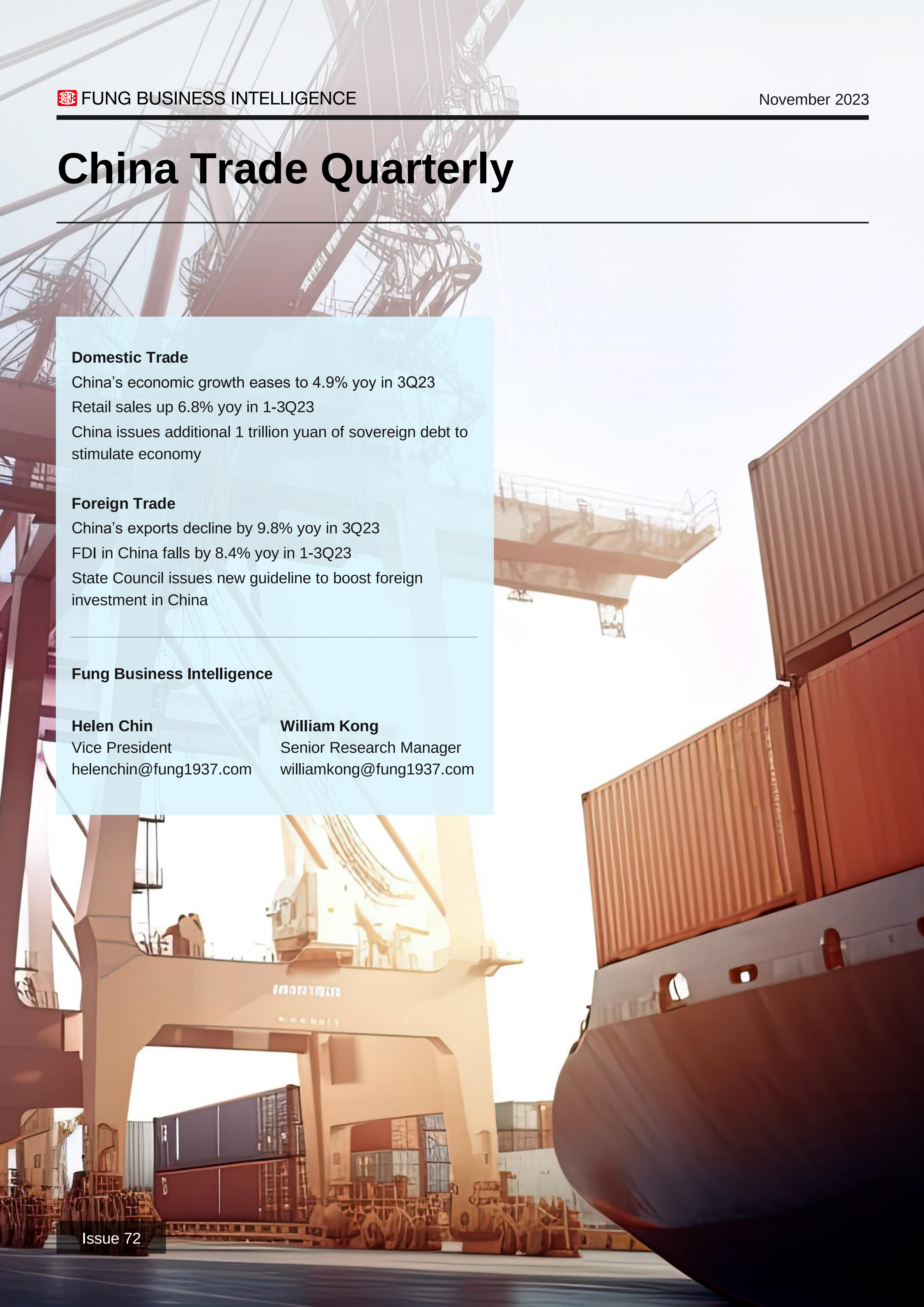

FUNG BUSINESS INTELLIGENCE

November 2023

China Trade Quarterly

Domestic Trade

China’s economic growth eases to 4.9% yoy in 3Q23

Retail sales up 6.8% yoy in 1-3Q23

China issues additional 1 trillion yuan of sovereign debt to stimulate economy

Foreign Trade

China’s exports decline by 9.8% yoy in 3Q23

FDI in China falls by 8.4% yoy in 1-3Q23

State Council issues new guideline to boost foreign investment in China

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Part One: Domestic Trade

A. Recent developments

1. China's economic growth eases to 4.9% yoy in 3Q23

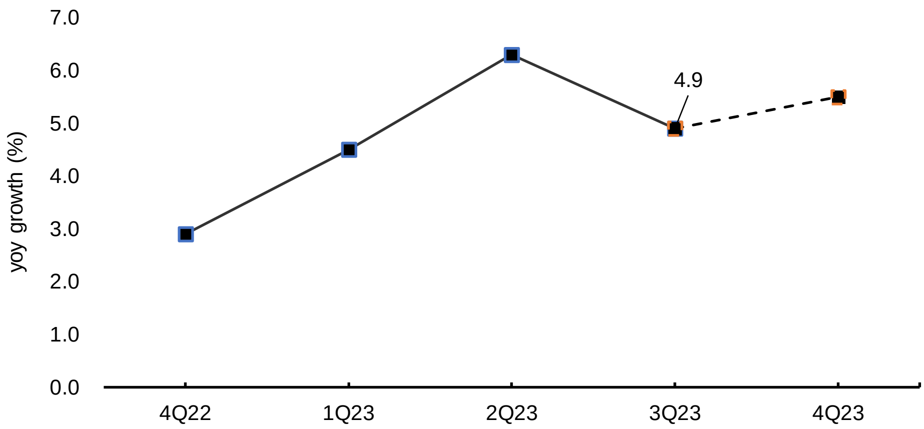
China's GDP grew by a better-than-expected 4.9% yoy in real terms in 3Q23, a slowdown from the previous quarter's 6.3% yoy growth *(see exhibit 1)*. Overall, in 1-3Q23, China's nominal GDP amounted to 91.3 trillion yuan, up by 5.2% in real terms.

We predict that China's real GDP growth will accelerate to 5.5% yoy in 4Q23 due to a further recovery in fixed asset investment and consumer spending amid the expansionary macro policies, and a low comparison base in 4Q22 when China faced a huge wave of COVID-19 infections after relaxation of COVID-19 restrictions.

We predict that China's real GDP growth will accelerate to 5.5% yoy in 4Q23 due to a further recovery in fixed asset investment and consumer spending amid the expansionary macro policies, and a low comparison base in 4Q22.

Exhibit 1: China's real GDP growth and forecasts, 4Q22 to 4Q23

FY22	4Q22	1Q23	2Q23	3Q23	4Q23F
3.0%	2.9%	4.5%	6.3%	4.9%	5.5%



Source: National Bureau of Statistics, PRC

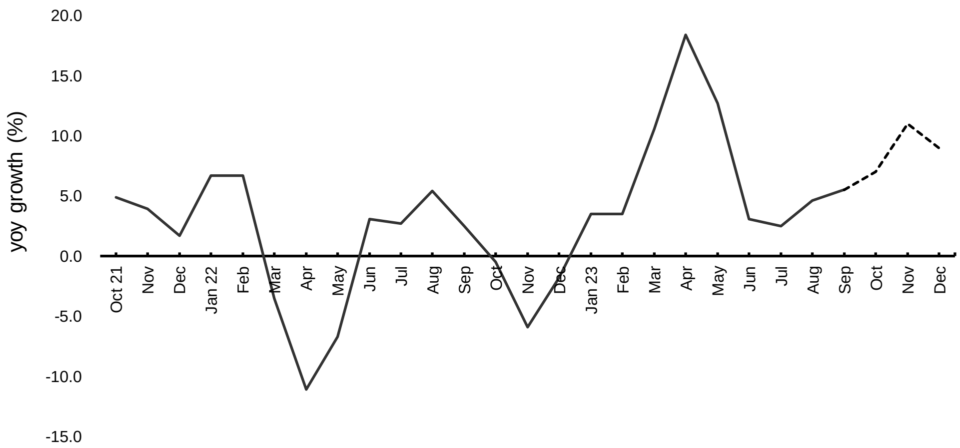
2. Retail sales up 6.8% yoy in 1-3Q23

China's total retail sales of consumer goods increased by 6.8% yoy to 34.2 trillion yuan in 1-3Q23 *(see exhibits 2, 3 and 4)*. Retail sales growth has been accelerating lately since a disappointing reading of 2.5% yoy in July.

We predict that China's retail sales will grow by 9.0% yoy in 4Q23, given the rollout of government policies to boost consumption, as well as a low comparison base in 4Q22.

Exhibit 2: China's total retail sales, year-on-year nominal growth and forecasts, October 2021 to December 2023

FY22	Oct 22	Nov	Dec	Jan-Feb 23	Mar	Apr	May	Jun	Jul	Aug	Sep
-0.2%	-0.5%	-5.9%	-1.8%	3.5%	10.6%	18.4%	12.7%	3.1%	2.5%	4.6%	5.5%



Source: National Bureau of Statistics, PRC

Exhibit 3: China's total retail sales, month-on-month nominal growth, April to September 2023

mom growth (%), seasonally adjusted

	Apr 23	**May**	**Jun**	**Jul**	**Aug**	**Sep**
Total retail sales	0.47	0.51	0.45	-0.14	0.22	0.02

Source: National Bureau of Statistics, PRC

Exhibit 4: China's retail sales growth, 2022 to 1-3Q23

Nominal growth, yoy (%)	**FY22**	**1Q23**	**1H23**	**1-3Q23**
Total retail sales	-0.2	5.8	8.2	6.8
- Goods	0.5	4.9	6.8	5.5
Sales by enterprises above designated size	1.9	3.9	6.3	4.9
Online sales	6.2	7.3	10.8	8.9
- Catering services	-6.3	13.9	21.4	18.7

Source: National Bureau of Statistics, PRC

Online retail sales of physical goods increased by 8.9% yoy to 9,043.5 billion yuan in 1-3Q23, accounting for 26.4% of total retail sales of consumer goods, up 0.7 percentage points from a year ago.

Exhibit 5: China's retail sales growth by enterprises above designated size, by product, 2022 to 1-3Q23

Nominal growth, yoy (%)	FY22	1Q23	1H23	1-3Q23
Grain, oil and food	8.7	7.5	4.8	5.3
Beverages	5.3	1.8	1.0	2.0
Tobacco and liquor	2.3	6.8	8.6	9.8
Garments, footwear, hats, knitwear	-6.5	9.0	12.8	**10.6**
Cosmetics	-4.5	5.9	8.6	6.8
Gold, silver and jewellery	-1.1	13.6	17.5	**12.2**
Commodities for daily use	-0.7	5.1	5.0	3.5
Sports and amusement appliances	--	5.8	10.5	8.3
Home appliances and audio/video equipment	-3.9	-1.7	1.0	**-0.6**
Traditional Chinese and Western medicines	12.4	16.5	11.1	8.7
Cultural and office appliances	4.4	-1.4	-3.9	-6.8
Furniture	-7.5	4.6	3.8	3.1
Communication appliances	-3.4	-5.1	4.1	3.9
Petroleum and related products	9.7	10.3	7.5	6.5
Automobiles	0.7	-2.3	6.8	4.6
Building and decoration materials	-6.2	-2.4	-6.7	**-7.9**

Source: National Bureau of Statistics, PRC

In 1-3Q23, consumer discretionary categories such as 'gold, silver and jewellery' and 'garments, footwear, hats, knitwear' posted stronger sales growth, indicating a fast recovery in discretionary spending. Meanwhile, housing-related spending on 'building and decoration materials' and 'home appliances and audio/video equipment' declined amid the sluggish property market.

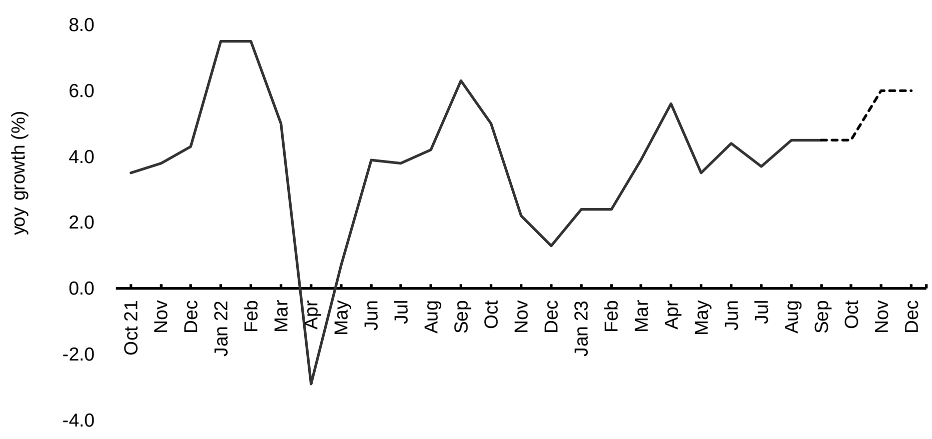
3. Growth in industrial production goes up in 3Q23

China's industrial production, measured by the value-added of industrial output of industrial enterprises above designated size[1], rose 4.0% yoy in 1-3Q23, up from 3.8% yoy in 1H23 *(see exhibit 6)*.

We expect China's VAIO growth to rise to 5.5% yoy in 4Q23, given an increase in infrastructure investment and a low comparison base in 4Q22.

Exhibit 6: China's industrial production growth and forecasts, October 2021 to December 2023

FY22	Oct 22	Nov	Dec	Jan-Feb 23	Mar	Apr	May	Jun	Jul	Aug	Sep
3.6%	5.0%	2.2%	1.3%	2.4%	3.9%	5.6%	3.5%	4.4%	3.7%	4.5%	4.5%



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

4. Growth in fixed asset investment decelerates in 3Q23

The nominal growth of China's fixed asset investment (FAI) (excluding rural households) came in at 3.1% yoy in 1-3Q23, down from 3.8% yoy in 1H23 *(see exhibit 7)*. China's FAI (excluding rural households) amounted to 37.5 trillion yuan in the period.

We predict that the growth in China's FAI will pick up in 4Q23, amid the issuance of an additional 1 trillion yuan of treasury bonds in 4Q23, half of which will be utilized mostly for infrastructure construction within this year.

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

Year-to-date, yoy growth %	**Apr 23**	**May**	**Jun**	**Jul**	**Aug**	**Sep**
FAI (excluding rural households)	4.7	4.0	3.8	3.4	3.2	3.1
- Manufacturing sector	6.4	6.0	6.0	5.7	5.9	6.2
- Infrastructure (excluding power, heat, gas and water infrastructure)	8.5	7.5	7.2	6.8	6.4	6.2
- Real estate development	-6.2	-7.2	-7.9	-8.5	-8.8	-9.1

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, October 2022 to September 2023

	Broad money supply (M2)		**Total outstanding RMB loans**	
As of	**Amount (trillion yuan)**	**yoy growth**	**Amount (trillion yuan)**	**yoy growth**
End-Oct 22	261.3	11.8%	211.4	11.1%
End-Nov	264.7	12.4%	212.6	11.0%
End-Dec	266.4	11.8%	214.0	11.1%
End-Jan 23	273.8	12.6%	219.8	11.3%
End-Feb	275.5	12.9%	221.6	11.6%
End-Mar	281.5	12.7%	225.5	11.8%
End-Apr	280.9	12.4%	226.2	11.8%
End-May	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%

Source: People's Bank of China

Exhibit 9: Increase in RMB loans, 2022 to September 2023

	Increase in RMB loans (trillion yuan)
FY22	**21.31**
1-3Q23	**19.75**
Oct 22	0.62
Nov	1.21
Dec	1.40
Jan 23	4.90
Feb	1.81
Mar	3.89
Apr	0.72
May	1.36
Jun	3.05
Jul	0.35
Aug	1.26
Sep	2.31

Source: People's Bank of China

The latest monetary loosening comes as the post-pandemic recovery has lost steam since the second quarter.

The People's Bank of China (PBoC) has continued to take actions to maintain reasonable and sufficient liquidity in the banking system. On 15 September, it cut the required reserve ratios (RRRs) for all commercial banks by 25 basis points (except those that have already implemented an RRR of 5%) to free up over 500 billion yuan in long-term liquidity.[2]

Moreover, the PBoC cut its key benchmark lending rate on 21 August, the second such reduction in two months. The one-year loan prime rate (LPR) was lowered by 10 basis points to 3.45%, while the five-year LPR – which is a reference for mortgages – was left unchanged at 4.20%.[3]

[2] http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/5068373/index.html
[3] https://www.gov.cn/lianbo/bumen/202308/content_6899265.htm

6. PMI indicates downward pressure on the manufacturing sector in October

After rising to a six-month high of 50.2 in September, China's manufacturing PMI returned to the contractionary territory and dropped to 49.5 in October, pointing to downward pressure on China's manufacturing sector.

The output index slid 1.8 pts to 50.9 in October, indicating that the growth in production activities has slowed slightly. Meanwhile, the new orders index fell by 1.0 pts to 49.5 in October, pointing to a contraction in market demand.

The input prices index plunged by 6.8 pts to 52.6 in October, indicating a slower increase in the prices of production inputs recently. Meanwhile, the ex-factory prices index went down by 5.8 pts to 47.7 in the month, returning to the contractionary territory after a two-month rise.

The business expectations index stayed high at 55.6 in October, indicating that purchasing managers in China have remained optimistic about the near-term outlook for their respective industries.

China's manufacturing PMI dropped to 49.5 in October, pointing to downward pressure on the manufacturing sector. Growth in production activities slowed amid a contraction in market demand. Prices of industrial products fell, amid a slower increase in prices of production inputs.

Exhibit 10: China's manufacturing PMI at a glance, October 2023

Index	Seasonally adjusted index	Index compared with the previous month	Direction
PMI	49.5	Lower ▼	Contracting
Output	50.9	Lower ▼	Expanding
New Orders	49.5	Lower ▼	Contracting
New Export Orders	46.8	Lower ▼	Contracting
Backlogs of Orders	44.2	Lower ▼	Contracting
Stocks of Finished Goods	48.5	Higher ▲	Contracting
Stocks of Major Inputs	48.2	Lower ▼	Contracting
Purchases of Inputs	49.8	Lower ▼	Contracting
Imports	47.5	Lower ▼	Contracting
Input Prices	52.6	Lower ▼	Rising
Ex-factory Prices	47.7	Lower ▼	Falling
Employment	48.0	Lower ▼	Contracting
Suppliers' Delivery Time	50.2	Lower ▼	Quickening
Business Expectations	55.6	Higher ▲	Optimistic

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

7. NMI indicates a slowdown in non-manufacturing sector

China's Non-manufacturing Business Activity Index, which is quoted as the Non-manufacturing Purchasing Managers' Index (NMI), went down from 51.7 in September to 50.6 in October, the lowest since December last year (*see exhibit 11*). The latest index readings indicate a slowdown in the non-manufacturing sector lately.

The sales prices index dropped below the neutral level of 50 in October, indicating that enterprises have started to lower their service charges recently. The input prices index also fell to 49.7 in October, indicating that input prices have started to decline.

The business expectation index stayed high at 58.1 in October, suggesting that purchasing managers in the non-manufacturing sector have remained optimistic about the near-term outlook for their respective industries.

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

Exhibit 11: China's Non-manufacturing Purchasing Managers' Index (NMI) at a glance, October 2023

Index	Seasonally adjusted index	Index compared with the previous month	Direction
Business activity	50.6	Lower ▼	Expanding
New orders	46.7	Lower ▼	Contracting
Input prices	49.7	Lower ▼	Falling
Sales prices	48.6	Lower ▼	Falling
Business expectations	58.1	Lower ▼	Optimistic

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

B. Highlights

1. China issues additional 1 trillion yuan of sovereign debt to stimulate economy

The Standing Committee of the National People's Congress, China's top legislature, has approved the central government's plan to issue an additional 1 trillion yuan in special treasury bonds in 4Q23. Funds raised from the new sovereign debt will be allocated to local governments through transfer payment to support the recovery and rebuilding of disaster-hit areas in the country and improve urban drainage infrastructure to boost China's ability to withstand natural disasters. Around 500 billion yuan is planned to be utilized within the year, while the remaining will be used next year. The move will widen China's 2023 budget deficit to around 3.8% of the GDP from a previously set 3%.

The issuance of an additional 1 trillion yuan of treasury bonds will boost fixed asset investment in 4Q23 and 2024, marking China's latest step to stimulate the economy.

2. MOFCOM takes measures to boost consumption during National Day and Mid-Autumn Festival holiday

To energize the consumption market during the National Day and Mid-Autumn Festival holiday, which lasts from 29 September to 6 October this year, the Ministry of Commerce (MOFCOM) organized and carried out a series of consumer promotion activities such as the 'Golden Autumn Shopping Festival'. Local commercial departments also hosted events such as 'automobile consumption carnivals' and 'home renewal consumption seasons' to create a strong holiday consumption atmosphere.

Part Two: Foreign Trade

A. Recent developments

1. China's exports decline by 9.8% yoy in 3Q23

China's exports dropped by 9.8% yoy to US$865.4 billion while its imports fell by 8.6% yoy to US$639.1 billion in 3Q23. Overall, in 1-3Q23, China's export decreased by 5.7% yoy and its imports went down by 7.5% yoy. In October, China's export declined by 6.4% yoy and its imports increased by 3.0% yoy. (*See exhibits 12, 13 and 14*)

We forecast that China's exports will register a low single-digit year-on-year drop in 4Q23, an improvement from a 9.8% year-on-year fall in 3Q23.

Exhibit 12: China's quarterly foreign trade data, 4Q22 to 3Q23

	Exports		Imports		Trade Balance
	Amount (USD billion)	*yoy growth*	*Amount (USD billion)*	*yoy growth*	*Amount (USD billion)*
FY22	**3,554.9**	**7.2%**	**2,707.2**	**1.0%**	**847.7**
4Q22	883.1	-8.3%	665.0	-6.9%	218.2
1Q23	798.7	-1.8%	616.1	-7.0%	182.7
2Q23	856.2	-4.8%	634.7	-6.7%	221.4
3Q23	865.4	-9.8%	639.1	-8.6%	226.3

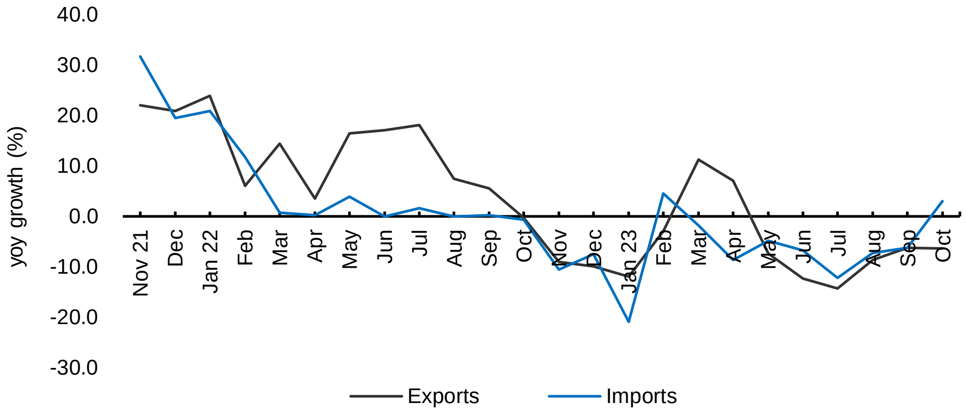
Source: China Customs, compiled by Fung Business Intelligence

Exhibit 13: China's monthly foreign trade data, November 2022 to October 2023

	Exports		Imports		Trade Balance
	Amount (USD billion)	*yoy growth*	*Amount (USD billion)*	*yoy growth*	*Amount (USD billion)*
November 22	291.1	-9.0%	225.1	-10.6%	66.0
December	297.9	-9.9%	228.0	-7.5%	69.9
January 2023	285.5	-11.9%	193.0	-20.9%	92.5
February	209.1	-3.0%	197.2	4.5%	11.9
March	304.1	11.2%	225.9	-1.8%	78.2
April	289.8	7.1%	203.5	-8.6%	86.3
May	282.2	-7.4%	216.7	-4.9%	65.5
Jun	284.2	-12.3%	214.5	-6.8%	69.7
Jul	281.5	-14.3%	201.3	-12.2%	80.2
Aug	284.8	-8.7%	216.5	-7.3%	68.3
Sep	299.1	-6.2%	221.3	-6.3%	77.8
Oct	274.8	-6.4%	218.3	3.0%	56.5

Source: China Customs

Exhibit 14: Growth rates of exports and imports, November 2021 to October 2023



Source: China Customs

Exports of three categories of tech-intensive 'green products' — solar batteries, lithium-ion batteries and electric vehicles — surged 33.3% yoy to US$114.4 billion in 1-3Q23. Their weight in total exports also increased to 4.5% in the period, up 1.3 percentage points from a year ago.

Exhibit 15: Exports growth by category, 2022 to 1-3Q23

yoy growth (%) of export value, in USD	**2022**	**1Q23**	**1H23**	**1-3Q23**
Textile yarn, fabrics and textile products	2.0	-12.1	-10.9	-10.3
Garments and clothing accessories	3.2	-1.3	-5.9	-8.8
Footwear	20.4	-0.2	-6.3	-11.5
Toys	5.6	3.7	-11.2	-12.9
Furniture and parts	-5.3	-6.8	-10.0	-9.0
Suitcases and handbags	28.2	29.1	14.1	6.3
Refined oil	48.7	70.3	28.8	11.5
Steel	18.7	36.7	-1.1	-10.7
Mechanical and electrical products	3.6	-0.4	-0.8	-3.2
Household appliances	-13.3	-4.4	-2.0	-1.1
Motor vehicles including chassis	74.7	81.6	108.1	83.9
Lighting fittings and parts	-6.1	-1.7	-4.0	-5.4

Source: China Customs

Exhibit 16: Imports growth by category, 2022 to 1-3Q23

yoy growth (%) of import value, in USD	**2022**	**1Q23**	**1H23**	**1-3Q23**
Soybeans	14.4	23.6	11.4	3.7
Iron ores	-29.7	-3.3	-5.0	-2.2
Crude oil	41.4	-4.2	-10.9	-9.6
Steel	-8.8	-31.5	-28.6	-27.4
Textile yarn, fabrics and textile products	-24.3	-25.9	-19.6	-8.3
Motor vehicles including chassis	-1.2	-22.4	-23.8	-19.7
Integrated circuits	-3.9	-26.7	-22.4	-19.8
Plastics	-12.2	-22.5	-23.4	-22.2

Source: China Customs

2. ASEAN overtakes the US to become China's largest export market in 1-3Q23

In 1-3Q23, the ASEAN remained China's largest trading partner and it overtook the US to become China's largest export market. The US was also surpassed by the EU, falling all the way to the third spot in terms of China's export destinations. (*See exhibits 17 and 18*)

Despite an overall fall in exports in 1-3Q23, China's exports to Africa managed to grow by 9.0% yoy in the period, one of the few highlights of China's foreign trade this year.

Exhibit 17: China's trading partners, 1-3Q23

Country/Region	Trade value (USD billion)	Share of total trade (%)	Export value (USD billion)	Import value (USD billion)	yoy growth (%) Total trade	yoy growth (%) Exports	yoy growth (%) Imports
ASEAN	669.9	15.2	388.3	281.6	-5.5	-4.8	-6.4
EU	594.2	13.5	382.2	212.0	-7.7	-10.6	-2.1
US	496.0	11.2	372.3	123.7	-14.0	-16.4	-6.0
Japan	236.5	5.4	118.4	118.1	-12.5	-8.3	-16.3
South Korea	230.3	5.2	111.9	118.5	-16.2	-7.5	-23.0
Russia	176.4	4.0	81.4	95.0	29.5	56.9	12.7
Brazil	132.8	3.0	44.1	88.7	0.0	-8.0	4.4
India	101.8	2.3	87.9	13.9	-0.9	-0.9	-0.4

Source: China Customs

Exhibit 18: China's trading partners, comparing growth rates for 2022 and 1-3Q23

yoy growth (%)

Country/Region	Total trade		Exports		Imports	
	2022	1-3Q23	2022	1-3Q23	2022	1-3Q23
ASEAN	11.2	-5.5	17.7	-4.8	3.3	-6.4
EU	2.4	-7.7	8.6	-10.6	-7.9	-2.1
US	0.6	-14.0	1.2	-16.4	-1.1	-6.0
Japan	-3.7	-12.5	4.4	-8.3	-10.2	-16.3
South Korea	0.1	-16.2	9.5	-7.5	-6.5	-23.0
Russia	29.3	29.5	12.8	56.9	43.4	12.7
Brazil	4.9	0.0	15.7	-8.0	-0.4	4.4
India	8.4	-0.9	21.7	-0.9	-37.9	-0.4

Source: China Customs

3. Leading export provinces register year-on-year drops in exports in 1-3Q23

China's top six provinces and municipalities in terms of value of exports – Guangdong, Jiangsu, Zhejiang, Shandong, Shanghai and Fujian – jointly accounted for 73.7% of China's total exports in 1-3Q23, up from 73.4% in 2022 (*see exhibit 19*). All six provinces and municipalities registered year-on-year drops in exports in 1-3Q23.

Exhibit 19: Top six provinces and municipalities in terms of value of exports, 1-3Q23

Provinces/ Municipalities	Value of exports (USD billion)	yoy growth (%)	Share of total exports (%)
Guangdong	625.6	-4.5	24.8
Jiangsu	371.5	-10.2	14.7
Zhejiang	370.5	-3.1	14.7
Shandong	223.6	-3.5	8.9
Shanghai	149.1	-1.9	5.9
Fujian	116.6	-10.2	4.6

Source: China Customs

4. FDI in China falls by 8.4% yoy in 1-3Q23

Foreign direct investment (FDI) in China declined by 8.4% yoy to 920.0 billion yuan in 1-3Q23 *(see exhibit 20)*.

Exhibit 20: China's FDI, 2022 to September 2023

	Amount (billion yuan)	Yoy growth	Ytd amount (billion yuan)	Year-to-date, yoy growth
FY22	**1,232.7**	**6.3%**	**1,232.7**	**6.3%**
October 2022	86.1	2.9%	1,089.9	14.4%
November	66.2	-33.1%	1,156.1	9.9%
December	76.6	-28.5%	1,232.7	6.3%
January 2023	127.7	24.8%	127.7	14.5%
February	140.8	-0.5%	268.4	6.1%
March	140.0	2.8%	408.5	4.9%
April	91.0	-7.8%	499.5	2.2%
May	75.4	-12.0%	574.8	0.1%
June	128.8	-19.0%	703.7	-2.7%
July	63.1	-15.9%	766.7	-4.0%
August	80.5	-14.8%	847.2	-5.1%
September	72.8	-34.4%	920.0	-8.4%

Source: Ministry of Commerce, PRC

China is witnessing a new trend in foreign investment activities, with FDI in China's high-tech manufacturing sector growing rapidly, which jumped by 12.8% yoy in 1-3Q23.

5. Chinese yuan stays relatively stable against US dollar over past three months

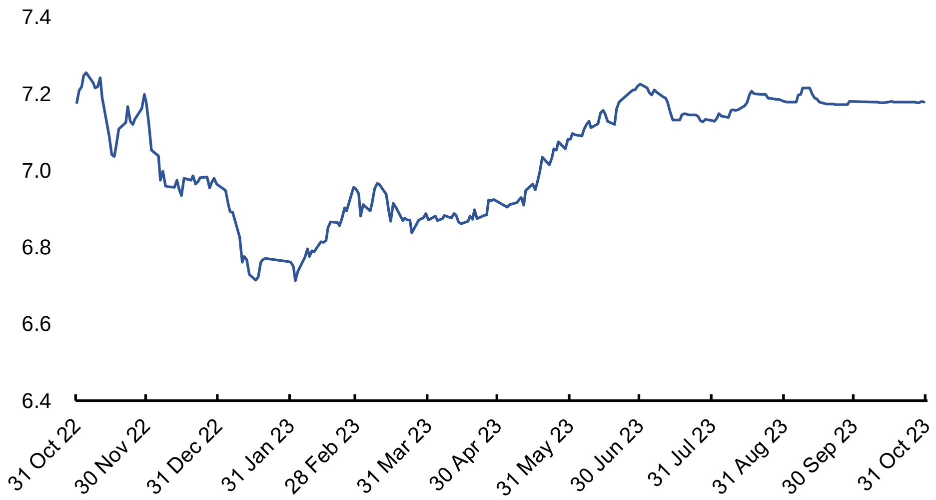
The daily fixing rate (also known as the central parity rate) of the Chinese yuan against the US dollar stayed relatively stable between 7.12 to 7.21 and closed at 7.1779 on 31 October (*see exhibit 21*).[4] The Chinese yuan had depreciated by 3.0% against the US dollar so far this year (as of 31 October).

Meanwhile, the daily fixing rate of the Chinese yuan against the Euro appreciated from 7.8836 on 31 July to 7.6480 on 31 October (*see exhibit 22*). The Chinese yuan had depreciated by 2.9% against the Euro so far this year (as of 31 October).

According to the Bank for International Settlements, the Chinese yuan appreciated in real terms against the currencies of its trading partners by 0.3% in 3Q23 (*see exhibit 23*).

With rising hopes of an end to US interest rate hikes, we expect the Chinese yuan to rebound against the US dollar in the coming months.

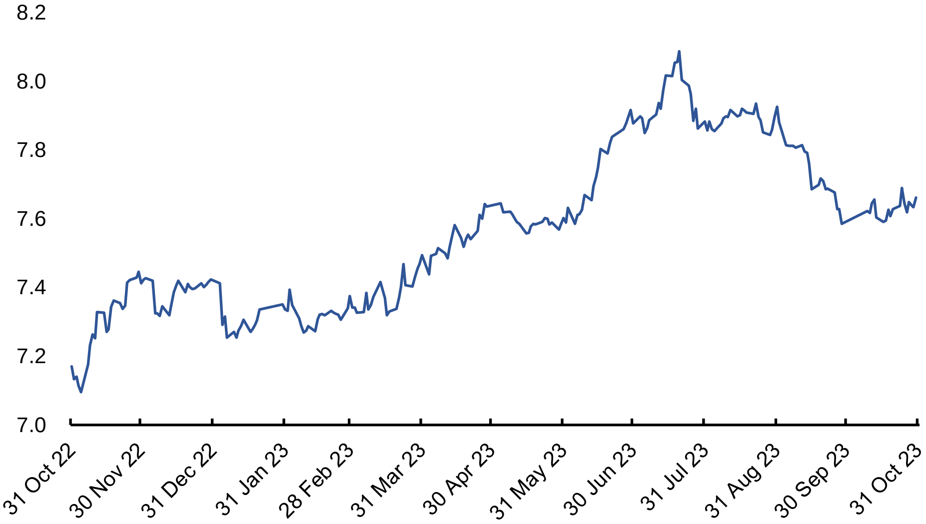
Exhibit 21: USD-CNY daily fixing rate, October 2022 to October 2023



Source: State Administration of Foreign Exchange

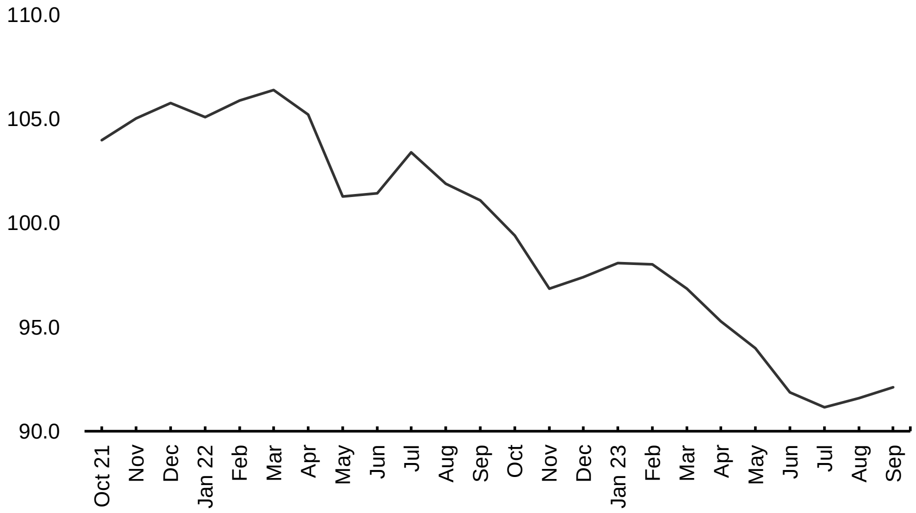
[4] According to the PBOC, the daily fixing rate of the Chinese yuan against the US dollar is directly formed by market makers based on the closing rate of the previous day and the movements of major international currencies.

Exhibit 22: EUR-CNY daily fixing rate, October 2022 to October 2023



Source: State Administration of Foreign Exchange

Exhibit 23: Real effective exchange rate of the Chinese yuan, October 2021 to September 2023



Source: Bank for International Settlements

B. Highlights

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

1. State Council issues new guideline to boost foreign investment in China

On 13 August, the State Council issued a guideline regarding further optimizing the foreign investment environment and intensifying efforts to attract foreign investment.[5]

Under the guideline, 24 specific measures in six aspects have been put forward, including improving the quality of foreign capital utilization, guaranteeing the national treatment of foreign-invested enterprises, strengthening the protection of foreign investment, improving the facilitation of investment and operation, increasing fiscal and tax support, and improving ways to promote foreign investment.

The guideline urged to foster a world-class business environment that is market-oriented, law-based, and internationalized. It also said that all regions are encouraged to adopt supporting measures in light of local conditions to enhance policy synergy.

2. Xinjiang Pilot FTZ starts operations

On 1 November, the Xinjiang Pilot Free Trade Zone (FTZ) officially started operations. This is China's 22nd FTZ and the first in China's northwestern border regions.

On 31 October, the State Council issued a general plan for establishing the Xinjiang Pilot FTZ as a significant strategic move for promoting China's reform and opening-up.[6] The plan will grant the Xinjiang Pilot FTZ greater autonomy in reform, allowing it to explore alternative paths to those of other FTZs, and cultivate and expand industries unique to Xinjiang or in which Xinjiang has advantages.

[5] https://www.gov.cn/zhengce/content/202308/content_6898048.htm
[6] https://www.gov.cn/zhengce/content/202310/content_6912936.htm

C. Outlook

1. US economy registers faster growth in 3Q23

The US GDP grew a better-than-expected 2.9% yoy in 3Q23, driven by an across-the-board improvement in consumer spending, business investment, government purchases, and exports *(see exhibit 24)*. Meanwhile, the GDP growth of the Eurozone economy[7] eased to 0.1% yoy in 3Q23. The Eurozone has been facing the economic fallout from the Russia-Ukraine conflict in addition to rising interest rates and high inflation *(see exhibit 25)*.

We expect that both the US and Eurozone economies will slow in 4Q23 amid the increasingly felt impact of monetary tightening.

Exhibit 24: US real GDP growth, 2021 to 3Q23

	2021	2022	4Q22	1Q23	2Q23	3Q23
Real GDP *(annualized qoq growth %)*			2.6	2.2	2.1	4.9
Real GDP *(yoy growth %)*	5.8	1.9	0.7	1.7	2.4	2.9

Source: US Department of Commerce

Exhibit 25: Eurozone's real GDP growth, 2021 to 3Q23

	2021	2022	4Q22	1Q23	2Q23	3Q23
Real GDP *(qoq growth %)*			0.0	0.0	0.2	-0.1
Real GDP *(yoy growth %)*	5.2	3.5	1.8	1.2	0.5	0.1

Source: Eurostat, IMF

[7] 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 maintains growth forecast for world economy for 2023 at 3.0%

In the *World Economic Outlook* released in October, the IMF maintains its growth forecast for the global economy for 2023 at 3.0% (*see exhibit 26*). Upward revisions to growth forecasts for the US and Japan are offset by downward revisions to growth forecasts for the Eurozone and China.

Exhibit 26: Latest GDP growth estimates and forecasts by the IMF (2022 to 2024)

yoy growth (%)

	2022 (Estimates)	**2023 (Forecasts)**	**2024 (Forecasts)**
World economy	3.5	3.0	2.9
Advanced economies	2.6	1.5	1.4
- US	2.1	2.1	1.5
- Eurozone	3.3	0.7	1.2
- Japan	1.0	2.0	1.0
- UK	4.1	0.5	0.6
Emerging market and developing economies	4.1	4.0	4.0
- China	3.0	5.0	4.2
- India*	7.2	6.3	6.3
- Brazil	2.9	3.1	1.5
- Russia	-2.1	2.2	1.1
- ASEAN-5[8]	5.5	4.2	4.5

** Data and forecasts are presented on a fiscal year basis.*
Source: World Economic Outlook released in October 2023, IMF

[8] ASEAN-5 refers to Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

Fung Business Intelligence

Fung Business Intelligence collects, analyses and interprets global market data on sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to monitor, research and report on these global issues with a particular focus on business trends and developments in China. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational corporation, Fung Business Intelligence also provides expertise, advice and consulting services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

Fung Group

Fung Holdings (1937) Limited, a privately-held business entity headquartered in Hong Kong, is the major shareholder of the Fung Group of companies, whose core businesses operate across the entire global supply chain for consumer goods including sourcing, logistics, distribution and retail. The Fung Group comprises over 25,000 people working in more than 40 economies worldwide. We have a rich history and heritage in export trading and global supply chain management that dates back to 1906 and traces the story of how Hong Kong and the Pearl River Delta emerged as one of the world's foremost manufacturing and trading regions. We are focused on both creating the Supply Chain of the Future to help brands and retailers navigate the digital economy as well as creating new opportunities, product categories and market expansion for brands on a global scale.

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