Economic Indicators Analysis 7 August 2026

AI-driven Exports Continued to Boost Chinese Mainland's Trade Balance

Summary:

- Widening trade balance is poised to remain supportive for GDP growth.
- AI-related products continued to be a primary growth driver of exports.
- Strong exports were widely seen across major destinations, with a notable surge in shipment to major Asian economies.

The Chinese Mainland's external trade sustained strong growth in July. Although ports and factories' operations were once disrupted by extreme weather conditions, merchandise exports sustained solid growth of 23.9% year-on-year (YoY) in July, following a 27.0% surge in June, exceeding market expectations. Concurrently, merchandise imports expanded briskly by 27.5% YoY in July, down from 36.0% in June. Robust trades continue to render solid support for production activity. Taken together, the Chinese Mainland's trade balance widened to RMB 112.5 billion in July and 687.4 billion in January-July, respectively, thereby providing a solid support to the GDP growth.

High-tech goods acted as the primary growth driver of exports. Global Supercycle for Artificial Intelligence (AI) infrastructure and applications continued to generate robust demand for computing-related products. Exports of integrated circuit (IC) maintained triple-digit YoY growth for a third straight month at 116.6% in July, while export growth of computers accelerated from 53.1% YoY in June to 67.4% in July. Notably, IC prices stayed elevated, further driving up their export values. Meanwhile, automobile export growth stayed buoyant at 60.4% YoY in July, following a surge of 69.6% in June, reflecting robust external demand for Chinese-made electric vehicles amid a global green transition cycle.

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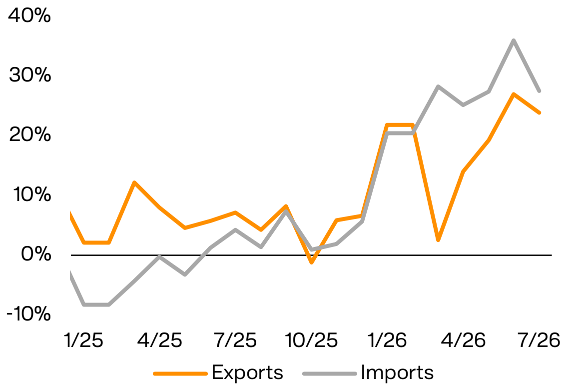
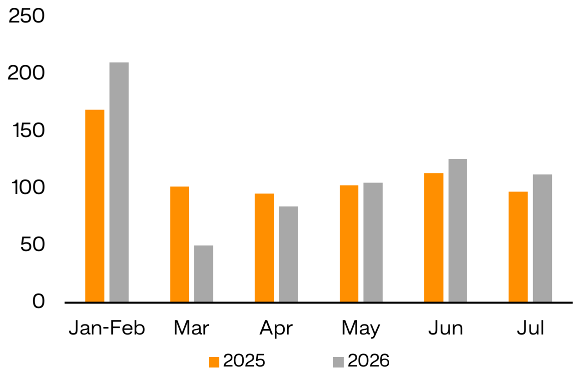
Exports & Imports (YoY)



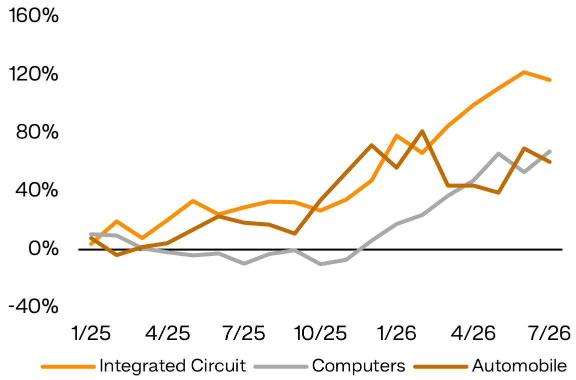
Source: General Administration of Customs

Trade Balance (USD Billion)



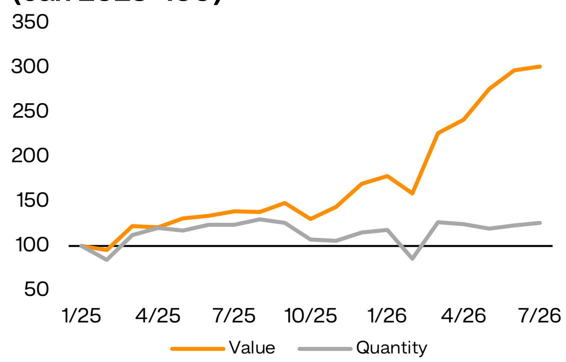
Source: General Administration of Customs

Exports of Selected Goods (YoY)



Source: General Administration of Customs

IC Export Value & Quantity (Jan 2025=100)



Source: General Administration of Customs

Strong exports were widely seen across major trading partners. Notably, the Chinese Mainland's exports to major Asian economies strengthened further, with accelerating growth for exports to ASEAN (from 34.5% YoY to 38.4% in July), South Korea (from 42.6% to 46.6%) and Japan (6.9% to 14.0%). Moreover, exports to the US picked up from 13.9% YoY in June to 17.0% in July, reflecting ongoing normalisation of bilateral trade. In late July, the US implemented new Section 301 tariffs on imports from 60 trading economies to replace its earlier tariffs that were struck down or expired. In effect, the impact should be limited, as the US effective tariff rate on China estimated by Bloomberg only rose slightly from 20.8% to 22.2%. Meanwhile, exports to the EU eased but remained robust at 16.0% YoY in July.

Imports stayed strong for supporting manufacturing production. Imports for mechanical and electrical products maintained robust growth of 46.0% YoY in July, slightly down from 47.5% in June. Specifically, the imports of computers and IC soared by 193.8% YoY and 71.1% in July, respectively. This indicates a mature global supply chain through diversified trading partners to support high-tech production. On the contrary, imports of crude oil and refined petroleum product declined by 4.6% YoY and 20.5%, respectively, which could be due to elevated energy prices amid geopolitical tensions in the Middle East.

Looking ahead, the Chinese Mainland's high-tech competitiveness is likely to sustain its export resilience. Underpinned by a holistic industry base, the Chinese Mainland's export-related sectors is likely to benefit from the ongoing global AI investment cycle. Moreover, the upcoming summit between President Xi Jinping and US President Donald Trump, likely in September, warrants attention for further development in bilateral trade, particularly on whether the tariff truce which will be extended given a scheduled expiration in November 2026.

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