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'A Strong Propensity to Save'

Zhang Yuhan, principal economist at the Conference Board's China Center in Beijing, said China's increasingly apparent strengths in high-tech industrial areas such as robotics and electric vehicles were dragged down in part by the continuing downturn in real estate.

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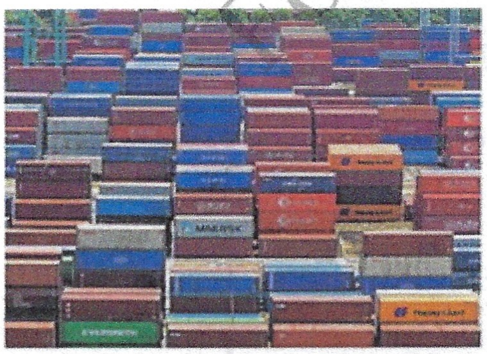
"Households and firms have a strong propensity to save," Zhang said, pointing to the latest official figures.

Unemployment, too, remains a concern. China's headline measure of joblessness, the urban surveyed unemployment rate, remained at 5% in June, unchanged from May.

The anemic domestic demand was evident in sluggish consumer and factory prices. Factory-gate prices plunged deeper into contraction in June, recording the largest drop since July 2023 as businesses struggled with uncertainty over the trade war with the U.S. and the subdued demand at home.

Bank lending and broader credit growth picked up in June after falling short of expectations in previous months. But analysts say credit expansion is likely to slow again without fresh fiscal stimulus.

image



China's robust second-quarter growth was driven in large part by the country's expectation-defying export sector. CFOTO/ DDP/ ZUMA PRESS

China Says Economy Withstood Tariffs

Second-quarter GDP growth of 5.2% is reported as exports top forecasts

BY JONATHAN CHENG

BEIJING—China's economy showed resilience in a turbulent first half of the year, remaining on track to hit its official growth target for the year despite President Trump's shifting tariff assault.

China said its gross domestic product expanded 5.2% in the second quarter of 2025 compared with a year earlier, slowing a touch from the 5.4% pace set in the first three months of the year and coming in line with economists'

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expectations.

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For the first half of the year, the world's second-largest economy increased 5.3% from a year earlier, China's National Bureau of Statistics said on Tuesday, above the level needed to hit Beijing's official full-year target of around 5% growth. On a quarter-over-quarter basis, China said its GDP grew 1.1% in the April-to-June period, slowing slightly from the first quarter's 1.2% gain.

The robust result was driven in large part by its export sector, a surprising engine of growth following Trump's return to office and his no-holds-barred approach to ratcheting up tariffs, often with little advance warning. At one point in the spring, the president pushed tariffs on some Chinese goods to 145%, effectively making those goods unsalable in the U.S.

Nonetheless, Chinese factories have kept their production lines humming. On Monday, a day before the GDP data release, China's customs agency reported a 5.9% year-over-year increase in outbound shipments in the first six months of 2025. That result defied expectations, highlighting the heft and flexibility of the country's manufacturing and export sector, despite a decade of trade turbulence with the U.S.

Some of the export strength can be chalked up to a temporary truce struck between the two global powers in June in London, which dialed down tariffs and removed some points of tension bedeviling U.S.-China commercial ties.

But a look at the composition of Chinese exports also helps explain how the country's manufacturers managed to avoid a more broad-based export drop. While the U.S. is the world's biggest economy and the single largest destination for Chinese-made goods, Chinese exporters were able to offset the 10.9% hit to U.S.-bound exports over that stretch by boosting shipments to Southeast Asia by 13%, to Africa by 22%, to Latin America by 7.2% and to the European Union by 6.6%.

It is unclear how many of those exports eventually find their way into the U.S. But the reconfiguration of global trade flows has raised concerns in Washington that Chinese exporters have found a way to flout tariffs on Chinese-made goods by taking a detour.

When the Trump administration struck a deal with Vietnam this month to lower tariffs on imports from the Southeast Asian country, it included a clause that called for higher tariffs on transshipped goods—a reference to products redirected to Vietnam before being sent to the U.S.

The president didn't call out China by name, nor did he spell out how such rerouting would be defined, or policed. But in Beijing, officials have warned the Trump trade team against using its continuing negotiations with dozens of other countries to target China.

The prospect of more trade barriers to goods originating in China, as well as the uncertainty around trade negotiations with the Trump administration ahead of mid-August, when a 90-day grace period for the current tariffs rollback expires, has clouded the outlook for the second half of the year.

For now, though, the country's export machine has rumbled onward, helping push China's industrial production up 6.8% in June compared with a year earlier. That was a significant gain from May's 5.8% year-over-year increase and far better than the 5.6% rate forecast by economists. The industrial and export strength was offset, however, by continued weakness in the property sector, and subdued domestic demand weighed on growth.

Note

Retail sales, a gauge of consumption, rose just 4.8% from a year ago in June, the data showed. That fell far short of May's 6.4% growth rate and the 5.6% growth expected by surveyed economists.

Growth in China's fixed-asset investment also slowed to 2.8% in the first half of the year, a considerable drop off from the 3.7% year-over-year rise for the January-to-May period. Notably, property investment plunged 11.2% in the first half of the year, while construction starts tumbled 20% over the same stretch.

Home prices also continued their long slide in June, with prices still in the doldrums several years into the country's government-induced housing downturn, despite recent signs of the market's turning a corner.

New-home prices in 70 major Chinese cities fell 0.27% in June from May, according to Wall Street Journal calculations based on data China's statistics bureau released Tuesday. That was wider than May's drop, and brings the price decline this year to 4.7%, as developers struggle with excess inventory and heavy debt burdens.

Note

In a press conference shortly after the data release, Sheng Laiyun, deputy chief of the statistics bureau, called for stronger efforts to halt the downturn and stabilize the real-estate market.

