The Chinese Economy: From the World's Factory to a Technological Powerhouse
by Pierre Vercueil — Updated Edition 2025–2026

Hello everyone and welcome to a new episode of EconoMag. Today, we take a closer look at the Chinese economy, a topic that is more complex and fascinating than ever. China remains the world's second-largest economy in nominal GDP and the largest when measured by purchasing power parity. Yet the country is undergoing a profound transformation, caught between internal vulnerabilities and an increasingly open rivalry with the United States.

A Changing Model: Between the Public and Private Sectors

China maintains a socialist market economy, in which the public sector still plays a dominant role. In 2024, it was the public sector that drove growth, expanding by 5.7%, while the private sector recorded a slight decline of 0.1%.

The government remains the central economic actor through its state-owned enterprises, particularly in the banking, energy, mining, and infrastructure sectors. Nevertheless, Chinese authorities are trying to restore confidence in the private sector, recognizing its crucial role in innovation and employment.

What China Produces: Far More Than Shoes and Toys

China remains the world's largest exporter of goods. In 2024, the country recorded a record level of exports, reaching 25 trillion yuan, an increase of 7.1% compared with 2023.

However, the composition of these exports has changed dramatically. Alongside traditional consumer goods such as shoes and toys, China now exports a growing share of high value-added products.

Production of new energy vehicles increased by 37% in 2024, positioning China as the world's leading manufacturer of electric vehicles. The country is also investing heavily in renewable energy, semiconductors, and artificial intelligence, seeking to transition from being the "world's factory" to becoming a global technological leader.

Growth Maintained, but on Fragile Foundations

China recorded 5% economic growth in 2024—a result consistent with its official target but one of the slowest growth rates in three decades, excluding the Covid period.

This performance rests on uneven foundations. The persistent crisis in the real estate sector and weak domestic consumption have significantly weighed on the economy, creating a two-speed situation in which the external sector grows much faster than internal demand.

In 2024, Chinese export prices fell by 7% despite a stable exchange rate. This decline in industrial production prices is pushing China toward deflation, with the GDP deflator falling by around 1% per year, while consumer prices have remained largely stagnant since 2022.

This trend is worrying because, unlike inflation, deflation discourages consumption and increases the real burden of debt.

Nevertheless, the momentum in 2025 remains relatively strong. During the first six months of the year, industrial production grew by 6.4%, including 7% in the manufacturing sector alone. GDP growth reached 5.4% in the first quarter and 5.2% in the second quarter.

The Trade War with the United States: A Major Threat

China’s main external challenge in 2025 is the renewed trade war with the United States, relaunched by the Trump administration.

Donald Trump increased tariffs on all Chinese imports by 10 percentage points on February 4, 2025, followed by another 10-point increase on March 4.

Chinese imports into the United States had reached $439 billion in 2024, making China the second-largest supplier to the U.S. and the country responsible for the largest bilateral trade deficit of the United States.

Faced with this pressure, China is adapting. Part of the trade between China and the United States now passes through intermediary countries such as Vietnam or Thailand. This phenomenon, known as trade rerouting, accounts for roughly 20% to 30% of the lost Chinese exports to the United States.

Despite these adjustments, experts expect Chinese growth to slow to 4.4% in 2025, with the risk that it could fall below 4% in 2026.

The Yuan: Growing International Ambitions, but Real Limits

China’s currency, the yuan (or renminbi), has evolved significantly since the end of its fixed peg to the U.S. dollar in 2005.

Today, Beijing is actively pursuing a strategy to turn the yuan into a major international currency. The People’s Bank of China has developed its Cross-Border Interbank Payment System (CIPS), which processed 175 trillion yuan in cross-border payments in 2024, an increase of 43% compared with the previous year.

China is also multiplying bilateral agreements using the yuan with countries such as Russia, Brazil, and Saudi Arabia, while actively developing its digital yuan (e-yuan).

By November 2025, the digital yuan had processed 3.48 billion transactions, representing a total value of approximately 16.7 trillion yuan.

However, important limitations remain. In December 2024, the yuan accounted for only 3.75% of global payments according to the SWIFT platform, far behind the U.S. dollar.

In global foreign exchange reserves, the renminbi's share remains modest, around 2% in the third quarter of 2025, while the U.S. dollar remains overwhelmingly dominant.

Indeed, the dollar is still used in roughly 80% of global trade transactions, a dominance that China is methodically seeking to erode over the long term.

Conclusion

The Chinese economy of 2025 is no longer the one of the 2000s. It produces fewer toys and more electric vehicles and advanced technological components. It exports more, but consumes relatively less at home. It challenges the dominance of the dollar, but is not yet in a position to replace it.

Caught between resilience and structural vulnerabilities, China remains the most fascinating economic transformation of our time—and one of the most decisive for the future of the global economy.

Join us for the next episode of EconoMag!

Vocabulary:

- **Economy** – Économie
- **GDP (Gross Domestic Product)** – PIB (Produit Intérieur Brut)
- **Purchasing Power Parity** – Parité de pouvoir d'achat
- **Growth** – Croissance
- **Public sector** – Secteur public
- **Private sector** – Secteur privé
- **State-owned enterprises** – Entreprises publiques
- **Banking sector** – Secteur bancaire
- **Energy sector** – Secteur énergétique
- **Mining sector** – Secteur minier
- **Infrastructure** – Infrastructures
- **Exports** – Exportations
- **Consumer goods** – Biens de consommation

High value-added products – Produits à forte valeur ajoutée

Electric vehicles – Véhicules électriques

Renewable energy – Énergies renouvelables

Semiconductors – Semi-conducteurs

Artificial intelligence – Intelligence artificielle

Industrial production – Production industrielle

Deflation – Déflation

Inflation – Inflation

Debt – Dette

Trade war – Guerre commerciale

Tariffs – Droits de douane / Tarifs douaniers

Trade rerouting – Redirection commerciale

Yuan / Renminbi – Yuan / Renminbi

International currency – Monnaie internationale

Cross-border payments – Paiements transfrontaliers

Digital yuan / e-yuan – Yuan numérique / e-yuan

Foreign exchange reserves – Réserves de change