

Technology Sector Comparison: China vs. US

There is rising concern about the US technology sector, driven by extended sharp share-price appreciation, high valuations, substantial artificial intelligence investment and related debt-raising, and Europe’s (and other countries’) discomfort over heavy reliance on US technology. China, by contrast, is substantially self-reliant and offers high-end - if not world-leading - products across electric vehicles, batteries, artificial intelligence, cloud-computing and hardware, telecom equipment, industrial robotics and fintech infrastructure (payment systems). Could Chinese technology represent a viable alternative to the US technology sector exposure? Let’s compare.

Performance

Chart 1 shows the US technology sector has tripled the return of the broad US market over 20 years. It has returned approximately 1,600% vs. 550%.

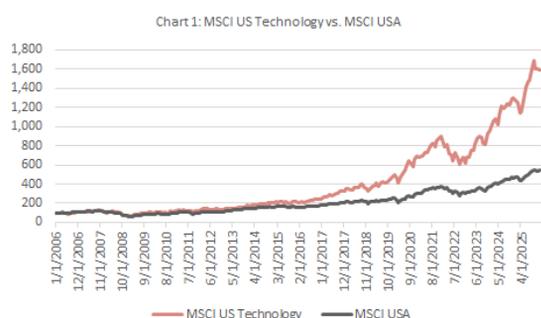


Chart 2, comparing China technology to the broad Chinese equity market, also shows a similar picture, albeit with greater volatility. Chinese technology has returned approximately 1300% vs. 270% for its broad market over 20 years.



Chart 3 compares the performance of the Chinese and US technology sectors directly. China is broadly similar to the US but more volatile.



Valuations & Profitability

Earnings-based valuations of Chinese and US technology sectors are similar. However, on cashflow and sales

metrics, Chinese technology trades at a substantial discount, as shown in Table 1 below.

(1 year to January 2026)	China Tech	US Tech
Price/Earnings	33.7	36.6
EV/Sales	1.8	10.2
EV/EBITDA	17.5	28.3
Dividend Yield	0.5	0.5

The combination of similar earnings multiples but much lower sales multiples implies higher profitability for US technology companies, which is confirmed by margin and return data, shown in Table 2.

(1 year to January 2026)	China Tech	US Tech
Gross Margin	18.5	53.9
Operating Margin	5.7	29.0
Return on Assets	4.3	14.6
Return on Equity	10.7	32.1

Growth

Estimated sales growth for 2025–2027 is comparable across both regions. However, US technology is expected to deliver higher cashflow (EBITDA) growth, reflecting stronger earnings momentum.

	COUNTRY	GR2025	GROW2026	GROW2027	AVG2025-27	AVG2026-27
Sales	China	6.5%	25.5%	14.4%	15.2%	19.8%
Sales	USA	19.0%	25.1%	13.7%	19.2%	19.3%
EBITDA	China	22.5%	19.6%	23.0%	21.7%	21.3%
EBITDA	USA	33.7%	47.4%	17.2%	32.2%	31.4%

Leverage & International Sales

What about debt levels? Both regions have very manageable leverage. Chinese technology has a debt-to-assets ratio of 20%, a little lower than the US with 25%. As for international sales, it is estimated that perhaps 50% of US technology sales are international (non-US), whereas international sales account for less than 20% of Chinese technology sector sales.

Summary

Chinese technology price performance is comparable to that of the US, with similar earnings valuations and more attractive sales-based valuations. The sector’s greater volatility reflects, in large part, the sharp underperformance during 2020–2023 following aggressive but probably one-off anti-monopoly regulations. Lower margins and valuations today appear to price in this risk. Government intervention, furthermore, may prove sector-supportive in future periods. There also remains meaningful scope for increased Chinese international sales and slower future penetration of US technology.

Opinion

Currently, the US technology sector comprises around 80% of the global technology market capitalization, with China accounting for less than 1%. Given lower Chinese valuations, capacity for greater international sales, and potential decoupling, at least at the margin, of the international community from US dependency, private investor division of US technology equity exposure into, say, 75% US and 25% China appears prudent. The ETF iShares MSCI China Tech UCITS ETF (IE000NFR7C63) is a popular ETF.

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