Selling to the world, buying too little at home

China posted a record $1.2tn trade surplus last year as its factories powered ahead. Behind the boom lies a weaker domestic story: a property crisis, fragile consumer confidence and households still reluctant to spend. As Donald Trump arrived in Beijing with sixteen of America's top executives, the question was whether the world's second-largest economy can rebalance or whether its imbalance will be exported to everyone else.

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When US president Donald Trump arrived in Beijing on May 15, he did not come alone. Alongside him were sixteen of America's most powerful chief executives, among them Apple's Tim Cook, Nvidia's Jensen Huang and Tesla's Elon Musk, all hoping to crack open the world's most coveted consumer market. What they found was a country exporting goods to everyone and buying too little from itself: a nation of savers sitting on record household deposits while its factories break export records. Last year, China's trade surplus reached a record $1.2tn, according to Neil Shearing, group chief economist at Capital Economics - one of the most consequential imbalances in the global economy. Exports rose 19.2 per cent year on year in the first months of 2026, official Chinese data show, while domestic demand remained weak.

Since the pandemic, domestic spending's contribution to GDP growth has roughly halved, from six percentage points to three, according to Julian Evans-Pritchard, head of China economics at Capital Economics in Singapore. China is selling more to the world because it is struggling to sell enough at home. The question is whether that imbalance can be unwound - or exported to everyone else.

A crisis four years in the making

China's consumption problem began not in its shopping malls, but in its apartment blocks. For decades, property was where Chinese families stored their wealth, their security and often their hopes of moving up the social ladder. But when the post-pandemic property market began to unravel in 2022, it did more than drag down developers and local governments. It shocked the balance sheets of ordinary households. Unlike families in the west, who can spread savings across stocks, bonds and pension funds, many Chinese households have had few places to put their money beyond bricks and mortar. "Chinese households' wealth is particularly concentrated in real estate because they don't have access to a lot of other financial assets," Evans-Pritchard said at a Capital Economics briefing in Singapore earlier this month. As property prices fell, consumer confidence collapsed and savings rates, already among the highest in the world, climbed further. The consequences are visible across the economy: retail sales of high-value discretionary goods fell 11 per cent in late 2025, according to Oxford Economics, even as subsidised trade-in programmes briefly flattered the headline figures. Four years on, there are few signs the wound is healing.

The export machine

While Chinese consumers economise, the country's factories have rarely been busier. The divergence is partly rooted in the pandemic. As borders closed and global demand for goods surged, Chinese exporters expanded capacity and gained pricing power. But when demand softened elsewhere, China's producers were able to cut prices back towards pre-pandemic levels to keep goods moving. Many competitors could not do the same. Higher wages and elevated price levels had become embedded across much of the global economy. China's relative low prices, helped by exchange rates, gave its exporters a powerful advantage. "The fundamental forces, the relative price differences, exchange rates - have completely outweighed what's been going on with tariffs," Evans-Pritchard said. The result has been a relentless push into global markets. Oxford Economics data suggest China's exports to ASEAN grew by $67.8bn in 2025, while exports to Africa rose by $37.4bn. The clearest example is the green industries now at the centre of global trade tensions: electric vehicles, solar panels and batteries. China produced around 80 per cent of the world's solar PV modules and battery cells, and 70 per cent of electric vehicles in 2024, according to Ember. For Beijing, that is an opportunity. For its trading partners, it is another sign that China's domestic imbalance is spilling into the world economy. Logan Wright, Director of China Markets Research at Rhodium Group, goes further. "The tools are missing more than the political will," he says. "China's fiscal and financial system can no longer produce the same pace of investment growth given stagnant fiscal revenues and the levels of non-performing loans within the system."

Pushing on a string

Beijing has not been idle. The fiscal deficit has widened to around 7 per cent of GDP, while interest rates have been cut repeatedly - signs that policymakers are trying to shake the economy back into life. But the response has been weak. "China is essentially in a liquidity trap," Evans-Pritchard said. "It's kind of like pushing on a string, credit demand is not really that responsive to interest rate reductions." The International Monetary Fund reached a similar conclusion in its 2025 Article IV Consultation, urging Beijing to shift fiscal support away from investment and towards consumption while warning that deflationary pressures risk becoming embedded. The problem runs deeper than policy settings. Cutting rates can lower the cost of borrowing. It cannot easily repair a crisis of consumer confidence.

A plan without a target

Beijing's answer to its two-speed dilemma began to take shape in March, in the language surrounding the 15th Five-Year Plan. Officials spoke of raising household consumption's share of GDP. The language was aspirational. The targets were missing. "Yes, there was talk of increasing the consumption share of GDP," says Evans-Pritchard, "but it was clear from the Five-Year Plan that their overarching priority is still self-sufficiency in technology and industrial policy." That contradiction is structural. Industrial policy builds factories, chips and clean-energy supply chains. Consumption-led growth requires welfare transfers, healthcare provision and a stronger safety net.

Deborah Elms, executive director of the Asian Trade Centre, is sceptical that rebalancing is inevitable. "You hear a lot... people who will argue, well, China has to rebalance its economy," she said at a Hinrich Foundation meeting in Singapore in May. "To which I have to say: why?" Her answer is that export-led growth has worked for decades. But she added a warning: "If the world is going to become more protectionist, then an export-led growth strategy is going to be a problem."

What happens next

When Trump's delegation departed Beijing, the announcement encountered of stabilised relations, resumed dialogue and managed coexistence. But the question remained unanswered: what happens to an economy producing more than its own citizens are willing to absorb, and selling into a world growing less willing to buy?

China's two-speed model has proved remarkably durable. The property crisis drags on, households keep saving, the trade surplus widens. Wright is blunt about the trajectory: "Continuing to grow China's global export market shares is not a sustainable strategy."Yet growth continues, exports surge and Beijing's planners show little sign of changing the strategy that brought them here. The question is not whether China can keep its export engine running. The evidence suggests it can. The question is what happens when the world stops letting it.