

# ASIA MONTHLY

## March 2026

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## Topics Production shift to Asia ex-China surging under Trump 2.0

Since Donald Trump returned to the U.S. presidency, the transfer of notebook PC and smartphone production from China to Vietnam, India, and Thailand has picked up speed. The momentum of production relocation from China to other Asian countries is expected to continue going forward.

### ■ The U.S. import market is being transformed by the Trump administration’s policies

After assuming power, the second Trump administration rolled out a range of tariff policies in a short period. This report analyzes what changes have occurred in the U.S. trade structure and Asian supply chains under the second Trump administration, comparing current trends against those during and after the first Trump administration.

Let us begin by examining how each economy's share of U.S. imports changed across two periods: 1) from 2017 when the first Trump administration began, through 2024 as the Biden administration ended (below, "Trump's first term"), and 2) since 2025 when the second Trump administration began (below, "Trump's second term").

During Trump's first term, tariffs on China were raised in stages, and U.S. imports from China gradually declined. As a result, China's share of U.S. imports fell by more than eight percentage points over this period, while the shares of Vietnam, the European Union, Mexico, and Taiwan increased.

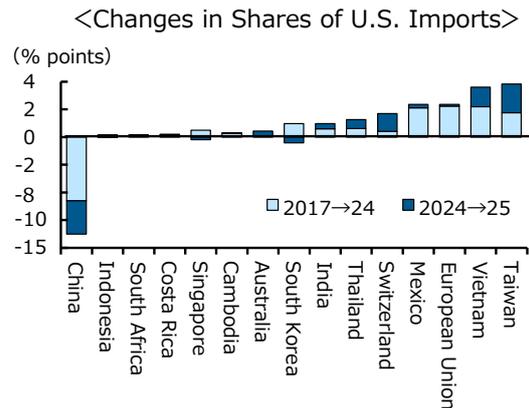
In Trump's second term, reciprocal tariffs targeting virtually every country/territory were introduced, and uniform product-specific tariffs on items such as automobiles and copper were also added. However, in terms of effective tariff rates, the increase in duties on Chinese goods has been particularly sharp. This is because tariffs imposed on China as a penalty for its role in the trade in illicit drugs are layered on top of the other tariffs. Electronic devices and components have also been subject to tariffs. Reciprocal tariffs, by contrast, generally do not overlap with other tariffs, and electronic devices and components are excluded. As a result, China's share of U.S. imports has declined further during Trump's second term, while the shares of Taiwan, Vietnam, Thailand, and India have risen.

### ■ Moves to transfer production from China to other Asian economies are accelerating

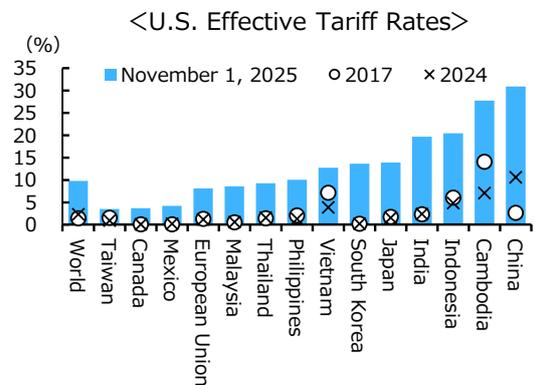
One factor behind the changes in U.S. import shares is that, against the backdrop of the Trump administration's hardline stance toward China, global companies have accelerated their moves away from China and relocated production capacity to other countries/territories. Next, let us analyze the trends in such production transfers.

Since amounts of relocated production cannot be directly observed, we will define product categories where China's exports to the U.S. have fallen while exports from other countries/territories have risen as product categories where production relocation has occurred, and compile figures for them for Trump's first term and second term, respectively. In doing so, for each country/territory, the portion of export growth attributable to increased U.S. demand will be excluded.

The results show that the total amounts transferred were \$125.3 billion during Trump's first term and \$88.3 billion during his second term. Given relocation equivalent to 70% of the total during the entire seven



Source: JRI based on U.S. Department of Commerce  
Note: Figures for 2025 are for January-November.



Source: JRI based on U.S. Department of Commerce

years of “Trump's first term” has already occurred in under a year during “Trump’s second term”, we can say that the momentum to relocate production has accelerated sharply. However, differences exist in terms of both the destination countries/territories and the product categories involved. We will examine these below.

Across both Trump's “first term” and “second term”, other Asian countries have accounted for a large share of production transfers from China, expanding from 70% in the first term to 80% in the second. However, the leading destinations have changed. Whereas Vietnam, Mexico, and Taiwan, in that order, ranked highest during the first term, the top destinations in the second term are Vietnam, followed by India, and then Thailand. The combined share of these last three countries rose from 40% in the first term to 60% in the second term, with Vietnam alone capturing approximately 40% of all production relocated from China.

By product category, electronic devices have topped the relocation rankings across both terms. However, the composition has shifted. While routers accounted for the largest share in the first term, notebook PCs and smartphones saw marked increases in the second term, with these two categories alone accounting for more than 40% of the total amount transferred. In the first term, even the top ten product categories combined accounted for less than 40% of the total, indicating that in the second term, production relocation has become concentrated in a narrow range of electronic devices.

<Shares of Destinations for Transfer of Production from China>

(%)

"Trump's first term"		"Trump's second term"	
Vietnam	25.8	Vietnam	37.5
Mexico	12.1	India	17.0
Taiwan	11.8	Thailand	10.0
Other	10.2	Other	8.8
Thailand	8.2	Mexico	6.5
European Union	7.9	European Union	4.2
India	6.9	South Korea	3.3
South Korea	4.3	Japan	2.9
Malaysia	4.0	Malaysia	2.9
Indonesia	3.2	Indonesia	2.5
Canada	3.1	Taiwan	2.4
Philippines	1.3	Canada	1.5
Japan	1.1	Philippines	0.7
Asia	65.5	Asia	76.2

Source: JRI based on U.S. Department of Commerce  
 Note: Figures for Asia are totals for India, Taiwan, South Korea, and the ASEAN5.

<Top Ten Product Categories for Production Transfer from China>

"Trump's First Term"					"Trump's Second Term"				
HS Code	Product Category	Amount Transferred (\$100 million)	Effective Tariff Rate		HS Code	Product Category	Amount Transferred (\$100 million)	Effective Tariff Rate	
			For China	For Other				For China	For Other
851762	Routers	153	8.4	0	847130	Notebook PCs	215	7.5	0.2
847330	Computer Components	86	3.6	0	851713	Smartphones	156	12.9	0.1
847130	Notebook PCs	46	0	0	950450	Game Consoles	31	10.0	12.8
852351	Solid-state Non-volatile Storage Devices	40	6.4	0	850760	Lithium Ion Batteries	22	21.5	11.0
847150	Other Computers	38	19.5	0	300490	Other Pharmaceuticals	20	5.5	0.1
851713	Smartphones	29	0	0	851762	Routers	17	23.7	0.6
940161	Upholstered Chairs	20	18.8	0	852852	Other Monitors	15	13.4	0.2
847170	Memory Devices	19	8.6	0	851830	Headphones/Earpphones	12	16.7	9.1
850440	Static Converters	18	21.8	0	853224	Multilayer Ceramic Capacitors	8	2.9	1.6
940360	Other Wooden Furniture	18	24.0	0	847330	Computer Components	8	13.2	0.2
Total Amount Transferred		1,253			Total Amount Transferred		883		

Source: JRI based on U.S. Department of Commerce

Note: For product categories that did not exist in 2017, amounts for equivalent 2024 categories have been multiplied by 2024 shares. Effective tax rates are for 2024 for Trump's first term and for 2025 (January-November) for Trump's second term.

Two factors explain why these products saw faster shifts in production in the second term: 1) Since the first term, global companies had been expanding notebook PC and smartphone assembly operations outside China, and 2) in the second term, only Chinese-made products became subject to tariffs, making them more expensive relative to goods from other countries/territories.

With production of notebook PCs primarily shifting to Vietnam and Thailand, and smartphone production to India and Vietnam, the overall driver in the second term is the relocation of notebook PC and smartphone production from China to Vietnam, India, and Thailand.

■ **Production transfers to Asia ex-China will continue going forward**

Production relocation from China to other parts of Asia is likely to continue in the near term, centered on electronic devices. This is because while the U.S.-China trade conflict is currently in a temporary truce, the possibility of the U.S. once again steeply raising tariffs on Chinese goods continues to simmer, making it risky for global companies to concentrate production in China.

Vietnam and India are among the leading relocation destination candidates, and the countries/territories currently receiving transfers of production from China are expected to continue to benefit from this trend. Their strengths are likely to include the significant industrial clustering in electronics and other sectors that has already occurred through prior relocation, as well as their low labor costs.

**(Tomohiro Hosoi)**

## Topics *Interpreting consumption growth in last year's Chinese GDP data*

China achieved its GDP growth target for 2025, with a significant contribution coming from an expansion in final consumption expenditure. However, the figure was elevated by government support and financial factors, and the actual situation with consumption differs from what the GDP data would suggest.

### Final consumption expenditure's contribution to GDP growth expanded in 2025

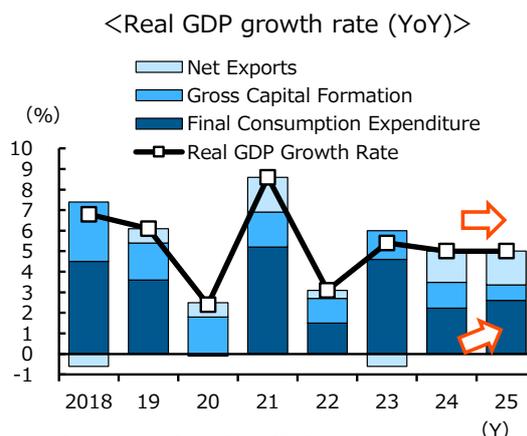
China's real GDP growth rate last year came in at 5.0%, a pace similar to that of the previous year and meeting the government's target of "around 5%." Breaking down the components, external demand maintained similarly strong growth to the previous year, despite the headwind of the Trump tariffs.

As for domestic demand, while the growth of gross capital formation, which reflects investment trends, slowed sharply, real GDP growth was supported by an expanded contribution from final consumption expenditure. That said, consumer confidence in China has remained sluggish since the COVID pandemic, and consumption does not seem particularly robust. This report examines whether last year's consumption growth can be viewed as indicative of a genuine recovery, as the GDP statistics would suggest.

### Factors that drove the expansion of final consumption expenditure

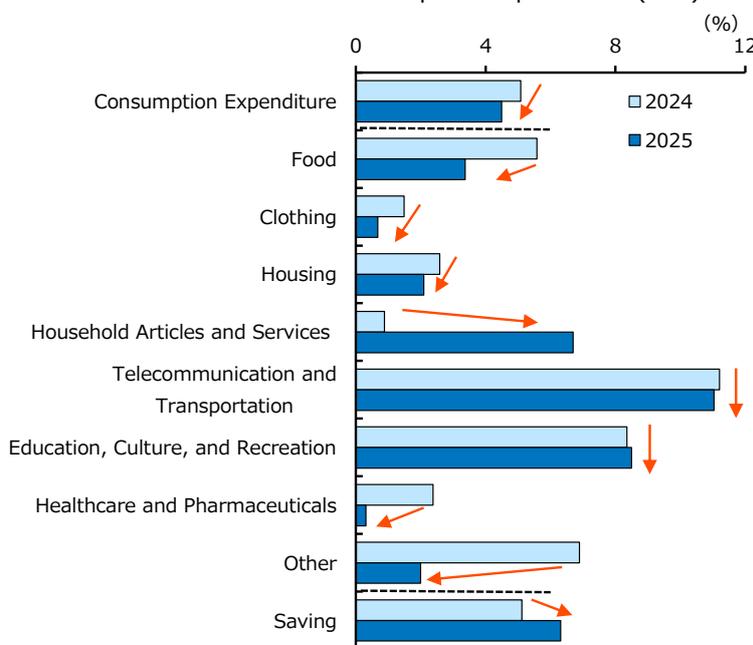
China's preliminary GDP statistics broken down by demand component include only the real GDP growth rate and the contribution of each demand component to that rate. The breakdown of demand comprises just three categories: final consumption expenditure, gross capital formation, and net exports. At this preliminary stage, more detailed breakdowns and the monetary values of individual demand components are not provided. The final consumption expenditure analyzed in this report consists of household consumption and government consumption, but the exact breakdown is currently unknown. Household survey statistics are therefore used to examine trends in household consumption.

Looking at real household consumption expenditure, growth has slowed overall. An examination of trends by spending category reveals that the margin of positive growth narrowed across eight categories, including food and clothing, with household



Source: JRI based on CEIC

<Real Household Consumption Expenditure (YoY)>



Source: JRI based on CEIC

Note: Figures are converted into real terms using the CPI. Saving is the difference between disposable income and consumption expenditure.

articles and services the only category to see a significantly larger positive margin. Since this category includes various home appliances, it has likely been boosted by the government's subsidies for the replacement of durable consumer goods.

In tandem with the overall slowdown in consumption spending, household saving has also been growing at a faster pace. Here, saving is calculated as disposable income minus consumption expenditure, and includes not only bank deposits but also investment in securities and payments of insurance premiums. Some of the saving-oriented spending and associated fee payments are partially counted as final consumption expenditure in the GDP statistics. Around the middle of last year, stock prices climbed, and there was a renewed slowdown in real-estate prices. Investment in equities and insurance expanded as a result, and brokerage commissions and insurance premium payments seem to have contributed to inflating the final consumption expenditure figures. Viewed from the production side, this spending is recorded under financial intermediation GDP, and roughly 90% of that sector's GDP is classified as final consumption expenditure on the demand side. Real GDP growth in financial intermediation accelerated last year, further confirming that the aforementioned increase in saving-oriented spending has contributed to the expansion of final consumption expenditure.

Looking at real GDP growth by sector, it can be seen that the real GDP of the real estate sector switched from negative growth the year before to modest positive growth last year. This likely reflected a temporary recovery in housing sales in the first half of last year, which resulted in a modest increase in payments of real-estate sales commissions. Since approximately 80% of the real estate sector's GDP is also classified as final consumption expenditure, this effect may have been another factor that drove final consumption expenditure growth yet does not appear in household survey data. However, the housing market has deteriorated significantly since the second half of last year, so this effect should have already faded.

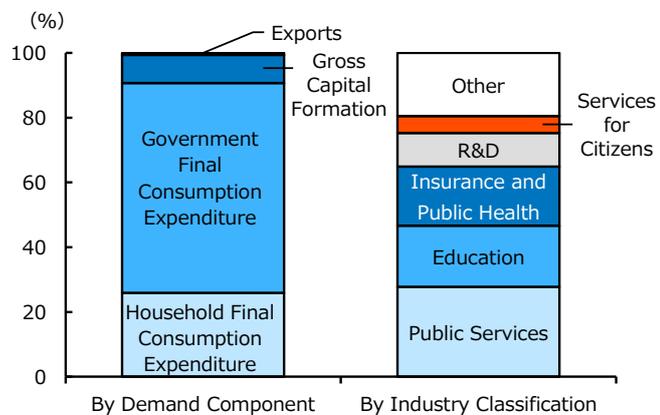
As noted above, while there were special factors related to finance and real estate last year, household consumption as a whole has seen its positive growth margin narrow. It can therefore be inferred that the largest factor supporting growth in final consumption expenditure is expanding government consumption. This trend is evident in real GDP growth expansion in other services sectors. A more granular examination of these sectors' GDP by demand component and industry classification reveals that they are dominated by government spending in areas such as public services, education, and healthcare. Indeed, looking at general government budget expenditure, while total spending last year saw its margin of positive growth narrow, spending related to the aforementioned areas of education, healthcare, and public services expanded.

<Real GDP of Consumption-related Services Sectors (YoY)>



Source: JRI based on CEIC  
 Note: Excludes information/communications; cargo, warehousing, and mail; and leasing and commercial services, as their shares of final consumption expenditure are small.

<Breakdown of GDP of Other Services Sectors>



Source: JRI based on CEIC and National Bureau of Statistics  
 Note: As of 2023. Based on input-output tables.

**■ Government support is shoring up weak household consumption**

In light of the above, it is clear that the growth in final consumption expenditure last year was largely attributable to factors other than a self-sustaining recovery driven by rising household incomes or higher propensity to consume. Key contributing factors included 1) higher spending on goods such as home appliances as a result of durable goods replacement subsidies, 2) expansion of saving-oriented spending due to subdued appetite for consumption, and 3) increased government spending in areas such as education and healthcare. This situation is consistent with current realities, i.e., a soft employment environment as reflected in rising youth unemployment, the associated stagnation of consumer confidence, and the continuing negative wealth effect of the real-estate downturn. Without government support, the situation with consumption in China will probably deteriorate further. With a self-sustaining consumption expansion looking unlikely, current levels of government support appear insufficient. For example, the budget for this year's durable goods replacement subsidies may be reduced. In assessing the outlook for consumption, a key question will be whether large-scale additional measures to support consumption will be announced ahead of the National People's Congress, which is set to take place in March.

(Shota Muromoto)