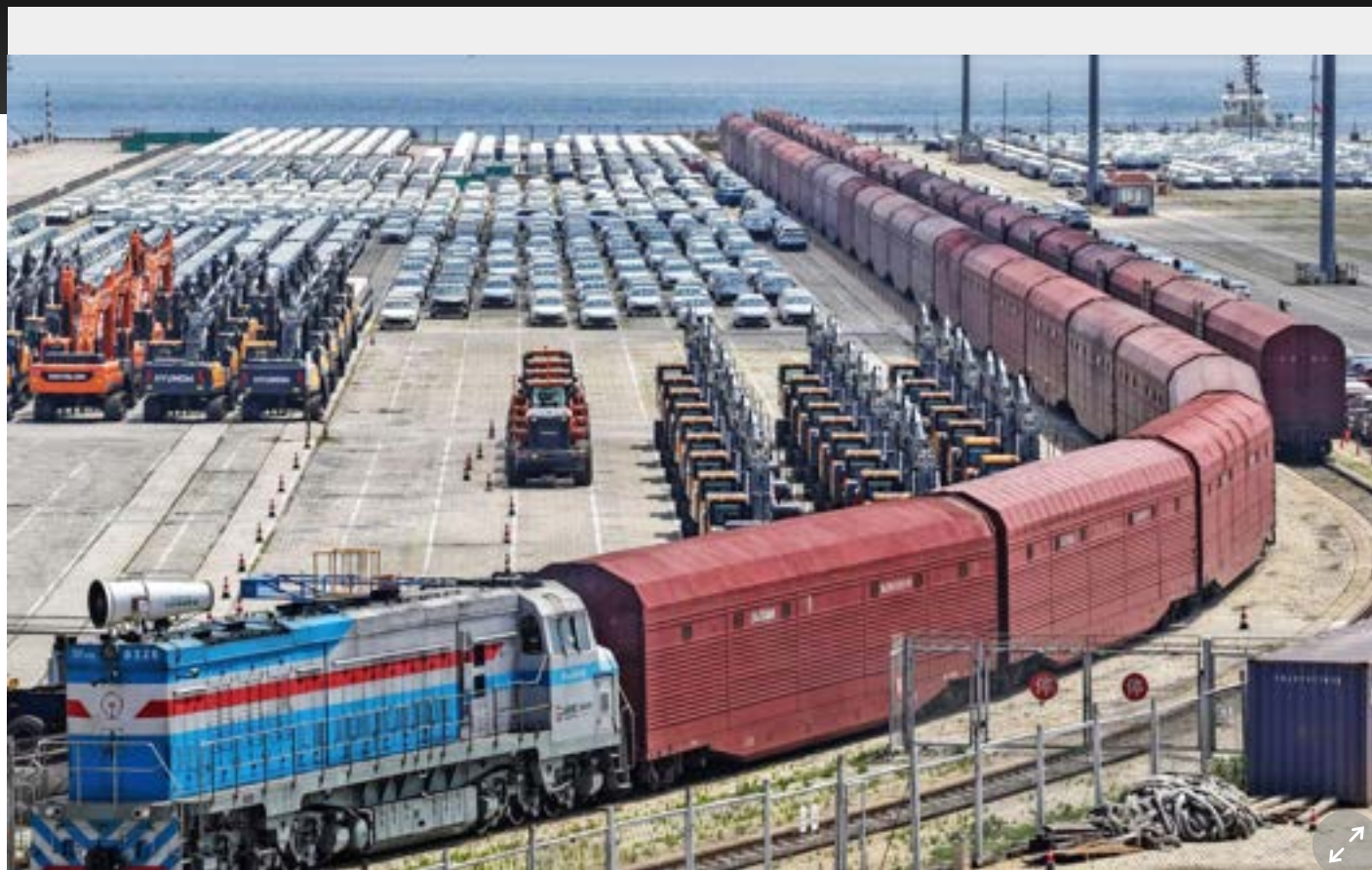


BUSINESS

China grew at its slowest pace in more than 3 years last quarter



1 of 5 | Heavy equipment and cars are prepared for shipment by rail in Yantai, eastern China's Shandong province, on June 20, 2026. (Chinatopix via AP) CHINA OUT

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BY **CHAN HO-HIM**

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China's economy slows sharply to a 4.3% annualized pace of growth in the April-June quarter, the government said Wednesday, the weakest in over three years.

The official data fell short of forecasts and was far below the economy's [strong 5%](#) pace of growth in January-March, despite a surge in exports driven partly by the boom in artificial intelligence, and by robust global demand for Chinese [electric vehicles](#).

[China](#) has largely shrugged off wider economic impacts from the Iran war as soaring energy prices pushed up global inflation. Exports rose 17.6% in the first half of the year from a year earlier, and [27% in June](#), according to customs data.

But domestic spending and investment have lagged, limiting the boost from export manufacturing for an economy that has struggled to regain momentum since parts of China were locked down during the COVID-19 pandemic.

"This was the slowest growth in any quarter since the lockdown-impacted fourth quarter of 2022," said Lynn Song, chief economist for Greater China at ING Bank in a note.

Some economists say China's economy is becoming increasingly unbalanced as heavy state support and private investments pour into frontier [technologies](#) like AI, computer [chips](#) and [robotics](#) while other areas such as lower-value manufacturing and jobs creating services industries languish.

Exports of [high-tech products](#) such as electric vehicles, computer chips and other electronic equipment have risen sharply, helped by hefty government support since China's leaders have made development of advanced technologies a top priority.

China ran a [record \\$1.2 trillion global trade surplus](#) last year, drawing complaints from policymakers in other countries over their trade imbalances with the world's second-largest economy. Many have pointed to those heavy state subsidies, which they say contribute to an oversupply of manufactured goods that end up being exported overseas. Industrial output by value rose 5.4% in the first half of the year from a year earlier.

As is true in many countries, the expansion of AI and robotics has also raised worries at home over whether businesses will create enough jobs to sustain growth in the longer term.

Chinese families have [cut back](#) on big purchases, their appetite for spending constrained by a [prolonged property slump](#) and uncertainties over jobs and wages.

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As China remains reliant on its exports to sustain overall growth, “China’s growth model has become increasingly imbalanced,” said Eswar Prasad, a professor of economics and trade policy at Cornell University. Substantially increasing domestic demand will be tough as confidence remains weak, he added.

Mao Shengyong, deputy head of China’s National Bureau of Statistics, told reporters that given the increasingly unstable and uncertain global situation, the imbalance between strong supply and weak demand “remains acute” at home.

As China focuses on high-tech manufacturing and pursues “higher-quality economic growth,” it will work to build a robust domestic market and offer support to keep employment stable, he said.

Highlighting weaker points in the economy, investment in fixed assets, such as factory equipment, fell 5.7% year-on-year in the first half of the year, while retail sales of consumer goods climbed a meager 1.3%. Housing prices continued to fall.

China’s economy is going through a “significant transition,” said Wei Li, Head of Multi-Asset Investments at BNP Paribas Securities (China).

For the whole of 2026, Chinese leaders have set a [growth target of 4.5% to 5%](#), slower than last year’s 5%. Overall economic growth for the first half of the year was at 4.7%, the data released Wednesday showed.

The International Monetary Fund recently [raised its forecast](#) for China’s annual growth by 0.2 percentage point to 4.6%. It expects China’s economy to expand just 4.1% in 2027.

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Chan writes about business and economy in China for The Associated Press, reporting on key sectors of the world’s second-largest economy from trade and technology to autos. He is based in Hong Kong.



