

BREAKING Japan's core inflation hits highest level since January 2023, putting pressure on

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The world could be facing another 'China shock,' but it comes with a silver lining

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**KEY POINTS**

China's manufacturing overdrive is rippling through global markets, stirring anxiety in Asia that a flood of cheap imports could squeeze local

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industries.

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But for inflation-worn economies, economists say the influx of low-cost Chinese goods comes with a silver-lining: lower inflation.



Singapore-based online grocery retailer Webuy staff is offloading containers filled with goods shipped from China.

SINGAPORE -- Vincent Xue runs an online grocery retail business, offering fresh produce, canned food, packaged easy-to-cook ingredients to cost-conscious local consumers in Singapore.

Xue's Nasdaq-listed Webuy Global sources primarily from suppliers in China. Since late last year, one third of his suppliers, saddled with excess inventory in China, have offered steep discounts of up to 70%.

“Chinese domestic markets are too competitive, some larger F&B manufacturers were struggling to destock their inventories as

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weak consumer demand drags,” he said in Mandarin, translated by CNBC.

Xue has also gotten busier this year after sealing a partnership with Chinese e-commerce platform Pinduoduo that has been making inroads into the Southeast Asian country.

“There will be about 5-6 containers loaded with Pinduoduo’s orders coming in every week,” Xue said, and Webuy Global will support the last-mile delivery to customers.

At a time when steep tariffs are deterring Chinese exports to the U.S., while domestic consumption remains a worry, overcapacity has led Chinese producer prices to stay in deflationary territory for more than two years. Consumer inflation has remained near zero.

Still, the country is [doubling down on manufacturing](#), and this production overdrive is rippling through global markets, stirring anxiety in Asia that a flood of cheap imports could squeeze local industries, experts said.

“Every economy around the world is concerned about being swamped by Chinese exports ... many of them [have] started to put up barriers to importing from China,” said Eswar Prasad, senior professor of trade policy and economics at Cornell University.

But for inflation-worn economies, economists



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say the influx of low-cost Chinese goods comes with a silver-lining: lower costs for consumers. That in turn could offer central banks some relief as they juggle lowering living costs while reviving growth on the back of rising trade tensions.

For markets with limited manufacturing bases, such as Australia, cheap Chinese imports could ease the cost-of-living crisis and help bring down inflationary pressure, said Nick Marro, principal economist at Economist Intelligence Unit.

Emerging growth risks and subdued inflation may pave the way for more rate cuts across Asia, according to Nomura, which expects central banks in the region to further decouple from the Fed and deliver additional easing.

The investment bank predicts Reserve Bank of India to deliver additional rate cuts of 100 basis points during rest of the year, central banks in Philippines and Thailand to cut rates by 75 basis points each, while Australia and Indonesia could lower rates by 50 basis points, and South Korea by a quarter-percentage-point.

'China shock'

In Singapore, the rise in costs of living was



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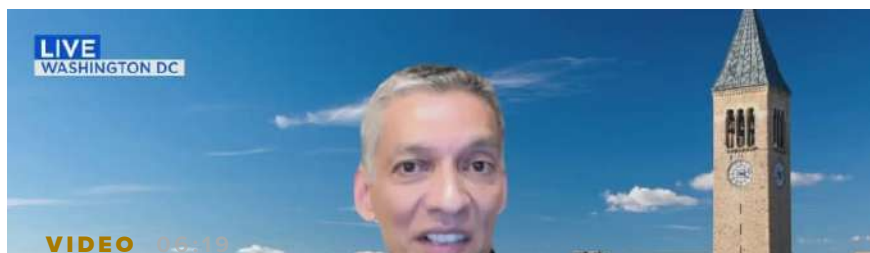
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Countries are balancing US tariff threats with Chinese

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goods flood in.



Countries are balancing US tariffs with Chinese overcapacity: Eswar Prasad

“Disinflationary forces are likely to permeate across Asia,” added Nomura economists, anticipating Asian nations to feel the impact from “China shock” accelerating in the coming months.

Asian economies were already wary of China’s excess capacity, with several countries imposing anti-dumping duties to safeguard local manufacturing production, even before the roll-out of Trump’s sweeping tariffs.

In the late 1990s and early 2000s, the world