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China’s Consumer Slowdown Deepens as Tariff Tensions with U.S. Resurface

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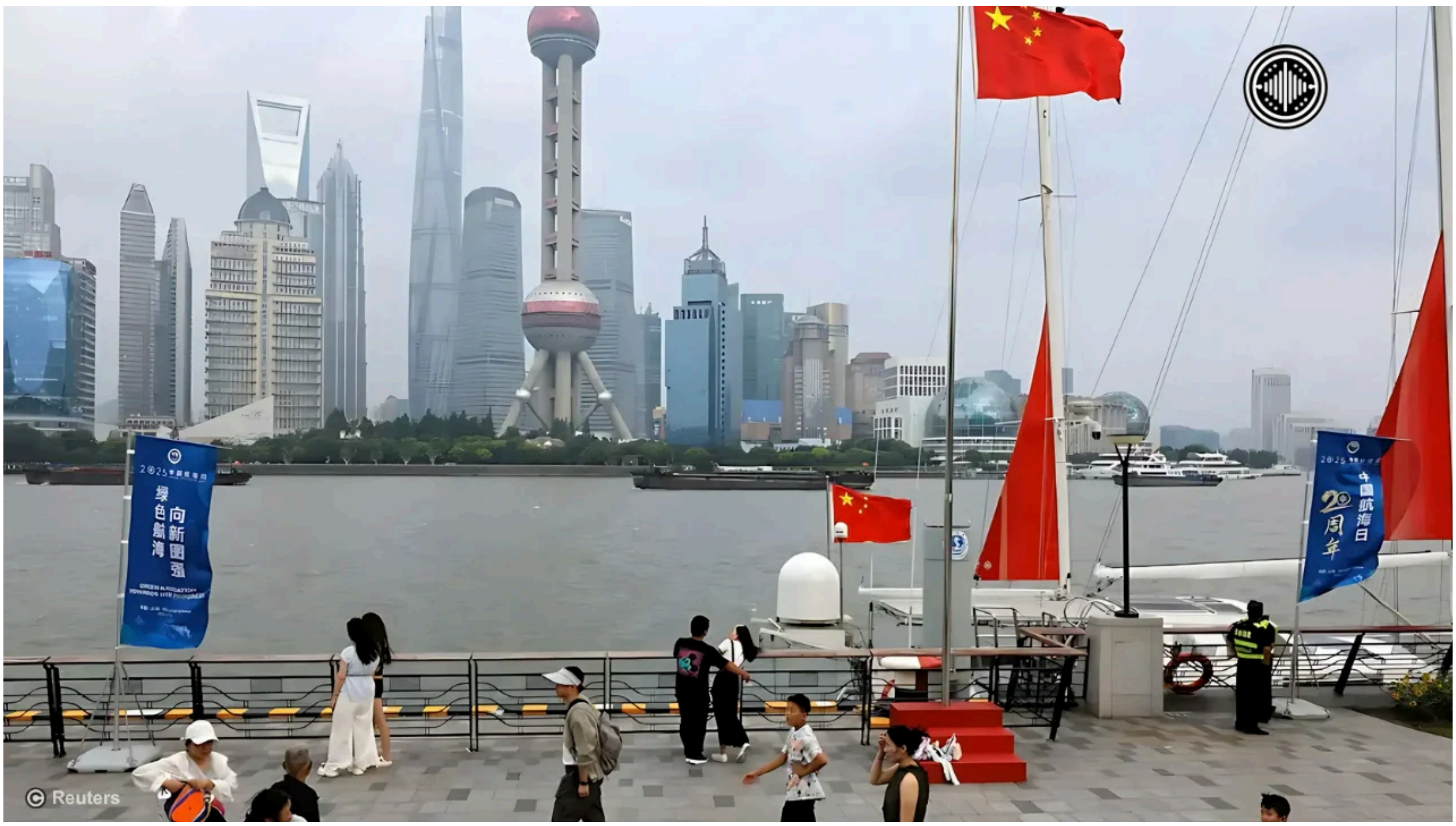

China’s economy is showing fresh signs of strain as consumer spending slows sharply and the threat of renewed tariffs from the United States looms large. With both domestic demand and export momentum weakening, the world’s second-largest economy is facing a difficult path to recovery.

Retail sales in China rose just 2.5 percent in May compared to the same month last year, according to the National Bureau of Statistics. This sluggish pace is well below expectations and signals growing caution among Chinese households. Industrial production, another key indicator, rose only 3.8 percent, highlighting the broader economic softness. The data suggests China could struggle to meet its full-year growth target without significant shifts in consumer behavior or external demand.

Chinese consumers are holding back. The household savings rate continues to climb, as families deal with concerns over job security, rising living expenses, and declining returns on investments. Youth unemployment remains elevated, while local governments continue to face mounting debt burdens. “Uncertainty about income and employment is leading more people to save rather than spend,” said Lin Wei, an independent economist based in Beijing.

In parallel, geopolitical risks are clouding the outlook. The United States has floated the possibility of imposing new tariffs on Chinese imports, citing unresolved disputes over trade practices and intellectual property protections. Even the suggestion of additional tariffs is unsettling markets and deterring investment in export-oriented sectors like electronics, textiles, and machinery. With orders flatlining or declining, businesses remain wary.

Rather than doubling down on state-led stimulus, Beijing would be better served by embracing market-oriented reforms. That includes reducing regulatory burdens, restoring confidence in the private sector, and protecting the rights of investors. A more predictable legal and economic environment would encourage entrepreneurship and stabilize consumer sentiment.

As for trade relations, escalating tariffs would be a step backward. While strategic leverage has its place, a trade war benefits neither side. What's needed is a focused, mutually beneficial agreement that addresses long-standing concerns without upending global supply chains.

In short, China is grappling with declining consumer activity and renewed trade uncertainty. Reigniting growth will require sound fiscal discipline, private sector empowerment, and a pragmatic approach to international trade, elements far more effective than state intervention or short-term fixes.