

Macro Note

China: Trade outperformance extended on AI boom

Tuesday, 09 June 2026

Global Economics & Markets Research
GlobalEcoMktResearch@uobgroup.com
www.uob.com.sg/research

Ho Woei Chen, CFA
 Economist
Ho.WoeiChen@uobgroup.com

- **China's exports and imports continued to power ahead in May.** In USD terms, exports rose 19.4% y/y (Bloomberg est.: 15.0%; Apr: 14.1%) and imports strengthened further to 27.4% y/y (Bloomberg est.: 26.0%; Apr: 25.3%). The monthly trade surplus widened to US\$105.43 bn from US\$84.82bn in Apr.
- **AI-related tech demand and higher prices underscored the resilience.** Strong AI-related demand and investment supported robust two-way trade in tech products, with semiconductors and computers fueling both export and import growth in May. The surge in import price inflation vs. more gradual rise in export prices likely compressed margins for exporters. CNY appreciation provides some cushion against higher costs as energy prices rise globally.
- **By product, export gains were concentrated in high value-added and strategic sectors: rare earths (+237.4% y/y), semiconductors (+110.9%), computers (+66.1%), and phones (+44.3%).** In contrast, traditional industries remained soft, with continued contractions in exports of footwear (-10.4%), handbags (-4.9%) and garments (-4.1%). Exports of refined petroleum products (+27.2% y/y) rebounded strongly in May, helped by a low base of comparison.
- **Broad-based improvement across export destinations.** Export growth accelerated across major markets, including **Hong Kong (+63.1%), South Korea (+42.1%) and ASEAN (+24.3%).** Shipments to the **US (+35.4%)** rebounded at its strongest pace since Mar 2021, boosted by the low base of comparison and the voiding of US tariffs imposed under President Trump's International Emergency Economic Powers Act (IEEPA). This may provide a window for frontloading shipments as the US has sought to rebuild its tariffs under Section 301 (unfair trade practices) and Section 232 (national security). ([US: Rebuilding President Trump's tariff wall](#), 5 Jun 2026)
- **Imports are supported by tech demand and higher commodity prices.** Growth was led by **computers (+80.1%), semiconductors (+68.0%) and mechanical & electrical products (+38.2%).** Higher oil and raw material prices linked to Middle East disruptions lifted import values of crude petroleum oil (+15.3%) and copper products (+44.3%). **In volume terms, however, imports of crude oil and refined products fell sharply due to supply constraints while LPG imports rebounded after declining in Apr.** Soybean imports continued to rise following China's commitments to purchase more US agricultural exports after President Trump's visit to Beijing.
- **Import gains were also broad-based by source.** Import growth was supported by increases from key trading partners, including South Korea (+83.6%), Japan (+29.2%), ASEAN (+28.2% y/y), US (+20.4%), and Taiwan (+19.6%).

- **Trade outlook:** Year-to-date (through May), China recorded strong export and import growth of 15.5% y/y and 24.5% y/y respectively. With imports outpacing exports, the cumulative trade surplus of US\$451.71 bn was 3.8% lower than US\$469.61 bn in the same period last year.
- China's exports have thus far proven resilient to the US-Iran war, supported by the global AI investment cycle. Nonetheless, a prolonged disruption in the Strait of Hormuz could weigh on global demand and raise downside risks to China's export outlook in late 2026 and early 2027. Continued CNY appreciation may also reduce China's competitiveness. **Factoring in the robust performance to-date, we further raise our 2026 export growth forecast to 11.0% (from 6.0%; 2025: 5.5%) and import growth to 15.0% (from 10.0%; 2025: flat).**

Foreign trade in USD and CNY terms

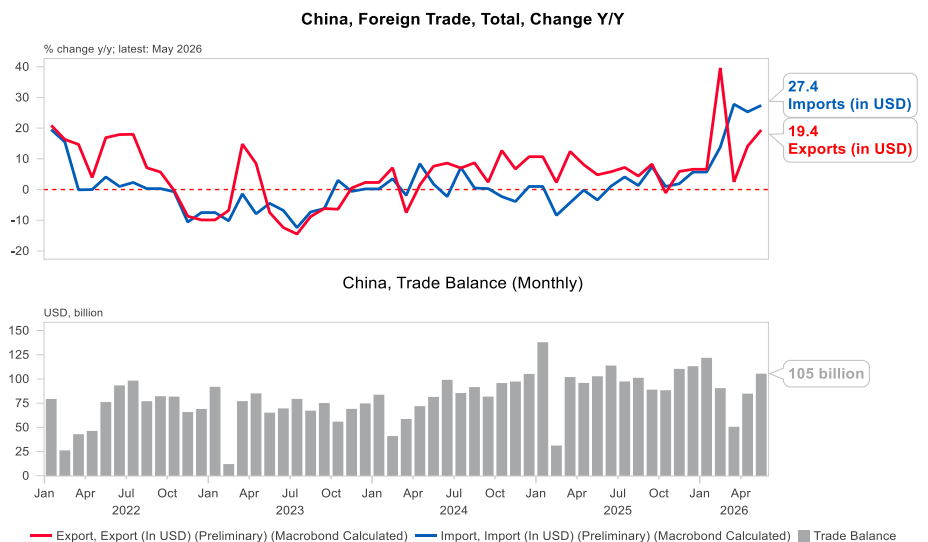
Source: Macrobond, UOB Global Economics & Markets Research

Latest = May 2026	y/y % change		Latest	1-mth ago	1-yr ago
	-5	0 5 10 15 20 25 30			
Export (In USD)			19.4	14.1	4.6
Import (In USD)	▲		27.4	25.3	-3.3
Export (In CNY)			13.8	9.8	6.3
Import (In CNY)	▲		21.5	20.6	-2.1

■ Latest ● 1M ago ▲ 1Y ago

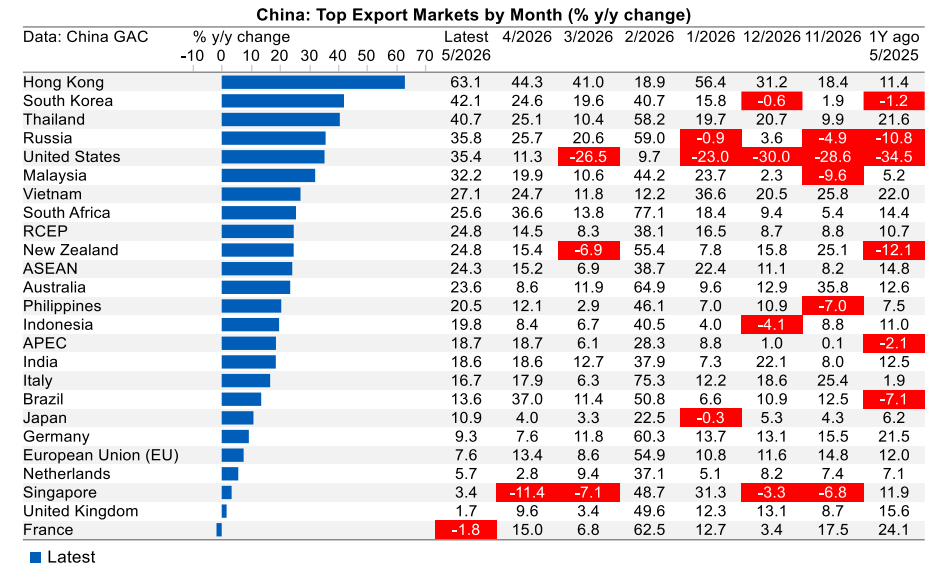
Trade surplus widened as export growth strengthened

Source: Macrobond, UOB Global Economics & Markets Research



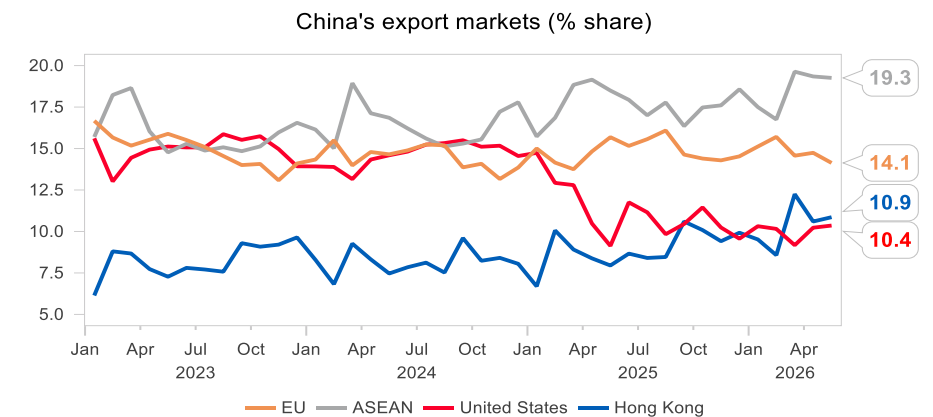
Export performance by key markets

Source: Macrobond, UOB Global Economics & Markets Research



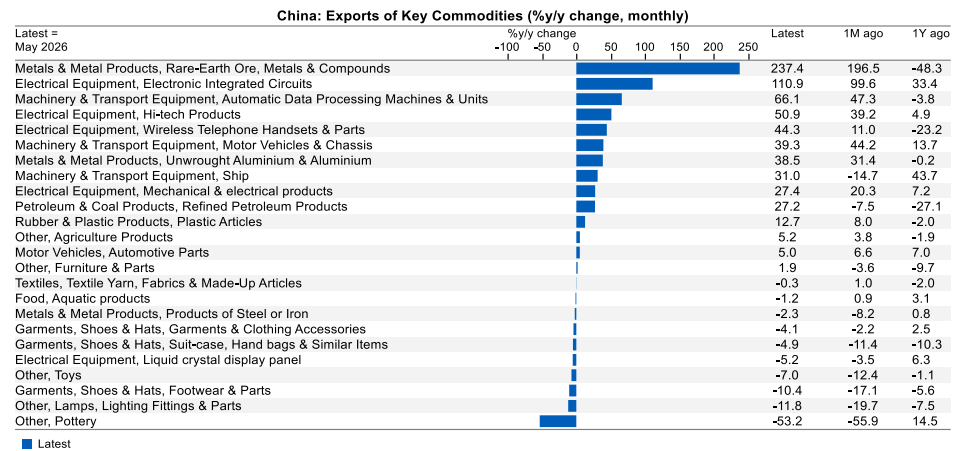
ASEAN remains China's largest export market

Source: Macrobond, UOB Global Economics & Markets Research



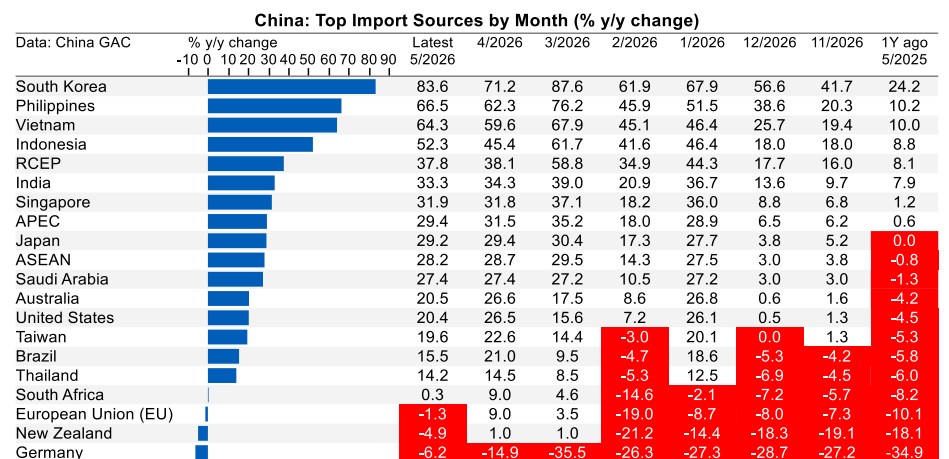
Exports of key commodities

Source: Macrobond, UOB Global Economics & Markets Research



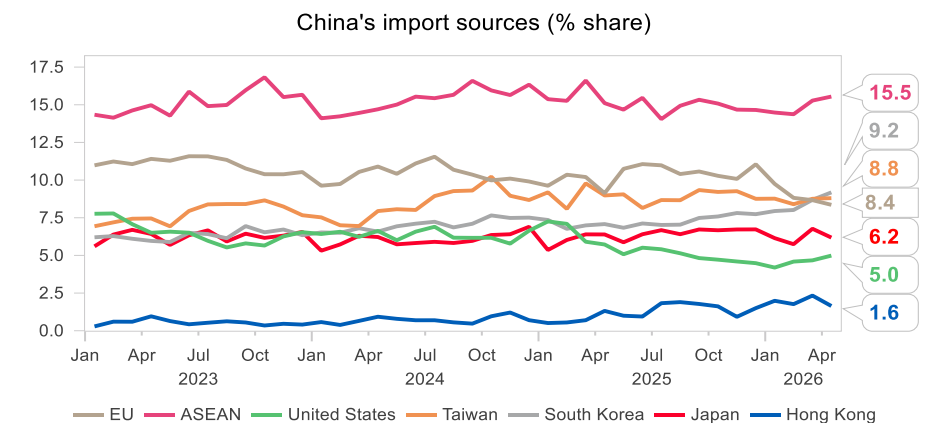
Imports from key market sources

Source: Macrobond, UOB Global Economics & Markets Research



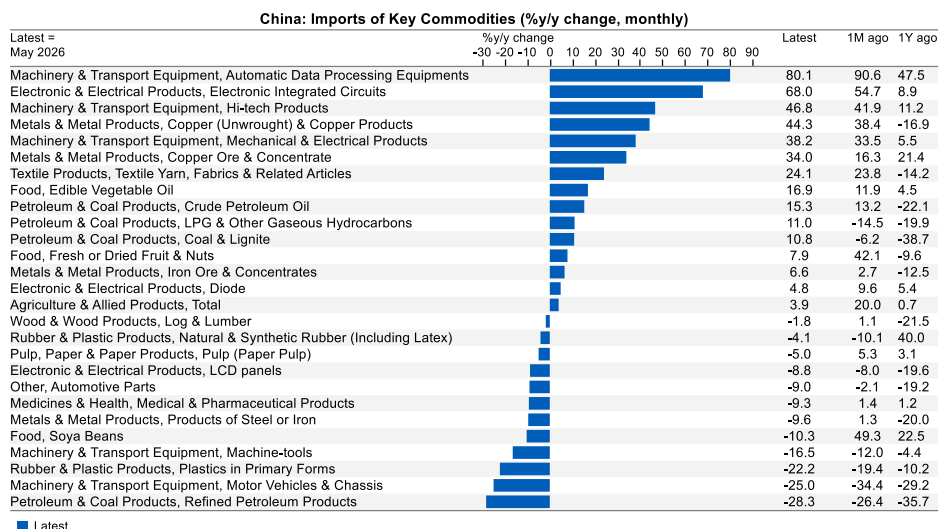
ASEAN accounted for 15.5% of China's imports

Source: Macrobond, UOB Global Economics & Markets Research



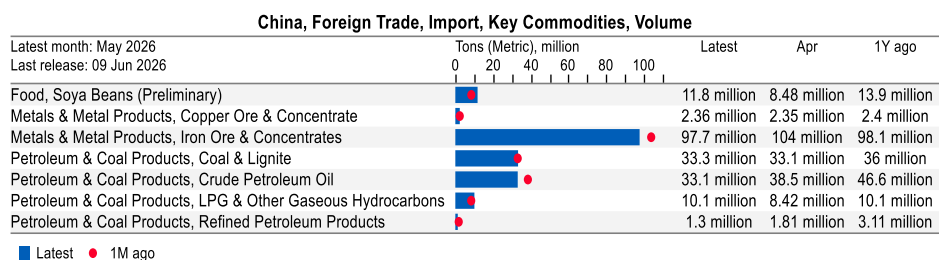
Imports of key commodities

Source: Macrobond, UOB Global Economics & Markets Research



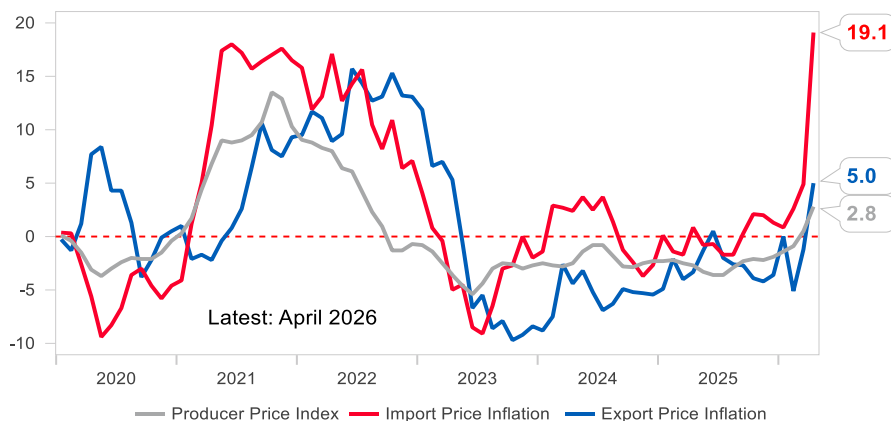
Imports of key commodities (volume)

Source: Macrobond, UOB Global Economics & Markets Research



With ME supply disruption, import prices will continue to see upside pressure (% y/y)

Source: Macrobond, UOB Global Economics & Markets Research



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