

China Trade Quarterly

Domestic Trade

China's economic growth accelerates to 5.3% yoy in 1Q24

Retail sales up 4.7% yoy in 1Q24

China announces macroeconomic targets and policies for 2024

Foreign Trade

Rise in China's exports in Jan-Apr period signals recovery in external demand

FDI in China drops by 26.1% yoy in 1Q24

US presses China on 'overcapacity' in clean energy products and steel

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Part One: Domestic Trade

A. Recent developments

1. China’s economic growth accelerates to 5.3% yoy in 1Q24

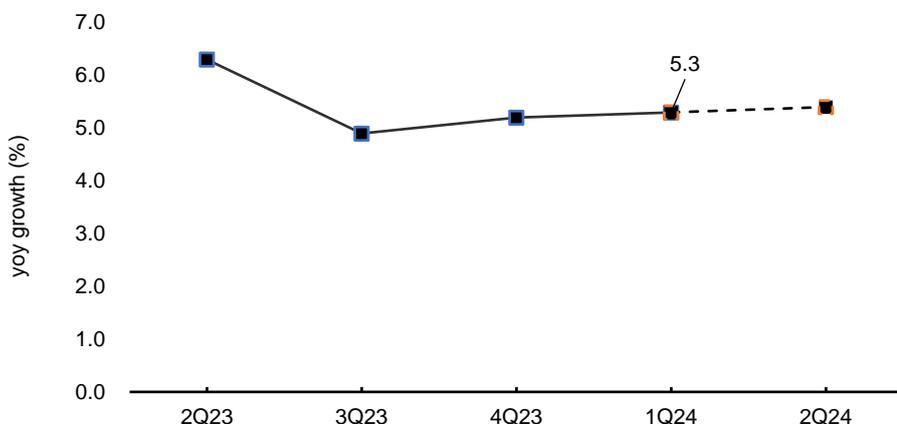
China’s GDP grew by a better-than-expected 5.3% yoy in real terms in 1Q24, the quickest pace in three quarters (see exhibit 1). The strong figure was fuelled by an expansion in fixed asset investment as well as a faster growth in industrial production driven by increased overseas demand. China’s nominal GDP amounted to 29.6 trillion yuan in 1Q24.

We predict that China’s real GDP growth will speed up to 5.4% yoy in 2Q24, boosted by a broad-based improvement in economic activity from consumer spending to industrial production, investment, and exports, as well as a low comparison base in 2Q23.

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Exhibit 1: China’s real GDP growth and forecasts, 2Q23 to 2Q24

FY23	2Q23	3Q23	4Q23	1Q24	2Q24F
5.2%	6.3%	4.9%	5.2%	5.3%	5.4%



Source: National Bureau of Statistics, PRC

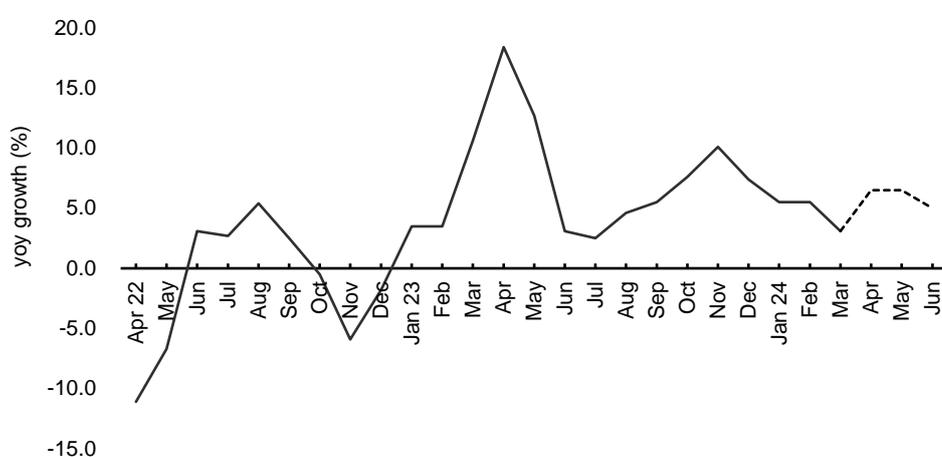
2. Retail sales up 4.7% yoy in 1Q24

China's total retail sales of consumer goods rose by 4.7% yoy to 12.0 trillion yuan in 1Q24 (see exhibits 2, 3 and 4). After a strong start in January and February, growth in retail sales moderated in March amid a high comparison base in the same period last year when pent-up demand was unleashed following the re-opening of the economy.

We predict that China's retail sales growth will accelerate to 6.0% yoy in 2Q24, given a low comparison base in 2Q23.

Exhibit 2: China's total retail sales, year-on-year nominal growth and forecasts, April 2022 to June 2024

FY23	Apr 23	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-Feb 24	Mar
7.2%	18.4%	12.7%	3.1%	2.5%	4.6%	5.5%	7.6%	10.1%	7.4%	5.5%	3.1%



Source: National Bureau of Statistics, PRC

Exhibit 3: China's total retail sales, month-on-month nominal growth, October 2023 to March 2024

mom growth (%), seasonally adjusted

	Oct 23	Nov	Dec	Jan 24	Feb	Mar
Total retail sales	0.52	0.01	0.14	0.03	0.01	0.26

Source: National Bureau of Statistics, PRC

Exhibit 4: China's retail sales growth, 2023 to 1Q24

Nominal growth, yoy (%)	FY23	1Q24
Total retail sales	7.2	4.7
- Goods	5.8	4.0
Sales by enterprises above designated size	5.5	4.9
Online sales	8.4	11.6
- Catering services	20.4	10.8

Source: National Bureau of Statistics, PRC

Online retail sales of physical goods increased by 11.6% yoy to 2.8 trillion yuan in 1Q24, accounting for 23.3% of total retail sales of consumer goods.

Exhibit 5: China's retail sales growth by enterprises above designated size, by product, 2023 to 1Q24

Nominal growth, yoy (%)	FY23	1Q24
Grain, oil and food	5.2	9.6
Beverages	3.2	6.5
Tobacco and liquor	10.6	12.5
Garments, footwear, hats, knitwear	12.9	2.5
Cosmetics	5.1	3.4
Gold, silver and jewellery	13.3	4.5
Commodities for daily use	2.7	0.7
Sports and amusement appliances	11.2	14.2
Home appliances and audio/video equipment	0.5	5.8
Traditional Chinese and Western medicines	5.1	3.3
Cultural and office appliances	-6.1	-8.0
Furniture	2.8	3.0
Communication appliances	7.0	13.2
Petroleum and related products	6.6	4.5
Automobiles	5.9	3.8
Building and decoration materials	-7.8	2.4

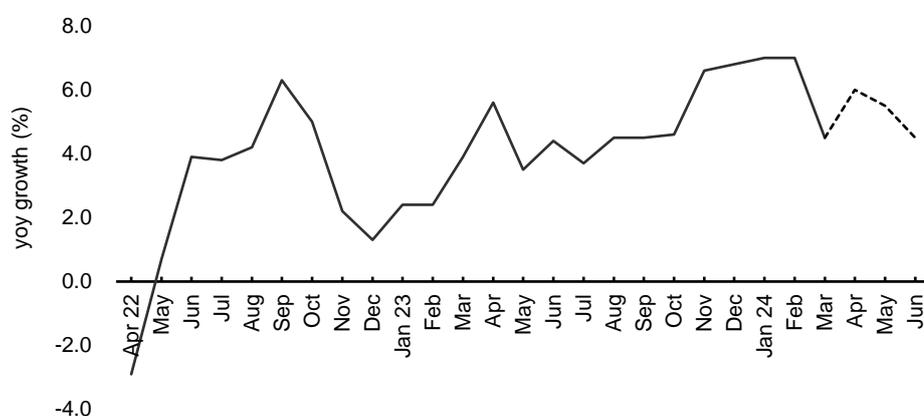
Source: National Bureau of Statistics, PRC

3. Growth in industrial production accelerates in 1Q24

China's industrial production, measured by the value-added of industrial output of industrial enterprises above designated size¹, expanded by 6.1% yoy in 1Q24 (see exhibit 6).

Exhibit 6: China's industrial production growth and forecasts, April 2022 to June 2024

FY23	Apr 23	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-Feb 24	Mar
4.6%	5.6%	3.5%	4.4%	3.7%	4.5%	4.5%	4.6%	6.6%	6.8%	7.0%	4.5%



Source: National Bureau of Statistics, PRC

¹ 'Industrial enterprises above designated size' refer to industrial enterprises with annual revenue of 20 million yuan or more.

It is noteworthy that the 'eat, drink, play' product categories including 'grain, oil and food' (+9.6%), 'tobacco and liquor' (+12.5%) and 'sports and amusement appliances' (+14.2%) posted stronger sales growth in 1Q24.

In our view, China's industrial production will continue its steady growth in the near term amid an improving domestic and external demand. We predict that industrial production growth will register 5.0%-5.5% yoy in 2Q24.

4. Fixed asset investment grows 4.5% yoy in 1Q24

The nominal growth of China's fixed asset investment (FAI) (excluding rural households) registered 4.5% yoy in 1Q24 (see exhibit 7). China's FAI (excluding rural households) amounted to 10.0 trillion yuan in the quarter.

Exhibit 7: China's FAI (excluding rural households) growth, September 2023 to March 2024

Year-to-date, yoy growth %	Sep 23	Oct	Nov	Dec	Feb 24	Mar
FAI (excluding rural households)	3.1	2.9	2.9	3.0	4.2	4.5
- Manufacturing sector	6.2	6.2	6.3	6.5	9.4	9.9
- Infrastructure (excluding power, heat, gas and water infrastructure)	6.2	5.9	5.8	5.9	6.3	6.5
- Real estate development	-9.1	-9.3	-9.4	-9.6	-9.0	-9.5

Source: National Bureau of Statistics, PRC

5. Growth in M2 and total outstanding RMB loans decelerates

Both the broad money supply (M2) and the total outstanding RMB loans have grown at a slower pace recently (see exhibit 8 & 9).

Exhibit 8: Broad money supply (M2) and RMB loans, April 2023 to March 2024

As of	Broad money supply (M2)		Total outstanding RMB loans	
	Amount (trillion yuan)	yoy growth	Amount (trillion yuan)	yoy growth
End-May 23	282.1	11.6%	227.5	11.4%
End-Jun	287.3	11.3%	230.6	11.3%
End-Jul	285.4	10.7%	230.9	11.1%
End-Aug	286.9	10.6%	232.3	11.1%
End-Sep	289.7	10.3%	234.6	10.9%
End-Oct	288.2	10.3%	235.3	10.9%
End-Nov	291.2	10.0%	236.4	10.8%
End-Dec	292.3	9.7%	237.6	10.6%
End-Jan 24	297.6	8.7%	242.5	10.4%
End-Feb	299.6	8.7%	244.0	10.1%
End-Mar	304.8	8.3%	247.1	9.6%
End-Apr	301.2	7.2%	247.8	9.6%

Source: People's Bank of China

We expect that massive investment in the manufacturing sector and infrastructure will continue in 2Q24, while investment in the dampened real estate sector will start to stabilize.

Exhibit 9: Increase in RMB loans, 2023 to April 2024

Increase in RMB loans (trillion yuan)	
FY23	22.74
1Q24	9.46
May 23	1.36
Jun	3.05
Jul	0.35
Aug	1.26
Sep	2.31
Oct	0.74
Nov	1.09
Dec	1.17
Jan 24	4.94
Feb	1.43
Mar	3.09
Apr	0.73

Source: People's Bank of China

The People's Bank of China (PBoC) cut its key benchmark lending rate on 20 February, the first such reduction in eight months. The five-year loan prime rate (LPR) – which is a reference for mortgages – was lowered by 25 basis points to 3.95%, while the one-year LPR was left unchanged at 3.45%.²

Moreover, the PBoC has continued to take actions to encourage banks to channel funds into the real economy. On 7 April, PBoC said that it had established a special relending facility worth 500 billion yuan to support sci-tech innovation, technical transformation and equipment renewal. The PBOC will provide low-cost funds for 21 financial institutions and provide reloans equivalent to 60% of the loan principal for eligible loans issued by these institutions.³

China leans toward targeted monetary easing to support the real economy, and will continue to avoid Western-style quantitative easing due to worries over high debt and capital outflows, in our view.

² <http://www.pbc.gov.cn/zhengcehuobisi/125207/125213/125440/3876551/5242639/index.html>

³ <http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/5322085/index.html>

6. PMI indicates continued expansion in the manufacturing sector lately

After dropping from 49.2 in January to 49.1 in February as the Chinese New Year holiday suppressed factory activity in the month, China's manufacturing PMI rose to 50.8 in March and continued to stay above 50 at 50.4 in April, indicating a sustained expansion in the manufacturing sector lately.

The output index increased by 0.7 pts to 52.9 in April, pointing to a faster growth in manufacturing production. The new orders index declined by 1.9 pts from March to 51.1 in April, indicating a slower expansion in the market demand.

The input prices index jumped by 3.5 pts to 54.0 in April, indicating sustained cost pressures on enterprises. Meanwhile, the ex-factory prices index rose by 1.7 pts to 49.1, indicating that ex-factory prices started to stabilize.

The business expectations index stayed high at 55.2 in April, indicating that purchasing managers in China have been optimistic about the near-term outlook for their respective industries.

China's manufacturing PMI continued to stay above 50 at 50.4 in April, indicating a sustained expansion in the manufacturing sector lately. Growth in production activities accelerated while market demand expanded at a slower pace. Prices of industrial products fell slightly, but prices of production inputs increased at a faster pace.

Exhibit 10: China's manufacturing PMI at a glance, April 2024

Index	Seasonally adjusted index	Index compared with the previous month	Direction
PMI	50.4	Lower ▼	Expanding
Output	52.9	Higher ▲	Expanding
New Orders	51.1	Lower ▼	Expanding
New Export Orders	50.6	Lower ▼	Expanding
Backlogs of Orders	45.6	Lower ▼	Contracting
Stocks of Finished Goods	47.3	Lower ▼	Contracting
Stocks of Major Inputs	48.1	Unchanged	Contracting
Purchases of Inputs	50.5	Lower ▼	Expanding
Imports	48.1	Lower ▼	Contracting
Input Prices	54.0	Higher ▲	Rising
Ex-factory Prices	49.1	Higher ▲	Falling
Employment	48.0	Lower ▼	Contracting
Suppliers' Delivery Time	50.4	Lower ▼	Quickening
Business Expectations	55.2	Lower ▼	Optimistic

Source: China Federation of Logistics & Purchasing; National Bureau of Statistics, PRC

7. NMI indicates recent deceleration in growth in the non-manufacturing sector

China's Non-manufacturing Business Activity Index, which is quoted as the Non-manufacturing Purchasing Managers' Index (NMI), went down from a nine-month high of 53.0 in March to 51.2 in April (see *exhibit 11*). The latest index reading indicates a growth deceleration in the non-manufacturing sector lately.

The sales prices index has remained below the neutral level of 50 since last October, indicating that enterprises have lowered their service charges recently. Meanwhile, the input prices index has returned to the expansionary territory in April, indicating that input prices have started to increase.

The business expectation index declined to a 16-month low of 57.2 in April, suggesting that purchasing managers in the non-manufacturing sector have become less optimistic about the near-term outlook for their respective industries.

We expect that China's non-manufacturing sector will continue to expand and the NMI will fluctuate between 51.0 and 52.0 in the next few months.

Exhibit 11: China's Non-manufacturing Purchasing Managers' Index (NMI) at a glance, April 2024

Index	Seasonally adjusted index	Index compared with the previous month	Direction
Business activity	51.2	Lower ▼	Expanding
New orders	46.3	Lower ▼	Contracting
Input prices	51.1	Higher ▲	Rising
Sales prices	49.4	Higher ▲	Falling
Business expectations	57.2	Lower ▼	Optimistic

Source: China Federation of Logistics & Purchasing; National Bureau of Statistics, PRC

B. Highlights

1. China announces macroeconomic targets and policies for 2024

Chinese Premier Li Qiang delivered the *2024 Government Work Report* at the second session of the 14th National People's Congress on 5 March.⁴ According to the report, the Chinese government has set the following macroeconomic targets for 2024:

- GDP growth of around 5.0% (vs. 5.2% actual in 2023)
- New urban jobs of around 12 million (vs. 12.44 million actual in 2023)
- Surveyed urban unemployment rate of around 5.5% (vs. 5.2% actual in 2023)
- CPI growth of around 3.0% (vs. 0.2% actual in 2023)

The report puts 'new quality productive forces' as the number one priority, which focuses on technology- and innovation-driven growth in productivity. Premier Li also reiterated the policy stance of carrying out a proactive fiscal policy and a prudent monetary policy. He pledged to enhance the intensity and effectiveness of the proactive fiscal policy, leverage fiscal policy space, and improve the policy toolkit. Meanwhile, he vowed to implement the prudent monetary policy in a flexible, appropriate, targeted, and effective way. China would maintain adequate liquidity at a proper level, and the aggregate financing and money supply should stay in step with the projected economic growth and price increase.

2. China unveils plan to promote trade-ins of consumer goods

On 27 March, the Ministry of Commerce and 13 other government departments published an action plan, rolling out specific measures to facilitate and encourage trade-ins of consumer goods.⁵

China aims to establish a trade-in mechanism that facilitates the scrapping of used goods in exchange for smart, green and low-carbon ones, according to the plan.

To promote the trade-ins of automobiles, subsidies will be given to consumers who scrap high-emission cars to buy energy-efficient vehicles or new energy vehicles. For used home appliances, local governments and home appliance companies are encouraged to offer subsidies or preferential policies to consumers who purchase or trade for green and smart home appliances.

Wordings from the *2024 Government Work Report* signal that China will continue to adopt an expansionary macro policy in 2024, which will help alleviate the downward pressure on the Chinese economy, in our view.

⁴ https://www.gov.cn/yaowen/liebiao/202403/content_6939153.htm

⁵ https://www.gov.cn/zhengce/zhengceku/202404/content_6945069.htm

Part Two: Foreign Trade

A. Recent developments

1. Rise in China's exports in Jan-Apr period signals recovery in external demand

China's exports edged up by 1.5% yoy to US\$870.5 billion while its imports also rose by 1.5% yoy to US\$623.8 billion in 1Q24. In April, China's export climbed 1.5% yoy and its imports jumped by 8.5% yoy. (See exhibits 12, 13 and 14)

Exhibit 12: China's quarterly foreign trade data, 2Q23 to 1Q24

	Exports		Imports		Trade Balance
	Amount (USD billion)	yoy growth	Amount (USD billion)	yoy growth	Amount (USD billion)
FY23	3,380.0	-4.6%	2,556.8	-5.5%	823.2
2Q23	852.4	-5.2%	632.8	-7.0%	219.6
3Q23	861.1	-10.2%	639.3	-8.5%	221.8
4Q23	870.3	-1.5%	669.7	0.7%	200.9
1Q24	870.5	1.5%	623.8	1.5%	183.7

Source: China Customs, compiled by Fung Business Intelligence

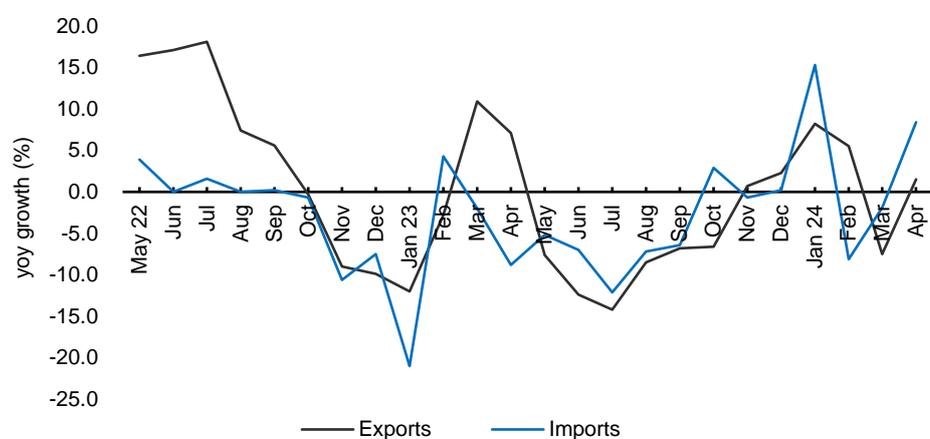
Exhibit 13: China's monthly foreign trade data, May 2023 to April 2024

	Exports		Imports		Trade Balance
	Amount (USD billion)	yoy growth	Amount (USD billion)	yoy growth	Amount (USD billion)
May 2023	280.9	-7.6%	215.8	-5.2%	65.1
June	283.4	-12.4%	214.0	-7.0%	69.4
July	280.8	-14.2%	201.4	-12.1%	79.3
August	283.9	-8.5%	216.6	-7.2%	67.2
September	296.5	-6.8%	221.3	-6.4%	75.2
October	274.2	-6.6%	218.3	2.9%	56.0
November	292.6	0.7%	223.3	-0.7%	69.3
December	303.4	2.3%	228.4	0.2%	75.1
January 2024	307.6	8.2%	222.1	15.3%	85.5
February	220.2	5.5%	180.6	-8.1%	39.6
March	279.7	-7.5%	221.1	-1.9%	58.6
April	292.5	1.5%	220.1	8.4%	72.4

Source: China Customs

We forecast that China's exports will register a mid-single-digit year-on-year rise in 2Q24 amid an improving external demand.

Exhibit 14: Growth rates of exports and imports, May 2022 to April 2024



Source: China Customs

Exhibit 15: Exports growth by category, 2023 to 1Q24

<i>yoy growth (%) of export value, in USD</i>	2023	1Q24
Textile yarn, fabrics and textile products	-8.3	2.6
Garments and clothing accessories	-7.8	1.4
Footwear	-12.6	0.3
Toys	-12.2	3.0
Furniture and parts	-5.2	19.6
Suitcases and handbags	3.9	5.6
Refined oil	0.4	-20.8
Steel	-8.3	-12.9
Mechanical and electrical products	-2.4	3.3
Household appliances	3.8	12.2
Motor vehicles including chassis	69.0	18.2
Lighting fittings and parts	-4.6	9.6

Source: China Customs

Exhibit 16: Imports growth by category, 2023 to 1Q24

<i>yoy growth (%) of import value, in USD</i>	2023	1Q24
Soybeans	-0.5	-24.8
Iron ores	4.9	16.8
Crude oil	-7.7	0.6
Textile yarn, fabrics and textile products	-1.2	12.3
Plastics	-19.4	-7.6
Motor vehicles including chassis	-11.6	-17.7
Integrated circuits	-15.4	10.3
Semiconductor manufacturing equipment	21.5	77.5

Source: China Customs

Among the three tech-intensive 'green products' — solar batteries, lithium-ion batteries and electric vehicles, which were the top drivers of China's exports last year, only electric vehicles managed to maintain robust growth in 1Q24.

2. ASEAN remains China's largest trading partner and export market in 1Q24

In 1Q24, the ASEAN remained China's largest trading partner and largest export market. Also noteworthy is that South Korea has overtaken Japan as China's top trading partner country in Asia during the period. (See exhibits 17 and 18)

Exhibit 17: China's trading partners, 1Q24

Country/Region	Trade value (USD billion)	Share of total trade (%)	Export value (USD billion)	Import value (USD billion)	yoy growth (%)		
					Total trade	Exports	Imports
ASEAN	224.6	15.7	135.6	89.0	2.8	4.1	1.0
EU	179.5	12.5	117.2	62.3	-6.5	-5.7	-8.0
US	150.0	10.5	110.1	39.9	-4.0	-1.3	-10.7
South Korea	75.4	5.3	34.2	41.2	-0.2	-9.3	8.9
Japan	73.0	5.1	36.9	36.1	-7.5	-8.7	-6.1
Russia	56.7	4.0	24.4	32.3	5.2	2.6	7.3
Brazil	45.3	3.2	16.1	29.3	24.3	21.9	25.8
India	33.7	2.4	28.0	5.7	4.9	1.9	22.5

Source: China Customs

Exhibit 18: China's trading partners, comparing growth rates for 2023 and 1Q24

Country/Region	yoy growth (%)					
	Total trade		Exports		Imports	
	2023	1Q24	2023	1Q24	2023	1Q24
ASEAN	-4.9	2.8	-5.0	4.1	-4.8	1.0
EU	-7.1	-6.5	-10.2	-5.7	-0.9	-8.0
US	-11.6	-4.0	-13.1	-1.3	-6.8	-10.7
South Korea	-13.5	-0.2	-7.2	-9.3	-18.7	8.9
Japan	-10.7	-7.5	-8.4	-8.7	-12.9	-6.1
Russia	26.3	5.2	46.9	2.6	12.7	7.3
Brazil	6.1	24.3	-4.3	21.9	11.9	25.8
India	1.5	4.9	0.8	1.9	6.0	22.5

Source: China Customs

Developing economies continue to be growth spots for China's foreign trade this year: China's exports to Central Asian countries and Latin American countries grew by 20.6% yoy and 9.3% yoy respectively in 1Q24.

3. Leading export provinces municipalities except Shanghai register export growth in 1Q24

China's top six provinces and municipalities in terms of value of exports – Guangdong, Jiangsu, Zhejiang, Shandong, Shanghai and Fujian – jointly accounted for 74.0% of China's total exports in 1Q24, up from 73.4% in 2023 (see exhibit 19). All six provinces and municipalities except Shanghai registered growth in exports in the period.

Exhibit 19: Top six provinces and municipalities in terms of value of exports, 1Q24

Provinces/ Municipalities	Value of exports (USD billion)	yoy growth (%)	Share of total exports (%)
Guangdong	197.8	4.2	24.5
Jiangsu	122.3	2.5	15.1
Zhejiang	116.4	2.6	14.4
Shandong	72.6	7.3	9.0
Shanghai	45.9	-4.1	5.7
Fujian	42.8	12.9	5.3

Source: China Customs

4. FDI in China drops by 26.1% yoy in 1Q24

Foreign direct investment (FDI) in China fell by 26.1% yoy to 301.7 billion yuan in 1Q24, still a 41.7% rise compared with 4Q23 (see exhibit 20).

Exhibit 20: China's FDI, 2023 to March 2024

	Year-to-date amount (billion yuan)	Year-to-date yoy growth
FY23	1,133.9	-8.0%
April 2023	499.5	2.2%
May	574.8	0.1%
June	703.7	-2.7%
July	766.7	-4.0%
August	847.2	-5.1%
September	920.0	-8.4%
October	987.0	-9.4%
November	1,040.3	-10.0%
December	1,133.9	-8.0%
January 2024	112.7	-11.7%
February	215.1	-19.9%
March	301.7	-26.1%

Source: Ministry of Commerce, PRC

China is witnessing an influx of FDI to the high-tech manufacturing sector, which accounted for 12.5% of all FDI in 1Q24, up by 2.2 percentage points from the same period last year.

5. Chinese yuan hovers around 7.1 against US dollar since early January

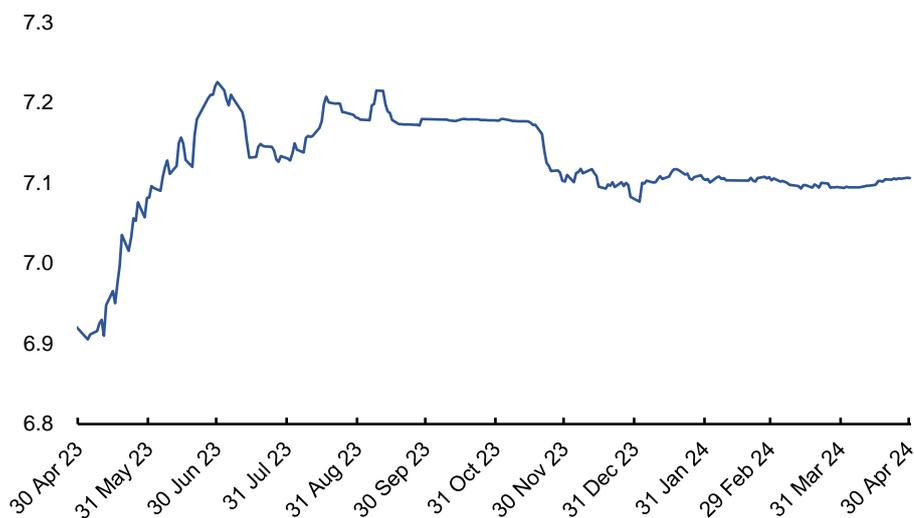
The daily fixing rate (also known as the central parity rate) of the Chinese yuan against the US dollar fluctuated within a narrow range between 7.09 and 7.12 since early January, closing at 7.1063 on 30 April (see *exhibit 21*).⁶ The Chinese yuan depreciated by 0.3% against the US dollar so far this year (as of 30 April).

Meanwhile, the daily fixing rate of the Chinese yuan against the Euro appreciated from 7.8592 on 29 December to a six-month high of 7.5873 on 19 April, before retreating to 7.6458 on 30 April (see *exhibit 22*). The Chinese yuan appreciated by 2.8% against the Euro so far this year (as of 30 April).

According to the Bank for International Settlements, the Chinese yuan depreciated in real terms against the currencies of its trading partners by 0.5% in 1Q24 (see *exhibit 23*).

With prolonged tight monetary conditions in the US, we expect the Chinese yuan to stay weak against the US dollar in the coming months.

Exhibit 21: USD-CNY daily fixing rate, April 2023 to April 2024



Source: State Administration of Foreign Exchange

⁶ According to the PBOC, the daily fixing rate of the Chinese yuan against the US dollar is directly formed by market makers based on the closing rate of the previous day and the movements of major international currencies.

Exhibit 22: EUR-CNY daily fixing rate, April 2023 to April 2024



Source: State Administration of Foreign Exchange

Exhibit 23: Real effective exchange rate of the Chinese yuan, April 2022 to March 2024



Source: Bank for International Settlements

B. Highlights

1. US presses China on 'overcapacity' in clean energy products and steel

On her visit to China in early April, US Treasury Secretary Janet Yellen raised concern that China has an 'overcapacity' in clean energy products, like solar panels and electric vehicles. She expressed worries that the 'excess capacity' could be dumped on global markets at cheap prices, potentially threatening US industries. She said that the Biden administration is not taking any options off the table, signalling the possibility of additional tariffs on Chinese imports.

On 17 April, US President Joe Biden called on the US Trade Representative to triple the Section 301 tariff rate on Chinese steel and aluminum imports from the current 7.5% to 22.5%.⁷ US officials said that China's 'overcapacity' in these products would 'pose a serious risk to the future of the American steel and aluminum industry'.

Chinese officials have denied the overcapacity accusation, calling it 'a carefully crafted narrative trap... with the aim of making it a pretext to implement trade protective measures'.

2. China passes *Tariff Law*

On 26 April, the Standing Committee of China's 14th National People's Congress voted to adopt the *Tariff Law*, which will go into effect on 1 December.⁸ The law maintains the basic stability of the existing tariff system, with the overall tax burden unchanged. The implementation of the law is crucial for advancing high-level international openness, and fostering a market-driven and globally oriented business environment in China, said the country's top legislature.

3. China to promote high-level opening-up and attract foreign investment

The State Council released an action plan on 19 March to further promote high-level opening-up and intensify efforts to introduce and utilize foreign investment.⁹ The action plan comprises 24 specific pro-foreign investment measures, including targeted measures to expand market access, enhance appeal to foreign investment, foster a level playing field, facilitate the flow of innovation factors, as well as better align domestic rules with high-standard international economic and trade rules.

In particular, in order to expand market access for foreign investment, China will shorten the negative list for foreign investment, carry out pilot programmes to ease access for foreign investment in scientific and technological innovation, and allow wider participation by foreign financial institutions in banking and insurance.

The law is the latest addition to China's arsenal of trade defence instruments as it maintains uneasy trade relations with Western countries.

These measures signal that China is continuously improving its business environment and advancing its institutional opening-up to attract foreign businesses and investors.

⁷ Imports of Chinese steel and aluminium are also subject to Section 232 tariffs of 25% and 10%, respectively.

⁸ https://gss.mof.gov.cn/gzdt/zhengcefabu/202404/t20240426_3933677.htm

⁹ https://www.gov.cn/zhengce/content/202403/content_6940154.htm

C. Outlook

1. US economic growth decelerates in 1Q24

The US GDP grew a worse-than-expected 3.0% yoy in 1Q24, driven primarily by slower growth in consumer spending and government purchases, partly offset by a faster expansion in business investment (see *exhibit 24*). Meanwhile, the GDP growth of the Eurozone economy¹⁰ remained low and registered 0.4% yoy in 1Q24. (see *exhibit 25*).

We expect that both the US and Eurozone economies will slow in 2Q24 amid the continued tight monetary conditions.

Exhibit 24: US real GDP growth, 2022 to 1Q24

	2022	2023	2Q23	3Q23	4Q23	1Q24
Real GDP (<i>annualized qoq growth %</i>)			2.1	4.9	3.3	1.6
Real GDP (<i>yoy growth %</i>)	1.9	2.5	2.4	2.9	3.1	3.0

Source: US Department of Commerce

Exhibit 25: Eurozone's real GDP growth, 2022 to 1Q24

	2022	2023	2Q23	3Q23	4Q23	1Q24
Real GDP (<i>qoq growth %</i>)			0.1	-0.1	-0.1	0.3
Real GDP (<i>yoy growth %</i>)	3.5	0.4	0.6	0.1	0.1	0.4

Source: Eurostat, IMF

¹⁰ Up to 31 December 2022, the Eurozone included Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain. From 1 January 2023 the Eurozone also includes Croatia.

2. IMF raises growth forecast for world economy for 2024 to 3.2% yoy

In the *World Economic Outlook* released in April, the IMF revised upwards its growth forecast for the global economy for 2024 to 3.2% (see exhibit 26). Upward revisions to growth forecasts for the US and India are partly offset by downward revisions to growth forecasts for the Eurozone and other advanced economies.

Exhibit 26: Latest GDP growth estimates and forecasts by the IMF (2023 to 2025)

	yoy growth (%)		
	2023 (Estimates)	2024 (Forecasts)	2025 (Forecasts)
World economy	3.2	3.2	3.2
Advanced economies	1.6	1.7	1.8
- US	2.5	2.7	1.9
- Eurozone	0.4	0.8	1.5
- Japan	1.9	0.9	1.0
- UK	0.1	0.5	1.5
Emerging market and developing economies	4.3	4.2	4.2
- China	5.2	4.6	4.1
- India*	7.8	6.8	6.5
- Brazil	2.9	2.2	2.1
- Russia	3.6	3.2	1.8
- ASEAN-5 ¹¹	4.1	4.5	4.6

* Data and forecasts are presented on a fiscal year basis.

Source: *World Economic Outlook* released in April 2024, IMF

Prolonged period of high interest rates, a possible turn to contractionary fiscal policies, the troubled property sector in China, as well as geoeconomic fragmentation, are cited as the major downside risks to the global economy in 2024.

¹¹ ASEAN-5 refers to Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

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