE ECONOMICS FOCUS

China Shock hitting euro-zone harder than most regions

China Shock 2.0 will be a structural drag on euro-zone growth for the rest of this decade. Consumers will benefit from cheaper and increasingly sophisticated Chinese imports but manufacturers are...

16th September 2026 · 12 mins read



ASIA ECONOMICS FOCUS

China Shock 2.0 is good news for ASEAN

China’s export surge is strengthening rather than hollowing out South East Asian manufacturing. Cheaper inputs and Chinese investment should continue to lift the region’s exports and industrial...

15th September 2026 · 15 mins read

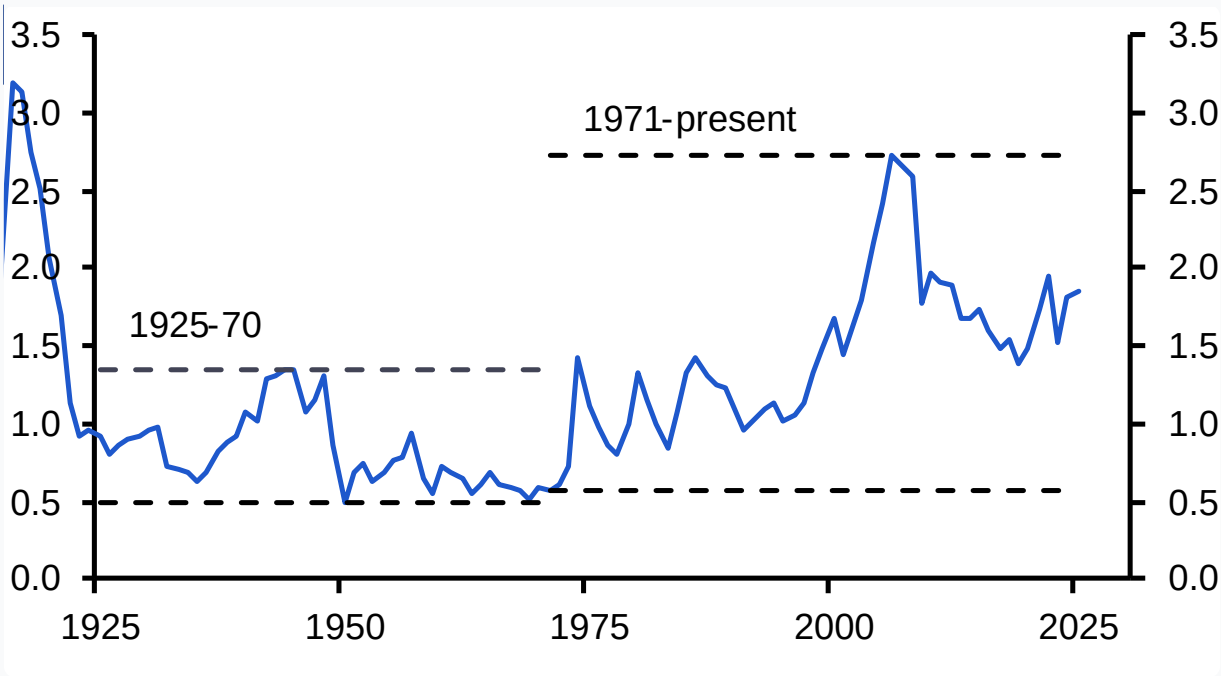


US ECONOMICS FOCUS

How might a US fiscal crisis play out?

The ideal solution to the unsustainable fiscal situation is that Congress commits to a gradual fiscal adjustment. But as that seems unlikely, the big risk is that the Fed eventually finds itself in a...

23rd September 2026 · 23 mins read

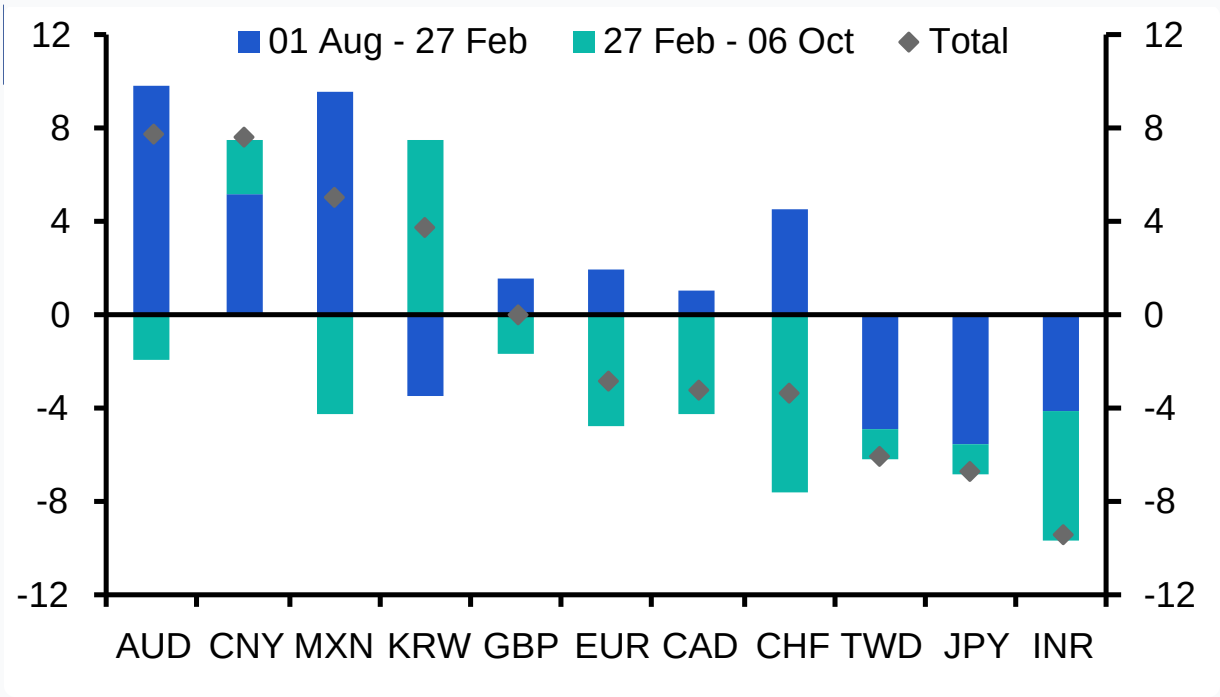


GLOBAL ECONOMICS FOCUS

China Shock 2.0 may sow the seeds of the next crisis

China’s soaring exports are widening global trade imbalances in ways that echo the run-up to the Global Financial Crisis. History suggests that at some point these must narrow. This could happen in...

29th September 2026 · 31 mins read



FX MARKETS FOCUS

How undervalued is the renminbi?

Even though the renminbi is at its strongest level against the US dollar since 2022, in real trade-weighted terms it remains close to its weakest in more than a decade. In our assessment, it is...

6th October 2026 · 19 mins read

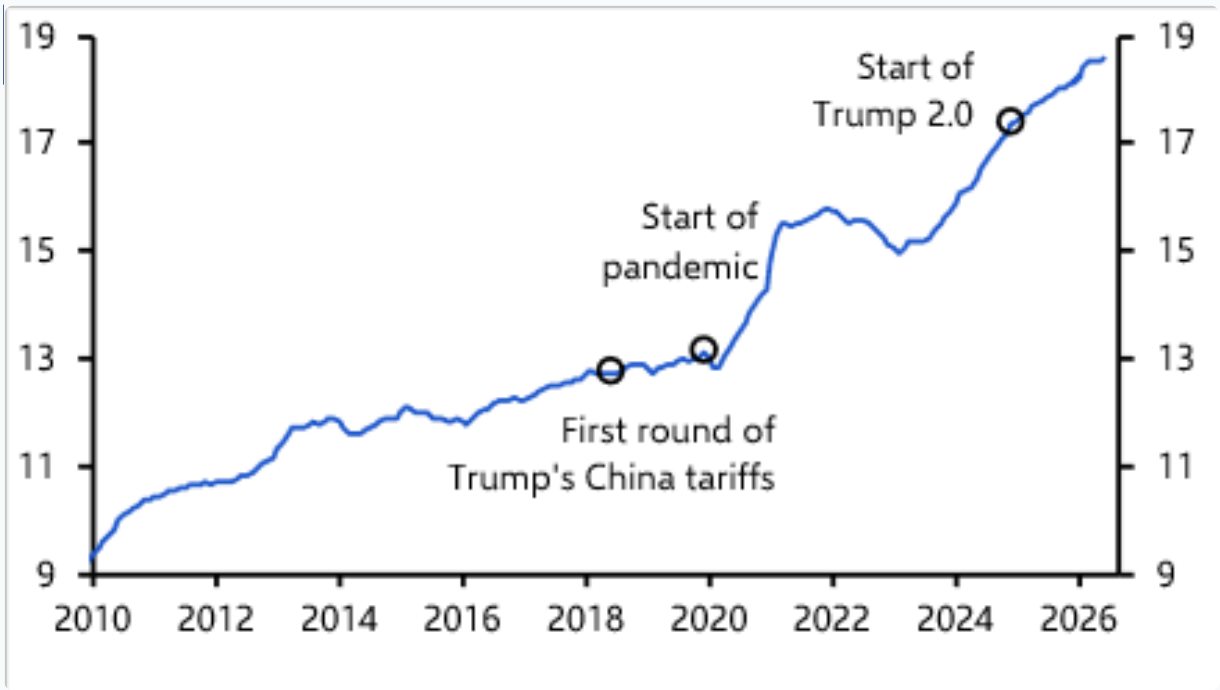


US ECONOMICS UPDATE

Tariffs likely to far outlast Trump

The precarious fiscal situation means the next administration will be in no rush to remove the tariffs that are in place at the end of President Trump’s term. Nonetheless, under most future scenarios...

5th October 2026 · 4 mins read

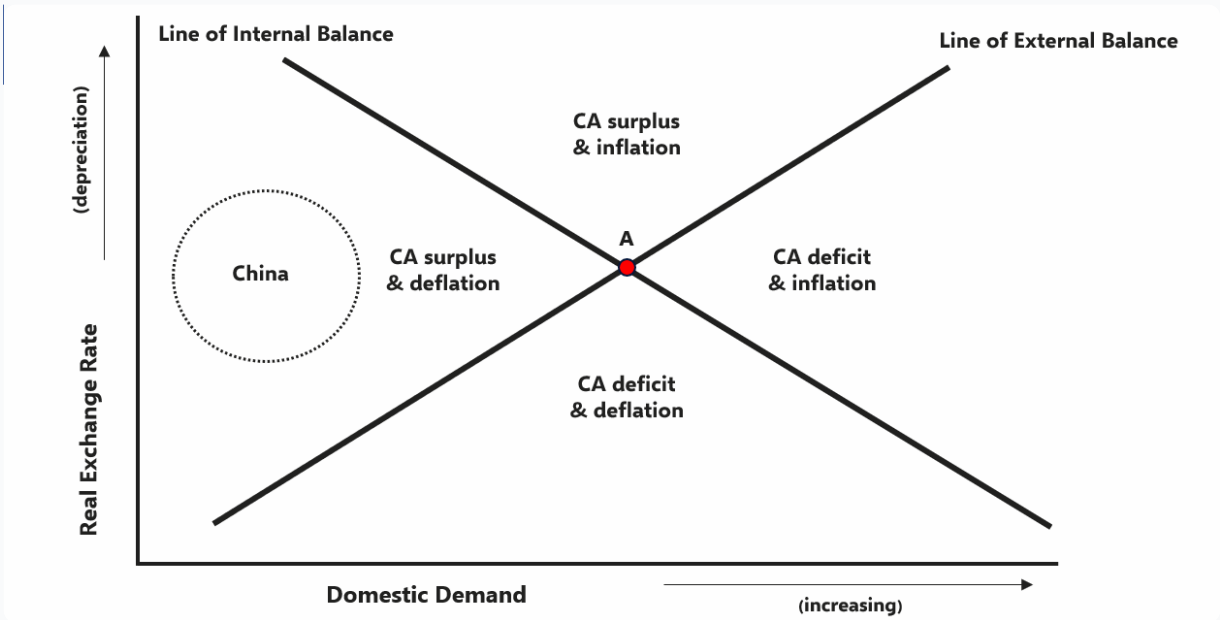


CHINA ECONOMICS FOCUS

China’s export gains go beyond strategic goods

Concerns abroad about China’s surging exports have largely focused on “strategic sectors”. Less acknowledged is that China has been gaining significant global market share across the board, including...

10th September 2026 · 5 mins read



CHINA ECONOMICS UPDATE

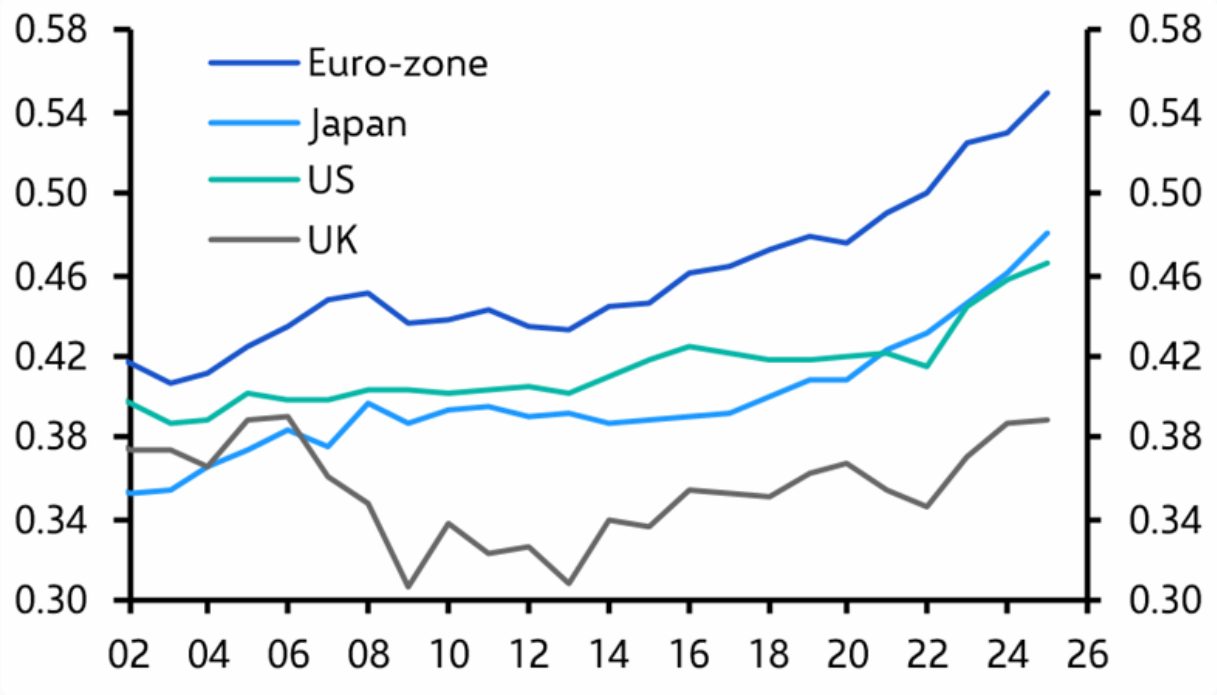
The renminbi could not rebalance China on its own

A significant appreciation of the renminbi would narrow China's enormous trade surplus but it would also make the domestic deflation problem worse. This trade-off can only be addressed if a stronger...

30th July 2026 · 3 mins read

Explore all of our China Shock 2.0 coverage

Previous work on the origins of the shock

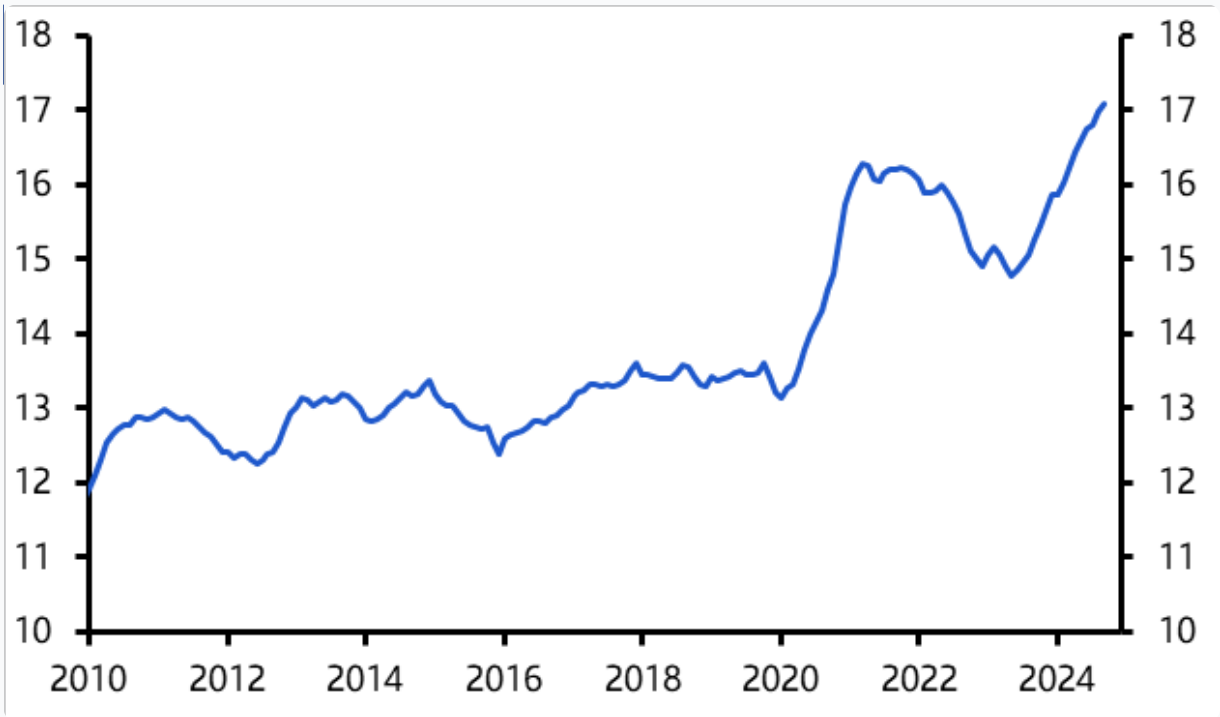


CHIEF ECONOMIST'S NOTE

Another China shock, but with higher stakes and fewer answers

They say sequels are rarely as compelling as the original. That is not the prevailing view in Brussels, where I spent last week and where discussion was dominated by "China Shock 2.0" – the prospect...

8th June 2026

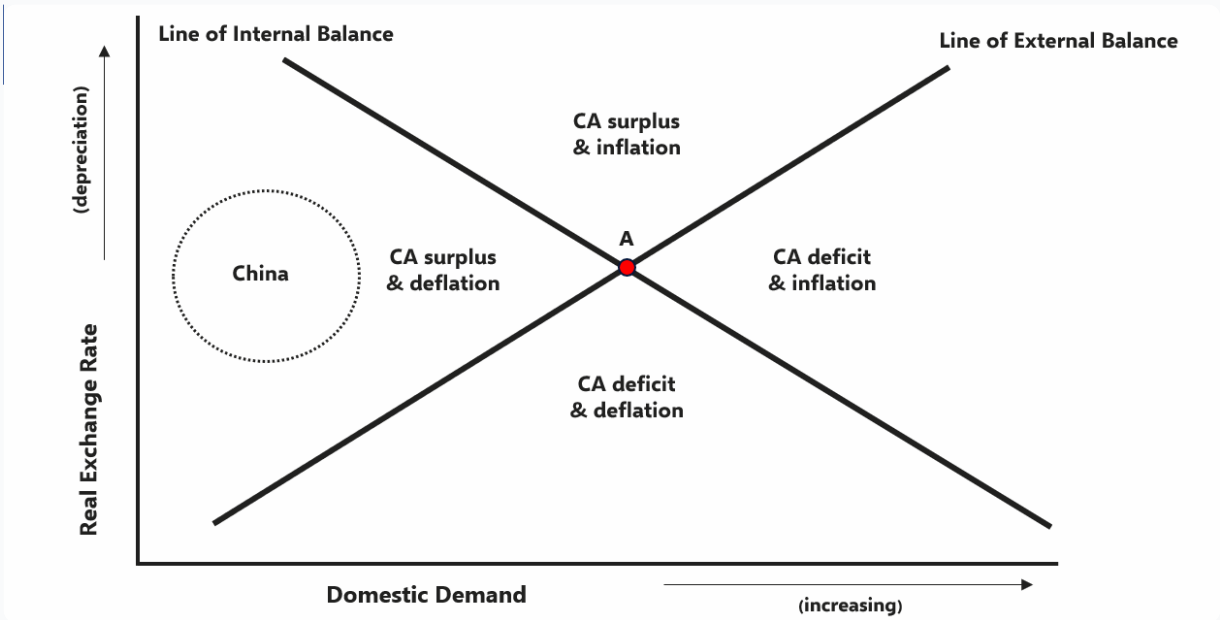


CHINA ECONOMICS FOCUS

China’s export gains go beyond strategic goods

China’s surging exports have been gaining international attention, but concerns about overcapacity have focussed on “strategic sectors”. Far less acknowledged is the fact that China has been gaining...

22nd January 2025 · 4 mins read



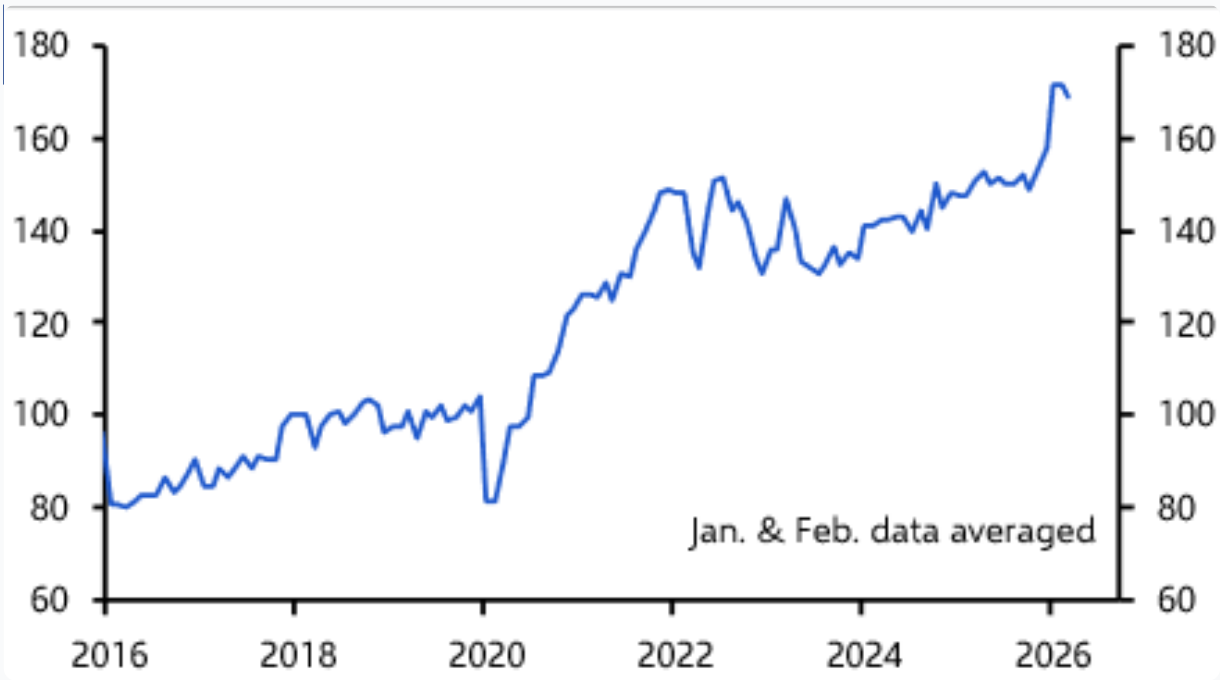
CHINA ECONOMICS UPDATE

The renminbi could not rebalance China on its own

A significant appreciation of the renminbi would narrow China's enormous trade surplus but it would also make the domestic deflation problem worse. This trade-off can only be addressed if a stronger...

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Previous work on implications for other economies

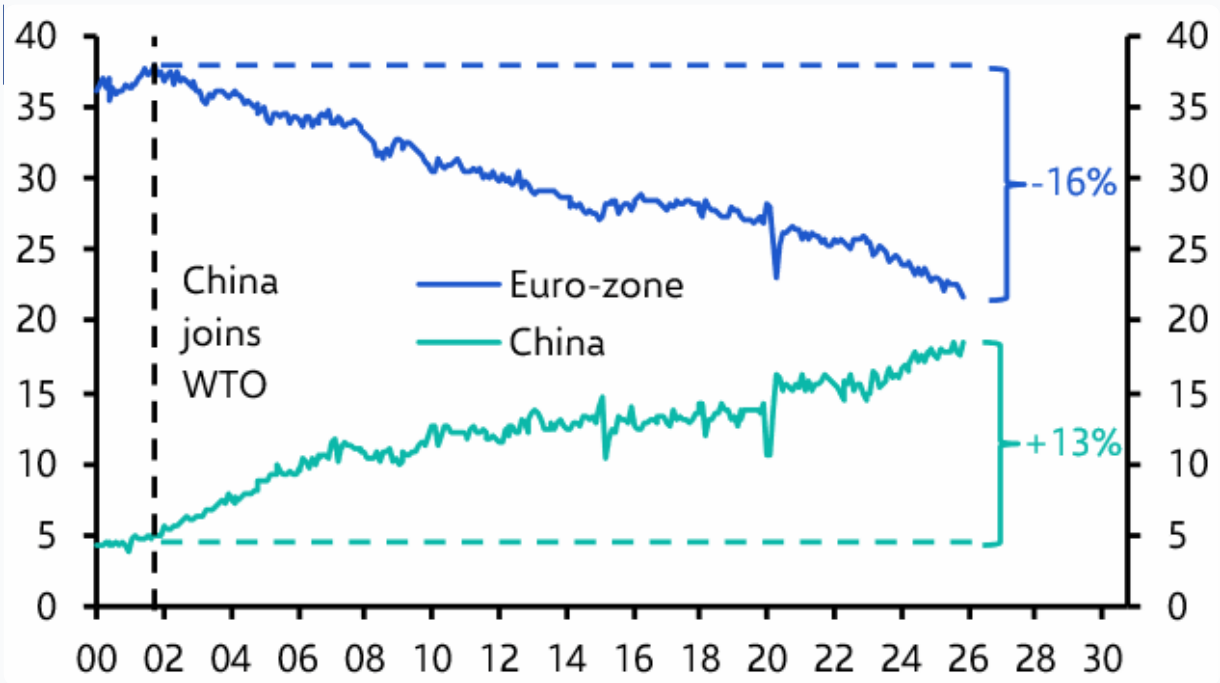


GLOBAL ECONOMICS FOCUS

China’s rising trade surplus and its global implications

China’s trade surplus has reached a record 1% of world GDP and looks set to rise further. It’s been driven, in part, by a surge in China’s exports – China has gained export market share across both...

30th April 2026 · 18 mins read



EUROPE ECONOMICS FOCUS

Assessing the China shock for the euro-zone

The rise of China has brought both costs and benefits to the euro-zone over the past two decades, but policymakers are increasingly focusing on the costs. Indeed, euro-zone imports from China have...

23rd March 2026 (Updated 30th March 2026) · 16 mins read

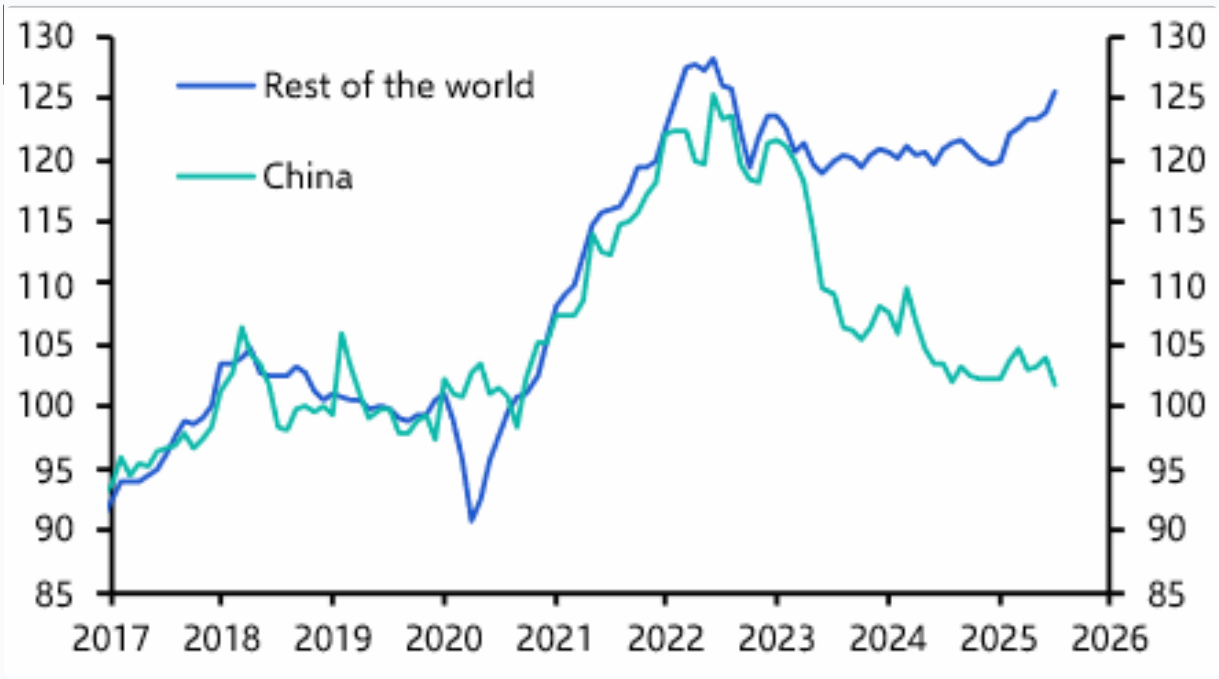


JAPAN ECONOMICS FOCUS

The impact of the China shock on Japan’s economy

Japan has weathered the China shock well so far, largely because the sharp weakening of the yen has kept Japanese exports competitive. However, the exchange rate is unlikely to keep weakening rapidly...

18th May 2026 · 17 mins read

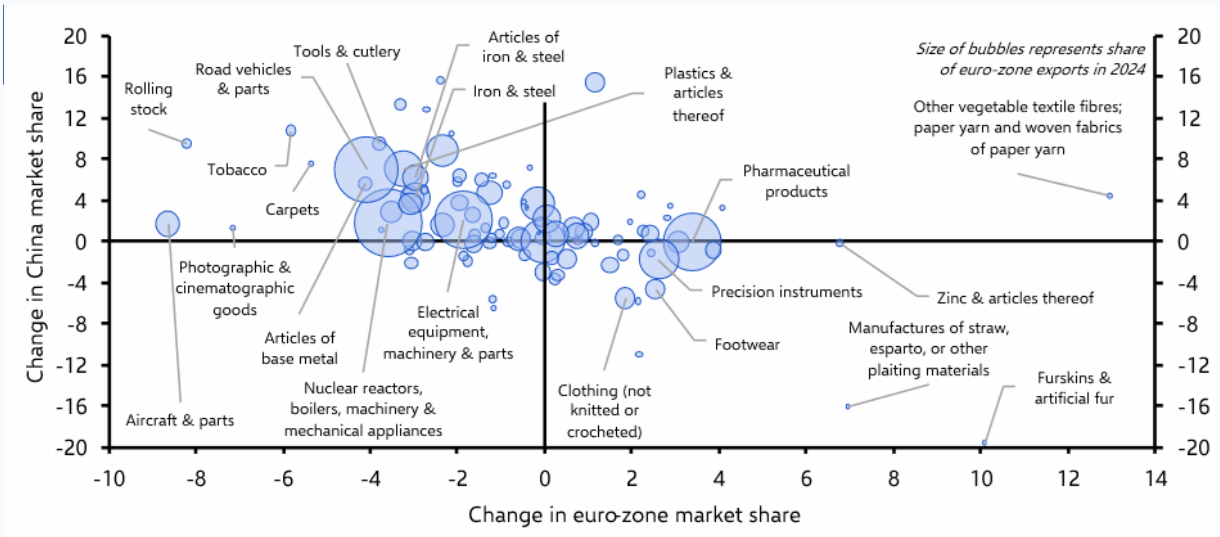


GLOBAL ECONOMICS UPDATE

The advanced economy impact of China’s deflation

Deflation in China has added to disinflationary forces in advanced economies over the past few years, reducing the level of headline CPI by around 0.3-0.5% on average. Tariffs are likely to reverse...

15th October 2025 · 4 mins read



EUROPE ECONOMICS UPDATE

Which sectors are suffering most from the China shock?

The euro-zone has been one of the biggest losers from China eating up a larger share of the global export market. It has lost market share across a wide range of industries including vehicles...

11th May 2026 · 3 mins read