

China's exports surge as domestic economy weakens

Nick Beams
16 June 2026

Recent data from China show a deepening contradiction which has gripped its economy since the collapse of the property bubble at the beginning of this decade.

With the end of the property boom, which had been the main economic driver for over a decade financed by large amounts of debt, the Xi Jinping regime intensified the development of high-tech production to advance China in key global markets. It essentially rejected demands, both externally and internally, for action to stimulate the domestic economy.

The result is that while exports have been booming, the internal market, as reflected in lower consumption and investment spending, is growing at a snail's pace and even stagnating. This is one legacy of the collapse of the property bubble that has left local government authorities, which formed the base of regional economic development, deeply in debt.

Last year China recorded a trade surplus of more than \$1 trillion, the largest ever for any country and the data for the first half of this year show the export surge is continuing.

Exports in May jumped by 19.4 percent from a year earlier compared to a forecast of a 15 percent growth and a 14.1 percent increase for April. The growth was concentrated in high-tech areas—long gone are the days when Chinese exports largely comprised cheaper consumer goods, though these still play a part.

Last month there was a 110 percent increase in semiconductor exports, a 44 percent rise in mobile phones and a 66 percent increase in what are termed data processing machines which includes processing units or computers and servers, data storage units and computers.

Imports also rose by more than 27 percent in May, taking the total trade surplus for the month to \$105.4 billion, the highest since January. At this rate the total surplus for the year will go well beyond the record for 2025.

Significantly exports to the US rose by almost 36 percent—the biggest increase since 2021. It has ended, at least for now, the series of declines since the launch of the tariff war by the Trump administration which has eased

following the truce agreed to last October.

The previous declines in exports to the US, however, did not halt the rise in the Chinese trade surplus as other markets were found, pointing to the failure of the US tariff war.

Trade between Russia and China also expanded. Exports to Russia between January and May increased by 26.4 from a year earlier while imports were up by 20.2 percent.

The deepening connection between China and the South East Asian countries was also reflected in the data. Exports to this region rose 24.3 percent in May, year on year, while imports were up by 28.2 percent.

One of the most significant figures was the rise in imports from South Korea—up 84 percent year on year to a hit a record high of \$26.7 billion for May.

As the *Financial Times* reported: “South Korea accounted for about 9.8 percent of Chinese imports, higher than Taiwan's 8.5 percent, the EU's 8.3 percent and 4.8 percent for the US.”

Japan also accounts for 6-8 percent of Chinese imports. These figures indicate that China is now the centre of a vast industrial manufacturing network encompassing the regions of North East and South East Asia.

The situation in the domestic economy, however, stands in marked contrast to the tech-fuelled export boom.

Figures released by the National Bureau of Statistics (NBS) yesterday show that retail sales declined by 0.6 percent in May. This was greater than expectations and the worst result since the ending of COVID restrictions as the disease swept through the country.

Other figures told the same story. Private investment was down by 7.1 percent for the first five months of this year. Manufacturing investment fell for the first time in six years.

The slowdown in spending is reflected in the slump in car sales which were down 16 percent from May a year ago in the sixth straight month of double-digit declines.

The only bright spot was the increase in industrial production—up by 4.5 percent compared to a rise of 4.1 percent in April.

Commenting on the data, the NBS said that despite the

economy's overall stability “the external environment has become increasingly complex and volatile, and the domestic imbalance of strong supply and weak demand remains pronounced” and that “some enterprises face significant operational pressures.”

Figures on loans and credit also point to a slowing of the domestic economy. While aggregate financing increased by 2.03 trillion yuan (around \$300 billion) in May it was 11 percent lower than the previous year. According to a Bloomberg report last week, the “weak underlying credit showed little sign of rebounding despite efforts by the central bank” to stimulate its flow.

China was able to insulate itself to some extent from the impact of the war in Iran by using its large oil reserves to cut oil imports. But it has not been able to completely escape the effects of the war nor the impact of the Trump tariffs.

In April, the *New York Times* reported on protests in southern China by thousands of workers who took to the streets over the sudden close of several toy factories.

These factories operate on very thin profit margins, and the closures were the result of increases in the price of plastics, the production of which is dependent on oil and natural gas.

The factories were based in Yulin City, a toy manufacturing hub. According to the *Times*: “Workers draped banners across factory gates with slogans like, ‘Give me back my blood and sweat money.’” It said “numerous short videos” of the protests circulated online in China, apparently tolerated by authorities who mostly censor such actions.

If the internal economy continues to slow, amid declining consumer spending, sluggish investment and the rising costs of production for many firms, then the Xi regime could well be confronted with its worst nightmare—an upsurge of working-class struggles.

It used to be said by leaders of the ruling Chinese Communist Party, which functions as the chief mechanism of rule for China's capitalist oligarchy, that a growth rate of at least 8 percent was needed to maintain “social stability.”

The official growth target for this year is between 4.5–5 percent and there are doubts that even this level will be reached.

The leadership of the CCP under Xi is walking a tightrope.

The British magazine, the *Economist*, noted in a recent article, citing observations by Yuen Yuen of Johns Hopkins University: “At no time in modern history has a large country gone all in on investment in high-end technology while also navigating a slowing economy and a local-government debt crisis.”

The drag from the property crash would lessen over the years, “it would not take much to choke the new growth engine” despite being “stress tested.” However, Xi is

“nevertheless betting that the new model of growth kicks in faster than the old one, driven by land sales and construction, collapses. It is a high-stakes gamble.”

Not only is the domestic economy weakening but there are growing tensions arising from the export boom. China is not only confronted by the US but increasingly by Europe which takes 20 percent of its exports and comprises 31 percent of its record trade surplus.

Earlier this month Beijing cancelled diplomatic meetings with the European Union without a reason being given. But the move was interpreted as expressing dissatisfaction with the EU's threats to impose protectionist measures.

Last month, as it threatened tariffs and restrictions on Chinese goods, the European Commission said the rising trade deficit with China, now at €1 billion a day, was “unsustainable”.

China is vigorously opposing the EU's proposed Industrial Accelerator Act which would bar some Chinese products from government public procurement contracts and restrict takeovers of European companies. There is also a decision to exclude Chinese companies such as Huawei from telecommunications networks and solar energy systems.

A comment on the state news agency Xinhua said: “Beijing does not want a trade war with the EU, yet it will take resolute countermeasures should the EU further target Chinese companies or products.”

The *Global Times*, which strikes a more nationalist tone, said: “The EU should not and cannot afford to fight a ‘trade war with China’.”

There will be a summit meeting of the European Council later this week which will discuss “competitiveness and global economic challenges.” China is not mentioned by name, but it is clearly the target.

The doctrine of the CCP, so-called “socialism with Chinese characteristics,” is that it can somehow peacefully integrate itself into a “rules-based” global capitalist order. But that order has been shattered, above all through the actions of the Trump regime in the US, and global capitalism is rapidly moving, not into a multipolar world, but one riven by a series of conflicts which increasingly resemble those of the disastrous 1930s.



To contact the WSWWS and the Socialist Equality Party visit:

[wsws.org/contact](https://www.wsws.org/contact)