

US-CHINA TARIFFS AND THE GLOBAL REALLOCATION OF CHINESE EXPORTS: IMPLICATIONS FOR ITALY

In 2025, US-China trade tensions led to a sharp drop in US imports from China, while Chinese exports to other regions increased, indicating early signs of trade diversion. For Italy, estimates point to limited but notable export displacement, concentrated in specific sectors, alongside potential gains from lower-cost Chinese intermediate and capital goods. Italian firms report stronger competitive pressures and heightened uncertainty, particularly among exporters. Despite the challenges posed by tariffs and the redirection of Chinese exports in 2025, Italian exports have proved resilient, with growth recorded especially towards the United States.

US import growth weakened markedly in 2025, driven by a sharp decline in imports from China amid escalating trade tensions. At the same time, Chinese exports proved resilient overall¹, growing by 5.5% despite a 20% fall in shipments to the United States. Export growth to other regions remained robust, notably to the Eurozone (+8%), ASEAN (13%), Latin America (7%) and Africa (26%). A key question arises as to whether and to what extent this trend indicates trade diversion in response to higher US tariffs or other adjustment mechanisms: indeed, delays in implementation and policy uncertainty complicate a timely assessment of tariff-induced trade reallocation.

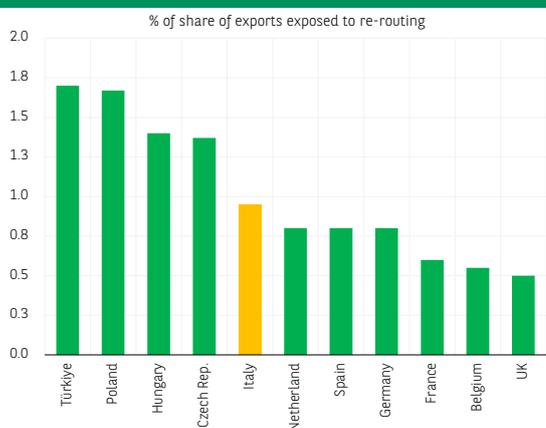
Although the empirical evidence is still limited, early indications of trade diversion are apparent, especially in consumer goods, where higher US tariffs on Chinese products are accompanied by a notable rise in Chinese export growth to other destinations. Based on alternative trade elasticity assumptions², Chinese exports to the US could decline by between USD 90 bn and USD 310 bn per year³.

The Bank of Italy has estimated, for a selection of countries, the share of exports that could be displaced by surplus Chinese supply resulting from trade deflection⁴. For Italy, displaced exports would represent approximately 1% of total exports under the upper-bound elasticity scenario (around EUR6.4 bn). While lower than in most emerging market economies, this share is among the highest in advanced economies, especially when compared to Germany and France (see chart, left panel). Under the lower-bound elasticity scenario, the share falls to approximately 0.3% (around EUR 1.9 bn).

Italy's Sectoral Exposure to Chinese Trade Deflection

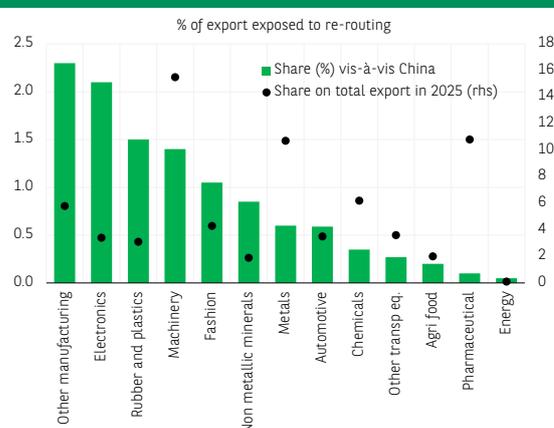
The impact varies significantly across sectors (see chart, right panel). The most affected industries include other manufacturing (such as toys), electronics, rubber and plastics, and machinery. By contrast, pharmaceuticals and other transport equipment, although highly exposed to US tariffs, show below-average exposure to trade deflection.

Trade deflection of Chinese goods might impact Italy's exports marginally, although more than Germany's and France's



SOURCE: BANK OF ITALY, ISTAT, BNL CALCULATIONS

Italy's sectoral exposure to Chinese trade deflection varies significantly across sectors



SOURCE: BANK OF ITALY, ISTAT, BNL CALCULATIONS

1 ECB, "Global trade redirection: tracking the role of trade diversion from US tariffs in Chinese export developments", in Economic Bulletin, Issue 1/2026.

2 A lower bound of -0,75 and an upper bound of -2,5, consistent with estimates from the 2018-2019 US-China trade war.

3 Bank of Italy, "The effects of US tariffs on Italian firms: an ex ante micro-level perspective", Questioni di economia e finanza, no 994, December 2025.

4 For each product, the Chinese exports diverted from the United States are redistributed across alternative destinations in proportion to China's existing export share in each country. It is assumed that, within each market, the surplus of Chinese goods displaces foreign producers according to their respective market shares.

At the same time, additional Chinese supply on the domestic market could reduce input costs for Italian firms. Approximately 60% of Italy's imports from China consist of intermediate and capital goods. Trade deflection could therefore act as a positive supply shock for firms using these inputs, potentially leading to a reduction in production costs in certain sectors.

Between May and June 2025, the Survey on Inflation and Growth Expectations conducted by the Bank of Italy gathered Italian firms' assessments of the potential effects of increased Chinese supply in their reference markets in the short run: 34% of manufacturing firms and 24% of service firms anticipated a rise in Chinese competitive pressure, with expectations more prevalent among exporters. Most firms indicated intensified competition and downward pressure on selling prices as the main transmission channel. A smaller, but still significant, share highlighted lower intermediate input prices. Firms more exposed to trade deflection also reported heightened medium-term uncertainty and greater caution in their investment plans.

However, against a challenging international backdrop, characterised by trade tensions and changing global dynamics, the overall impact of tariffs turned out to be less severe than expected so far. Italian exports proved more resilient than anticipated, recording year-on-year growth of 3.3%, with particularly strong performance in the United States (+7.2%), which remains the second-largest export market after Germany. The trade surplus reached EUR 50,746 million, significantly bolstered by the substantial surplus in non-energy products (EUR 97,685 million).

Simona Costagli

simona.costagli@bnpparibas.com



GROUP ECONOMIC RESEARCH

ECOINSIGHT

Structural or thematic topics

ECOPERSPECTIVES

Analyses and forecasts with a focus on developed and emerging economies.

ECOFLASH

Data releases, major economic events

ECOWEEK

Recent economic and policy developments, data comments, economic calendar, forecasts

ECOPULSE

Easy-to-read monthly overview of inflation dynamics

ECOCHARTS

Monthly barometer of key economic indicators of the main OECD countries.

ECOTV

What is the key event of the month?

You will find the answer in our economy broadcast.

MACROWAVES

Our economic podcast

HOW TO RECEIVE OUR PUBLICATIONS

SUBSCRIBE ON OUR WEBSITE
see the [Economic Research website](#)

&

FOLLOW US ON LINKEDIN
see the [Economic Research linkedin page](#)

OR TWITTER
see the [Economic Research Twitter page](#)



The information and opinions contained in this document have been obtained from, or are based on, public sources believed to be reliable, but there is no guarantee of the accuracy, completeness or fitness for any particular purpose of such information and such information may not have been independently verified by BNPP or by any person. None of BNPP, any of its subsidiary undertakings or affiliates or its members, directors, officers, agents or employees accepts any responsibility or liability whatsoever or makes any representation or warranty, express or implied, as to the accuracy and completeness of the information or any opinions based thereon and contained in this document and it should not be relied upon as such. This document does not constitute research, as defined under MIFID II, or form any part of any offer to sell or issue and is not a solicitation of any offer to purchase any financial instrument, nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on, in connection with any contract or investment decision. Information and opinions contained in this document are published for the information of recipients, but are not to be relied upon as authoritative or taken in substitution for the exercise of judgment by any recipient, are subject to change without notice. In providing this document, BNPP does not offer investment, financial, legal, tax or any other type of advice to, nor has any fiduciary duties towards, recipients. Any reference to past performance is not indicative of future performance, which may be better or worse than prior results. Any hypothetical, past performance simulations are the result of estimates made by BNPP, as of a given moment, on the basis of parameters, market conditions, and historical data selected by BNPP, and should not be used as guidance, in any way, of future performance. To the fullest extent permitted by law, no BNPP group company accepts any liability whatsoever (including in negligence) for any direct or consequential loss arising from any use of or reliance on material contained in this document even when advised of the possibility of such losses. All estimates and opinions included in this document are made as of the date of this document. Unless otherwise indicated in this document there is no intention to update this document. BNPP may make a market in, or may, as principal or agent, buy or sell securities of any issuer or person mentioned in this document or derivatives thereon. Prices, yields and other similar information included in this document are included for information purposes however numerous factors will affect market pricing at any particular time, such information may be subject to rapid change and there is no certainty that transactions could be executed at any specified price. BNPP may have a financial interest in any issuer or person mentioned in this document, including a long or short position in their securities and/or options, futures or other derivative instruments based thereon, or vice versa. BNPP, including its officers and employees may serve or have served as an officer, director or in an advisory capacity for any person mentioned in this document. BNPP may, from time to time, solicit, perform or have performed investment banking, underwriting or other services (including acting as adviser, manager, underwriter or lender) within the last 12 months for any person referred to in this document. BNPP may be a party to an agreement with any person relating to the production of this document. BNPP may to the extent permitted by law, have acted upon or used the information contained herein or in the document, or the analysis on which it was based, before the document was published. BNPP may receive or intend to seek compensation for investment banking services in the next three months from or in relation to any person mentioned in this document. Any person mentioned in this document may have been provided with relevant sections of this document prior to its publication in order to verify its factual accuracy.

This document was produced by a BNPP group company. This document is for the use of intended recipients and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without the prior written consent of BNPP. By accepting or accessing this document you agree to this.

BNP Paribas is a société anonyme incorporated in France, licensed and supervised as a credit institution by the European Central Bank (ECB) and as an investment services provider by the Autorité de contrôle prudentiel et de résolution (ACPR) and Autorité des marchés financiers (AMF), and having its registered office at 16, boulevard des Italiens, 75009 Paris, France.

Some or all of the information contained in this document may already have been published on <https://globalmarkets.bnpparibas.com>.

For country-specific disclaimers (United States, Canada, United Kingdom, Germany, Belgium, Ireland, Italy, Netherlands, Portugal, Spain, Switzerland, Brazil, Turkey, Israel, Bahrain, South Africa, Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore, South Korea, Taiwan, Thailand, Vietnam) please type the following URL to access the applicable legal notices: https://globalmarkets.bnpparibas.com/gm/home/Markets_360_Country_Specific_Notices.pdf

© BNP Paribas (2025). All rights reserved.

Subscribe to our publications:

ECONOMIC RESEARCH



Published by BNP PARIBAS Economic Research

Head office: 16 boulevard des Italiens – 75009 Paris France / Phone : +33 (0) 1.42.98.12.34

Internet: www.group.bnpparibas - www.economic-research.bnpparibas.com

Head of publication : Jean Lemierre

Chief editor: Isabelle Mateos y Lago



BNP PARIBAS

La banque
d'un monde
qui change