

# China has Become the EU's Top Trading Partner to the Detriment of the U.S.

EU Imports from US Declined by 13% in 2020 Against 5.6% Increase from China

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*For the first time in history, China overtook the US in 2020 as the Euro Area's (EA) top trading partner.*

*According to the research data analyzed and published by [ComprAr Acciones](#), imports from China to the EA increased by 5.6% while exports surged by 2.2% during the year. The same period saw a drop of 13.2% in EA imports from the US as well as an 8.2% decline in exports.*

Following the pandemic-related slowdown, vaccine approvals raised hope of an economic turnaround toward the end of the year. But for many European nations, recovery was hampered by the second wave of Covid-19 cases. These prompted strict social restrictions for a second time.

During the period between January and December 2020, the Euro area exported goods worth €2.13 trillion to the rest of the world. Compared to the previous year, that marked a 9.2% decline. Imports similarly fell by 10.8% from 2019 to €1.89 trillion, while Intra-Euro area trade fell by 8.9%.

However, based on improvements in trade, the region seems to be on the path to recovery. The Euro area as a whole exported goods worth €190.7 billion in December 2020, up by 2.3% YoY. It was the first increase on record during the year since February 2020.

Imports from the rest of the world during the month totaled €161.5 billion, marking a 1.3% decline from December 2019. Intra-euro area trade, on the other hand, rose by 0.9% in the same period to €148.7 billion.

China's Economy to Grow by 8.1% in 2021

The reason behind China's international trade performance is that it is the only region in the world that is going through a V-shaped recovery. Consequently, it is closer to pre-pandemic performance than the rest of the world.

China is projected to post the second highest GDP growth in 2021. According to IMF projections, it is set to post an 8.1% growth during the year, slowing down to 5.6% in 2022. Its growth rate in 2020 was 2.3%.

India is expected to lead with an 11.5% growth rate, following an 8% decline in 2020. In 2022, the growth will slow down to 6.8%. SP Global Ratings projects a 10% growth rate for India's fiscal 2022, signaling a recovery to pre-pandemic levels. The period will run from April 2021 to the end of March 2022. For fiscal 2021, it estimates a decline of 7.7% for South Asia's largest economy.

In the Euro area, Spain, which had the largest contraction in 2020 is expected to lead the recovery. Its GDP fell by 11.1% during the year and is projected to grow by 5.9% in 2021 and 4.7% in 2022.

The UK is forecast to grow by 4.5% in 2021, increasing to 5% in 2022. Its contraction in 2020 was the largest on record since the Great Frost of 1709. It had the second largest decline in the Euro area plummeting by 10%. The decline was higher than the 8% that Refinitiv analysts expected for the year. It was more than twice the fall recorded in 2009 following the global financial crisis and slightly worse than the 9.7% decline posted in 1921.

According to its Office for National Statistics, the GDP showed a slight recovery in Q4 2020, growing by 1%. This was slightly higher than Refinitiv's estimated 0.5%.

China-US GDP Gap Narrowed to \$6.2 Trillion in 2020 from \$7.1 Trillion in 2019

The US economy contracted by 3.4% in 2020 according to the IMF and is projected to grow by 5.1% in 2021 and 2.5% in 2022. According to the US government's preliminary reports though, the decline was slightly lower at 2.3% to \$20.93 trillion.

These figures denote a significant divergence between the US decline and the growth of China's GDP. Consequently, Nomura economists forecast that China will overtake the US as the world's largest economy sooner than expected. China's 2020 GDP was \$14.7 trillion (101.6 trillion yuan).

As such, China fell behind the US by \$6.2 trillion in 2020, compared to \$7.1 trillion in 2019. Based on Nomura's estimates, China will take the place of the US as the top economy globally by 2028. In case the Chinese currency strengthens to 6 yuan per dollar, it could happen by 2026.

JP Morgan analysts forecast that it could take China eight to 10 years to catch up with the US. On the other hand, China Renaissance projects that due to the impact of the pandemic, China will overtake the US three to five years sooner than previously estimated.

However, the real challenge would be for China to overtake the US in terms of GDP per capita. While China's per capita GDP was \$11,000 in 2020, the US had more than five times the figure, at \$63,200.

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