Chinese economy

China's GDP grows 5.2% as exports show resilience against Trump trade war

World's second-biggest economy on track for full-year target despite weak demand at home

China's economy has relied on robust exports and manufacturing to offset a property slowdown and weak domestic demand © Go Nakamura/Reuters

Joe Leahy and **Wenjie Ding** in Beijing and **William Sandlund** in Hong Kong

Published JUL 14 2025

The Chinese economy expanded 5.2 per cent year on year in the second quarter as the world's biggest exporter shrugged off the impact of Donald Trump's trade war.

The rate, which slightly exceeded the 5.1 per cent average estimate from analysts polled by Reuters, positions Beijing to hit its full-year target of about 5 per cent. It shows how China has been able to keep growth on track through exports and investment even as it struggles with weak demand at home.

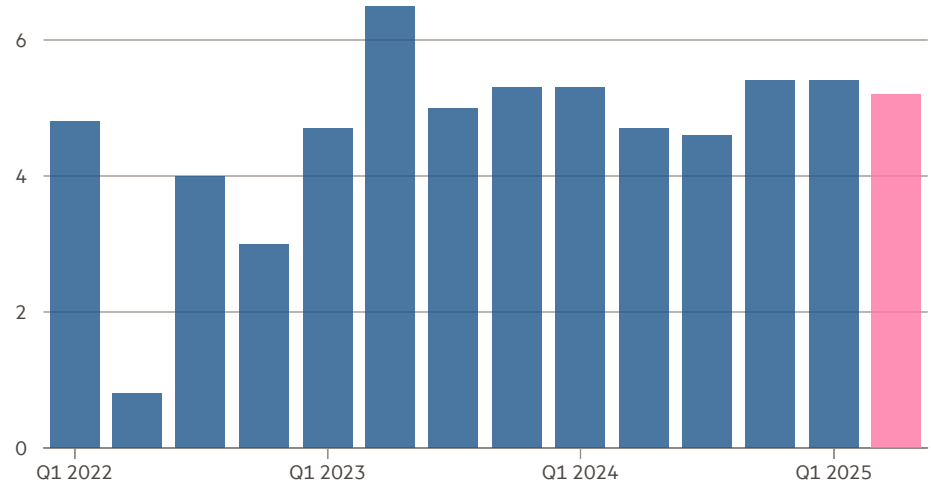
Shuang Ding, chief economist for greater China and north Asia at Standard Chartered, said that, although real GDP growth was better than expected in the first half of the year, the second half could be challenging.

"There will be some headwinds," Ding said, noting that first-half growth had been boosted by frontloading trade ahead of US tariffs and greater fiscal spending. "Higher tariffs will take a toll on China's exports," Ding said.

China's benchmark CSI 300 index however fell 0.5 per cent on Tuesday while the renminbi weakened 0.1 per cent to Rmb7.18 a dollar. In Hong Kong the Hang Seng index edged up 0.2 per cent.

China's economy maintained strong growth in the second quarter

Quarterly GDP growth, year-on-year change (%)



Source: National Bureau of Statistics

The administration of President Xi Jinping has relied on robust exports and manufacturing to offset a property slowdown. Xi's negotiators in the coming weeks will seek to hammer out a final trade deal with the US to avoid Trump's punishing tariffs.

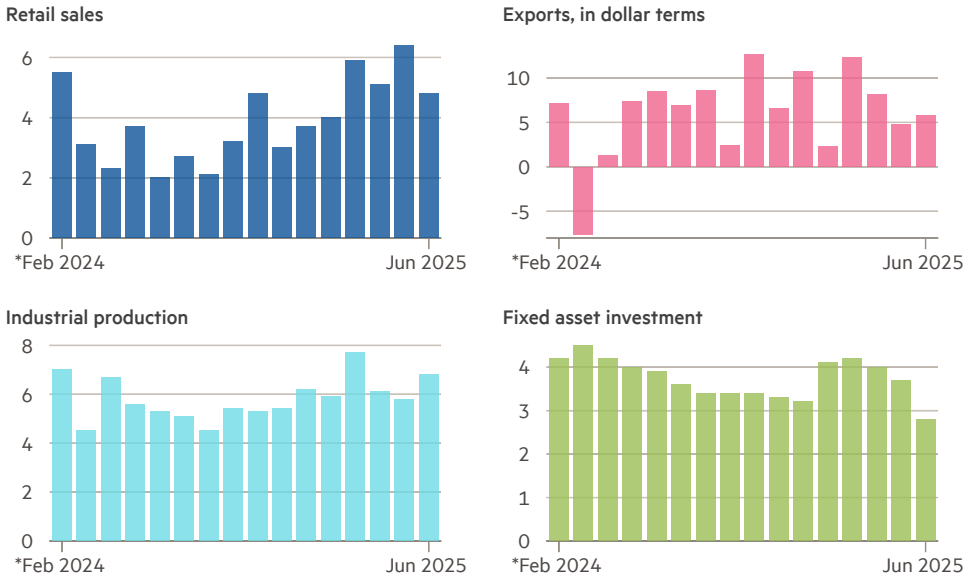
On Monday, China reported strong second-quarter trade figures after a truce in the trade war last month enabled producers to ship more goods abroad. The US is seeking to throttle China's exports by imposing high tariffs on the transshipment of goods through third countries such as Vietnam.

China's National Bureau of Statistics reported on Tuesday that industrial output grew 6.8 per cent year on year in June, exceeding an average analyst forecast of 5.7 per cent.

"Manufacturing and high-tech industries are leading industrial growth, with standout gains in, for example, robotics, new energy vehicles, and equipment manufacturing," said Yuhan Zhang, principal economist at The Conference Board's China Center.

China's second-quarter retail sales rise while exports remain resilient

Economic indicators, year-on-year change (%)



Source: National Bureau of Statistics, China's General Adminstration of Customs • The monthly change of fixed asset investment is reported as cumulative YoY growth. *Data is combined for January and February

Retail sales increased 4.8 per cent year on year in June, missing the average analyst forecast of 5.4 per cent and lagging a 6.5 per cent rise the previous month.

Lynn Song, chief China economist at ING, said there was a concern that the boost from the government's trade-in policy, under which people could buy new goods at subsidised prices to boost consumption, was "at or near the peak".

"China remains on track to hit this year's growth target, though a slowdown could be on the way," he said.

China's real estate downturn continued to drag on growth. Average new home prices declined about 3.7 per cent last month from a year earlier while second-hand residential property prices fell about 6 per cent.

Sheng Laiyun, deputy commissioner of the NBS, said the "bottoming out" of the real estate market was "a normal phenomenon".

Economists worry that overproduction in many sectors, combined with weak demand, is driving deflationary pressures. In recent weeks, Chinese Communist party media has criticised industrial overcapacity for driving a vicious price war in the domestic market.

"The Chinese economy's performance is both encouraging and concerning, with decent GDP expansion in the first half of the year overshadowed by unbalanced growth driven by investment and exports," said Eswar Prasad, professor of economics at Cornell University.

"China is likely to need more policy stimulus as well as structural reform measures in the second half of 2025 to bolster the economy's performance, make growth more balanced, and fend off deflationary pressures," Prasad added.

Data visualisation by Haohsiang Ko in Hong Kong

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