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China Trade Quarterly

Domestic Trade

We project a 4.8% growth for the Chinese economy in 2024

China's economic growth goes up to 5.2% yoy in 4Q23

Retail sales up 7.2% yoy in 2023

Central Economic Work Conference lays out economic agenda for 2024

Foreign Trade

China's exports edge down by 1.4% yoy in 4Q23

FDI in China falls by 8.0% yoy in 2023

China to accelerate integrated development of domestic and foreign trade

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Issue 73

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Part One: Domestic Trade

A. Recent developments

1. China's economic growth goes up to 5.2% yoy in 4Q23

China's GDP grew by a worse-than-expected 5.2% yoy in real terms in 4Q23, still an improvement from the previous quarter's 4.9% yoy growth *(see exhibit 1)*. The 5.2% growth in 4Q23 comes on top of a low base in 4Q22, when GDP growth stood at just 2.9% yoy amid a huge wave of COVID-19 infections nationwide.

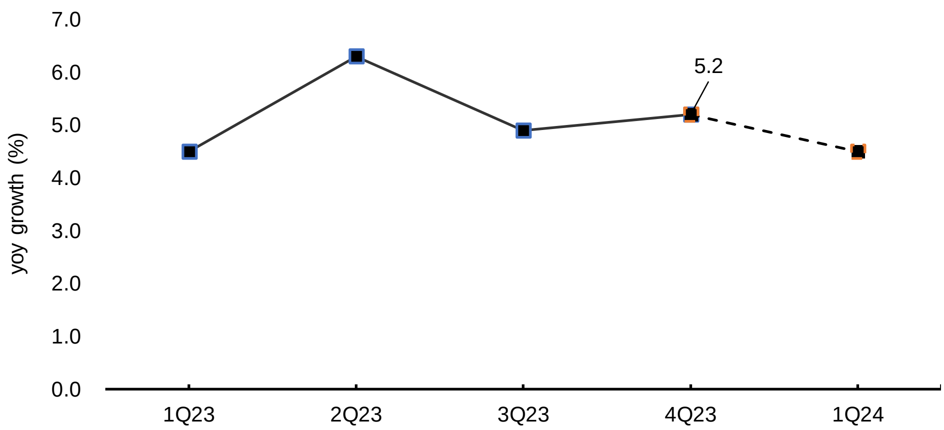
Overall, China's nominal GDP amounted to 126.1 trillion yuan in 2023, up by 5.2% yoy in real terms, an acceleration from just 3.0% yoy in 2022.

We predict that China's real GDP growth will register 4.5% yoy in 1Q24, supported by a steady growth in fixed asset investment and consumer spending amid the expansionary macro policies.

We project a 4.8% yoy growth for the Chinese economy in 2024, driven by a government-led expansion in fixed asset investment, a further recovery in consumer spending, and a rebound in exports.

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

FY23	1Q23	2Q23	3Q23	4Q23	1Q24F
5.2%	4.5%	6.3%	4.9%	5.2%	4.5%



Source: National Bureau of Statistics, PRC

2. Retail sales up 7.2% yoy in 2023

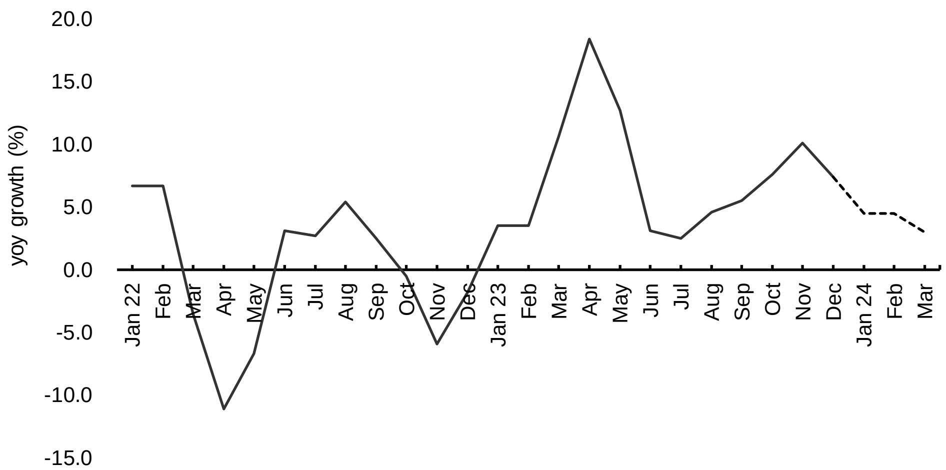
In 2023, China's total retail sales of consumer goods reached 47.1 trillion yuan, up by 7.2% yoy *(see exhibits 2, 3 and 4)*. China's retail sector has recovered in the past few months since a mid-year slump in 2023.

We predict that China's retail sales growth will slow to 4.0% yoy in 1Q24, given a high comparison base in 1Q23 when pent-up demand drove up retail sales after the relaxation of COVID-19 restrictions in late 2022.

We project a 6.0% yoy growth in retail sales in 2024, boosted by the continued rollout of government policies to promote consumption, as well as a potential rebound in consumer prices.

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

FY23	Jan-Feb 23	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
7.2%	3.5%	10.6%	18.4%	12.7%	3.1%	2.5%	4.6%	5.5%	7.6%	10.1%	7.4%



Source: National Bureau of Statistics, PRC

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

mom growth (%), seasonally adjusted

	Jul 23	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Total retail sales	-0.01	1.30	0.18	0.37	0.09	0.42

Source: National Bureau of Statistics, PRC

Exhibit 4: China's retail sales growth, 2022 to 2023

Nominal growth, yoy (%)	**FY22**	**1Q23**	**1H23**	**1-3Q23**	**FY23**
Total retail sales	-0.2	5.8	8.2	6.8	7.2
- Goods	0.5	4.9	6.8	5.5	5.8
Sales by enterprises above designated size	1.9	3.9	6.3	4.9	5.5
Online sales	6.2	7.3	10.8	8.9	8.4
- Catering services	-6.3	13.9	21.4	18.7	20.4

Source: National Bureau of Statistics, PRC

Online retail sales of physical goods increased by 8.4% yoy to 13.0 trillion yuan in 2023, accounting for 27.6% of total retail sales of consumer goods, up 0.4 percentage points from a year ago.

Exhibit 5: China's retail sales growth by enterprises above designated size, by product, 2022 to 2023

Nominal growth, yoy (%)	**FY22**	**1Q23**	**1H23**	**1-3Q23**	**FY23**
Grain, oil and food	8.7	7.5	4.8	5.3	5.2
Beverages	5.3	1.8	1.0	2.0	3.2
Tobacco and liquor	2.3	6.8	8.6	9.8	10.6
Garments, footwear, hats, knitwear	-6.5	9.0	12.8	10.6	**12.9**
Cosmetics	-4.5	5.9	8.6	6.8	5.1
Gold, silver and jewellery	-1.1	13.6	17.5	12.2	**13.3**
Commodities for daily use	-0.7	5.1	5.0	3.5	2.7
Sports and amusement appliances	--	5.8	10.5	8.3	11.2
Home appliances and audio/video equipment	-3.9	-1.7	1.0	-0.6	**0.5**
Traditional Chinese and Western medicines	12.4	16.5	11.1	8.7	5.1
Cultural and office appliances	4.4	-1.4	-3.9	-6.8	-6.1
Furniture	-7.5	4.6	3.8	3.1	2.8
Communication appliances	-3.4	-5.1	4.1	3.9	7.0
Petroleum and related products	9.7	10.3	7.5	6.5	6.6
Automobiles	0.7	-2.3	6.8	4.6	5.9
Building and decoration materials	-6.2	-2.4	-6.7	-7.9	**-7.8**

Source: National Bureau of Statistics, PRC

In 2023, 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' remained sluggish amid the cooling property market.

3. Growth in industrial production accelerates in 4Q23

China's industrial production, measured by the value-added of industrial output of industrial enterprises above designated size[1], expanded by 4.6% yoy in 2023, up from 4.0% yoy in 1-3Q23 *(see exhibit 6)*.

We expect China's VAIO growth to decline to 4.5% yoy in 1Q24, as the low-base effect fades.

Exhibit 6: China's industrial production growth and forecasts, January 2022 to March 2024

FY23	Jan-Feb 23	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
4.6%	2.4%	3.9%	5.6%	3.5%	4.4%	3.7%	4.5%	4.5%	4.6%	6.6%	6.8%

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

4. Fixed asset investment grows 3.0% yoy in 2023

The nominal growth of China's fixed asset investment (FAI) (excluding rural households) registered 3.0% yoy in 2023 *(see exhibit 7)*. Overall, China's FAI (excluding rural households) amounted to 50.3 trillion yuan in the year.

We predict that the growth in China's FAI will pick up in 2024 for two reasons. First, the issuance of an additional 1 trillion yuan of treasury bonds in 4Q23 will boost infrastructure investment this year. Second, investment in the dampened real estate sector is likely to stabilize and be less of a drag on FAI growth.

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

Year-to-date, yoy growth %	Jul 23	Aug	Sep	Oct	Nov	Dec
FAI (excluding rural households)	3.4	3.2	3.1	2.9	2.9	3.0
- Manufacturing sector	5.7	5.9	6.2	6.2	6.3	6.5
- Infrastructure (excluding power, heat, gas and water infrastructure)	6.8	6.4	6.2	5.9	5.8	5.9
- Real estate development	-8.5	-8.8	-9.1	-9.3	-9.4	-9.6

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, January to December 2023

	Broad money supply (M2)		Total outstanding RMB loans	
As of	Amount (trillion yuan)	yoy growth	Amount (trillion yuan)	yoy growth
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%
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%

Source: People's Bank of China

Exhibit 9: Increase in RMB loans, 2022 to 2023

	Increase in RMB loans (trillion yuan)
FY22	**21.44**
FY23	**22.75**
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
Oct	0.74
Nov	1.09
Dec	1.17

Source: People's Bank of China

The People's Bank of China (PBoC) has continued to take actions to maintain reasonable and sufficient liquidity in the banking system and encourage banks to channel funds into the real economy. On 25 January, it cut the re-lending and re-discount interest rates for the agricultural sector and for small businesses by 25 basis points. On 5 February, it cut the required reserve ratios (RRRs) for all commercial banks by 50 basis points (except those that have already implemented an RRR of 5%) to free up over 1 trillion yuan in long-term liquidity.[2]

The latest monetary loosening comes as concerns over China's economic prospects deepened in early 2024. However, China will continue to avoid large-scale monetary easing due to worries over high debt and capital outflows, in our view.

[2] http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/5217425/index.html

6. PMI indicates easing downward pressure on the manufacturing sector in January

After dropping to a six-month low of 49.0 in December, China's manufacturing PMI picked up to 49.2 in January, pointing to easing downward pressure on China's manufacturing sector.

The output index jumped by 1.1 pts to a four-month high of 51.3 in the month, indicating a faster expansion in manufacturing output. The new orders index gained 0.3 pts to 49.0 in January, pointing to a smaller contraction in market demand.

The input prices index declined by 1.1 pts to 50.4 in January, indicating a slower increase in the prices of production inputs recently. Meanwhile, the ex-factory prices index went down by 0.7 pts to 47.0 in the month, pointing to a persistent decrease in ex-factory prices.

The business expectations index fell to a seven-month low of 54.0 in January, indicating that purchasing managers in China have become less optimistic about the near-term outlook for their respective industries.

China's manufacturing PMI picked up to 49.2 in January, pointing to easing downward pressure on China's manufacturing sector. Growth in production activities accelerated while market demand continued to contract, albeit at a slower pace. Prices of industrial products fell, amid a slower increase in prices of production inputs.

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

Index	Seasonally adjusted index	Index compared with the previous month	Direction
PMI	49.2	Higher ▲	Contracting
Output	51.3	Higher ▲	Expanding
New Orders	49.0	Higher ▲	Contracting
New Export Orders	47.2	Higher ▲	Contracting
Backlogs of Orders	44.3	Lower ▼	Contracting
Stocks of Finished Goods	49.4	Higher ▲	Contracting
Stocks of Major Inputs	47.6	Lower ▼	Contracting
Purchases of Inputs	49.2	Higher ▲	Contracting
Imports	46.7	Higher ▲	Contracting
Input Prices	50.4	Lower ▼	Rising
Ex-factory Prices	47.0	Lower ▼	Falling
Employment	47.6	Lower ▼	Contracting
Suppliers' Delivery Time	50.8	Higher ▲	Quickening
Business Expectations	54.0	Lower ▼	Optimistic

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

7. NMI indicates recent acceleration 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 up from an 11-month low of 50.2 in November to 50.4 in December and further to 50.7 in January (*see exhibit 11*). The latest index readings indicate a growth acceleration 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. The input prices index has also stayed in the contractionary territory over the past four months, indicating that input prices have declined.

The business expectation index stayed high at 59.7 in January, 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, January 2024

Index	Seasonally adjusted index	Index compared with the previous month	Direction
Business activity	50.7	Higher ▲	Expanding
New orders	47.6	Higher ▲	Contracting
Input prices	49.6	Unchanged --	Falling
Sales prices	48.9	Lower ▼	Falling
Business expectations	59.7	Lower ▼	Optimistic

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

B. Highlights

1. Central Economic Work Conference lays out economic agenda for 2024

Wordings from the conference signal that a more expansionary macro policy will be adopted in 2024, which will help alleviate the downward pressure on the Chinese economy, in our view.

The Central Economic Work Conference, a meeting which sets the tone for the economic tasks this year, was held on 11-12 December 2023.[3] Regarding the economic work this year, the meeting called for efforts to pursue progress while ensuring stability, consolidate stability through progress, and establish the 'new' before abolishing the 'old'.

It urged the introduction of more policies that will help stabilize expectations, growth and employment, as well as active endeavors to promote the transition of growth models, structural adjustment, and quality and efficiency improvement, so as to consolidate the foundation of stable economic development with positive outlook.

The government should strengthen counter-cyclical and cross-cyclical adjustments of macro policies and continue to implement a proactive fiscal policy and a prudent monetary policy with strengthened innovation and coordination of policy tools, the meeting said.

[3] https://www.gov.cn/yaowen/liebiao/202312/content_6919834.htm

Part Two: Foreign Trade

A. Recent developments

1. China's exports edge down by 1.4% yoy in 4Q23

In 2023, China's exports fell by 4.6% yoy to US$3,380.0 billion, the first contraction in dollar terms in seven years, while its imports dropped by 5.5% yoy to US$2,556.8 billion. (*See exhibits 12, 13 and 14*)

We forecast that China's exports will register a low single-digit year-on-year drop in 1Q24 against a high comparison base in 1Q23, when exporters rushed to fulfil a backlog of orders that had been disrupted by the nationwide COVID-19 outbreak in late 2022.

Exhibit 12: China's quarterly foreign trade data, 1Q23 to 4Q23

	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**
1Q23	795.6	-1.9%	614.7	-7.2%	180.8
2Q23	852.6	-5.2%	633.1	-7.0%	219.4
3Q23	861.2	-10.2%	639.2	-8.6%	222.0
4Q23	870.6	-1.4%	669.7	0.7%	200.9

Source: China Customs, compiled by Fung Business Intelligence

Exhibit 13: China's monthly foreign trade data, January to December 2023

	Exports		Imports		Trade Balance
	Amount (USD billion)	*yoy growth*	*Amount (USD billion)*	*yoy growth*	*Amount (USD billion)*
January 2023	284.4	-12.0%	192.7	-21.0%	91.8
February	208.7	-2.8%	196.7	4.3%	12.0
March	302.5	10.9%	225.4	-2.0%	77.1
April	288.2	7.1%	203.1	-8.8%	85.0
May	281.0	-7.6%	216.0	-5.2%	64.9
June	283.5	-12.4%	214.0	-7.0%	69.5
July	280.8	-14.2%	201.4	-12.1%	79.4
August	283.9	-8.5%	216.6	-7.2%	67.3
September	296.5	-6.8%	221.2	-6.4%	75.3
October	274.3	-6.6%	218.1	2.9%	56.1
November	292.7	0.7%	223.3	-0.7%	69.5
December	303.6	2.3%	228.3	-0.2%	75.3

Source: China Customs

Exhibit 14: Growth rates of exports and imports, January 2022 to December 2023

Source: China Customs

Exhibit 15: Exports growth by category, 2022 to 2023

yoy growth (%) of export value, in USD	**2022**	**1Q23**	**1H23**	**1-3Q23**	**2023**
Textile yarn, fabrics and textile products	2.0	-12.1	-10.9	-10.3	-8.3
Garments and clothing accessories	3.2	-1.3	-5.9	-8.8	-7.8
Footwear	20.4	-0.2	-6.3	-11.5	-12.6
Toys	5.6	3.7	-11.2	-12.9	-12.2
Furniture and parts	-5.3	-6.8	-10.0	-9.0	-5.2
Suitcases and handbags	28.2	29.1	14.1	6.3	3.9
Refined oil	48.7	70.3	28.8	11.5	0.4
Steel	18.7	36.7	-1.1	-10.7	-8.3
Mechanical and electrical products	3.6	-0.4	-0.8	-3.2	-2.4
Household appliances	-13.3	-4.4	-2.0	-1.1	3.8
Motor vehicles including chassis	74.7	81.6	108.1	83.9	69.0
Lighting fittings and parts	-6.1	-1.7	-4.0	-5.4	-4.6

Source: China Customs

Exports of three categories of tech-intensive 'green products' — solar batteries, lithium-ion batteries, and electric vehicles — soared 24.1% yoy to US$150.6 billion in 2023. Their weight in total exports also increased to 4.5% in the year, up 1.0 percentage point from a year ago.

Exhibit 16: Imports growth by category, 2022 to 2023

yoy growth (%) of import value, in USD	**2022**	**1Q23**	**1H23**	**1-3Q23**	**2023**
Soybeans	14.4	23.6	11.4	3.7	-0.5
Iron ores	-29.7	-3.3	-5.0	-2.2	4.9
Crude oil	41.4	-4.2	-10.9	-9.6	-7.7
Steel	-8.8	-31.5	-28.6	-27.4	-25.8
Textile yarn, fabrics and textile products	-24.3	-25.9	-19.6	-8.3	-1.2
Motor vehicles including chassis	-1.2	-22.4	-23.8	-19.7	-11.6
Integrated circuits	-3.9	-26.7	-22.4	-19.8	-15.4
Plastics	-12.2	-22.5	-23.4	-22.2	-19.4

Source: China Customs

Developing economies continue to be growth spots for China's foreign trade this year: China's exports to Central Asia countries and African countries grew by 47% yoy and 7% yoy respectively in 2023.

2. ASEAN overtakes the US to become China's largest export market in 2023

In 2023, 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*)

Exhibit 17: China's trading partners, 2023

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	911.7	15.4	523.7	388.0	-4.9	-5.0	-4.8
EU	783.0	13.2	501.2	281.8	-7.1	-10.2	-0.9
US	664.5	11.2	500.3	164.2	-11.6	-13.1	-6.8
Japan	318.0	5.4	157.5	160.5	-10.7	-8.4	-12.9
South Korea	310.7	5.2	149.0	161.8	-13.5	-7.2	-18.7
Russia	240.1	4.0	111.0	129.1	26.3	46.9	12.7
Brazil	181.5	3.1	59.1	122.4	6.1	-4.3	11.9
India	136.2	2.3	117.7	18.5	1.5	0.8	6.0

Source: China Customs

Exhibit 18: China's trading partners, comparing growth rates for 2022 and 2023

yoy growth (%)

Country/Region	Total trade		Exports		Imports	
	2022	2023	2022	2023	2022	2023
ASEAN	11.2	-4.9	17.7	-5.0	3.3	-4.8
EU	2.4	-7.1	8.6	-10.2	-7.9	-0.9
US	0.6	-11.6	1.2	-13.1	-1.1	-6.8
Japan	-3.7	-10.7	4.4	-8.4	-10.2	-12.9
South Korea	0.1	-13.5	9.5	-7.2	-6.5	-18.7
Russia	29.3	26.3	12.8	46.9	43.4	12.7
Brazil	4.9	6.1	15.7	-4.3	-0.4	11.9
India	8.4	1.5	21.7	0.8	-37.9	6.0

Source: China Customs

3. Leading export provinces register year-on-year drops in exports in 2023

China's top six provinces and municipalities in terms of value of exports – Guangdong, Jiangsu, Zhejiang, Shandong, Shanghai and Fujian – jointly accounted for 73.4% of China's total exports in 2023, the same as in 2022 (*see exhibit 19*). All six provinces and municipalities registered year-on-year drops in exports in 2023.

Exhibit 19: Top six provinces and municipalities in terms of value of exports, 2023

Provinces/ Municipalities	Value of exports (USD billion)	yoy growth (%)	Share of total exports (%)
Guangdong	835.4	-4.7	24.7
Jiangsu	504.3	-6.9	14.9
Zhejiang	485.1	-2.6	14.4
Shandong	299.6	-3.8	8.9
Shanghai	198.0	-4.1	5.9
Fujian	159.5	-7.6	4.7

Source: China Customs

4. FDI in China falls by 8.0% yoy in 2023

Foreign direct investment (FDI) in China declined by 8.0% yoy to 1,133.9 billion yuan in 2023, marking the first decline since 2012 *(see exhibit 20)*.

Exhibit 20: China's FDI, 2023

	Year-to-date amount (billion yuan)	Year-to-date yoy growth
FY22	**1,232.7**	**6.3%**
FY23	**1,133.9**	**-8.0%**
January 2023	127.7	14.5%
February	268.4	6.1%
March	408.5	4.9%
April	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%

Source: Ministry of Commerce, PRC

China is witnessing an influx of FDI into the high-tech sector, which accounted for 37.3% of all FDI in 2023, up by 1.2 percentage points from 2022.

5. Chinese yuan hovers around 7.1 against US dollar over past few months

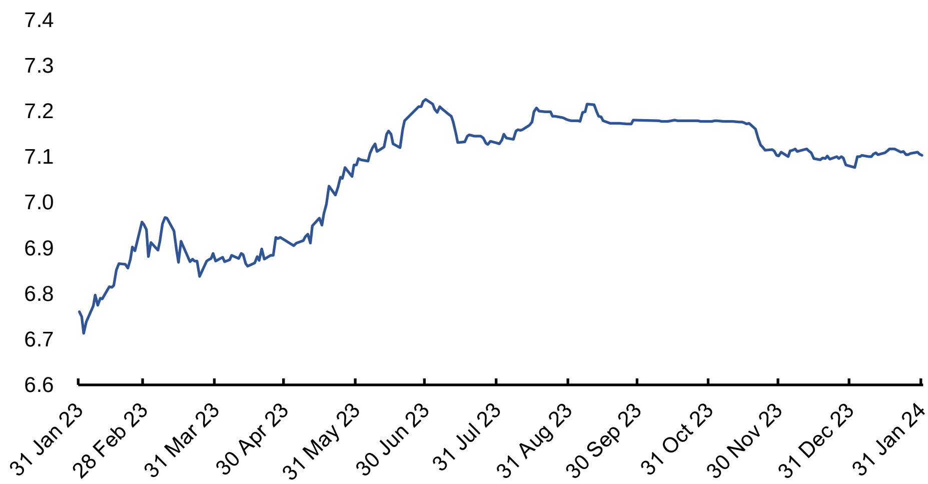
The daily fixing rate (also known as the central parity rate) of the Chinese yuan against the US dollar appreciated from around 7.17 in mid-November to a seven-month high of 7.0770 on 2 January, before retreating to 7.1039 on 31 January (*see exhibit 21*).[4] The Chinese yuan depreciated by 1.7% against the US dollar in 2023 and depreciated by 0.3% so far this year (as of 31 January).

Meanwhile, the daily fixing rate of the Chinese yuan against the Euro depreciated from 7.648 on 31 October to 7.8592 on 29 December, before rebounding to 7.7153 on 31 January (*see exhibit 22*). The Chinese yuan depreciated by 5.6% against the Euro in 2023 and appreciated by 1.9% so far this year (as of 31 January).

According to the Bank for International Settlements, the Chinese yuan depreciated in real terms against the currencies of its trading partners by 0.2% in 4Q23 and by 5.5% in 2023 (*see exhibit 23*).

With expectations of US interest rate cuts later this year, we expect the Chinese yuan to rebound against the US dollar in the coming months.

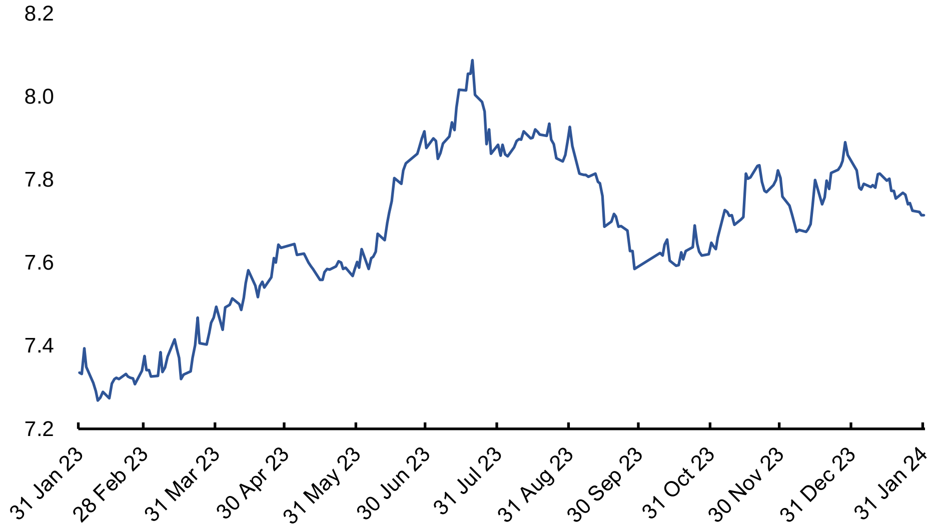
Exhibit 21: USD-CNY daily fixing rate, January 2023 to January 2024



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, January 2023 to January 2024



Source: State Administration of Foreign Exchange

Exhibit 23: Real effective exchange rate of the Chinese yuan, January 2022 to December 2023

Source: Bank for International Settlements

B. Highlights

1. China to accelerate integrated development of domestic and foreign trade

The State Council released a circular on 11 December to accelerate the integrated development of domestic and foreign trade.[5]

Measures will be taken to accelerate the alignment of rules and systems for domestic and foreign trade involving such aspects as standards, examination, accreditation and oversights, according to the circular.

Efforts should also be made to promote the connection of market channels for domestic and foreign trade, the circular said, adding that the business environment for the integrated development of domestic and foreign trade will be improved with measures including strengthening the protection of intellectual property rights, improving credit systems and enhancing logistics facilitation.

The integrated development of domestic and foreign trade will help promote a more self-reliant 'dual circulation' economic paradigm for long-term growth in the coming years.

2. China cuts import tariffs on over 1,000 products

Effective from 1 January, China has reduced or cancelled import tariffs on 1,010 products.[6] For example, to accelerate the innovation and development of advanced manufacturing, China has reduced the import tariffs on essential resources, key equipment and components, such as lithium chloride and gas diffusion layers for fuel cells. At the same time, the country will implement zero tariffs on certain drugs and their raw materials to better meet people's wellness and health needs. China has also lowered import duties on sweet corn, coriander and burdock seeds.

These tariff cuts are in line with China's commitment of further lowering import tariffs and opening up the domestic market.

3. China to push ahead FTA negotiations in 2024

China will push ahead an extensive lineup of free trade agreement (FTA) negotiations this year, said Wang Shouwen, China's international trade representative, at a news conference held on 26 January.[7]

In 2024, China will strive to conclude the China-ASEAN Free Trade Area agreement 3.0 upgrade negotiations, as well as the FTA negotiations with Honduras and upgraded FTA talks with Peru. China will also continue to advance its accession into the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the Digital Economy Partnership Agreement.

Establishing a high-standard FTA network is part of China's efforts to foster deeper economic integration and forge new partnerships with foreign countries, which will also open up opportunities for increased foreign trade.

[5] https://www.gov.cn/zhengce/content/202312/content_6919596.htm
[6] http://finance.people.com.cn/BIG5/n1/2023/1222/c1004-40144299.html
[7] https://www.gov.cn/zhengce/202401/content_6929006.htm

C. Outlook

1. US economic growth accelerates in 4Q23

The US GDP grew a better-than-expected 3.1% yoy in 4Q23, driven primarily by higher consumer spending, partly offset by slower growth in business investment and government purchases *(see exhibit 24)*. Meanwhile, the GDP growth of the Eurozone economy[8] remained low and registered 0.1% yoy in 4Q23. The Eurozone has been facing the economic fallout from the Russia-Ukraine conflict in addition to high interest rates *(see exhibit 25)*.

We expect that both the US and Eurozone economies will slow in 1Q24 amid the increasingly felt impact of monetary tightening.

Exhibit 24: US real GDP growth, 2022 to 2023

	2022	2023	1Q23	2Q23	3Q23	4Q23
Real GDP *(annualized qoq growth %)*			2.2	2.1	4.9	3.3
Real GDP *(yoy growth %)*	1.9	2.5	1.7	2.4	2.9	3.1

Source: US Department of Commerce

Exhibit 25: Eurozone's real GDP growth, 2022 to 2023

	2022	2023	1Q23	2Q23	3Q23	4Q23
Real GDP *(qoq growth %)*			0.1	0.1	-0.1	0.0
Real GDP *(yoy growth %)*	3.5	0.5	1.3	0.6	0.0	0.1

Source: Eurostat, IMF

[8] 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 at 3.1% yoy

In the *World Economic Outlook Update* released in January, the IMF revised upwards its growth forecast for the global economy for 2024 at 3.1% (*see exhibit 26*). The report cites the economic resilience of the US and some developing countries, as well as fiscal support in China, as the primary reasons for the upward revisions.

Prolonged tight monetary conditions, a turn to contractionary fiscal policies, as well as deepening property sector woes in China, are cited as the biggest risks to the global economy in 2024.

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

yoy growth (%)

	2023 (Estimates)	2024 (Forecasts)	2025 (Forecasts)
World economy	3.1	3.1	3.2
Advanced economies	1.6	1.5	1.8
- US	2.5	2.1	1.7
- Eurozone	0.5	0.9	1.7
- Japan	1.9	0.9	0.8
- UK	0.5	0.6	1.6
Emerging market and developing economies	4.1	4.1	4.2
- China	5.2	4.6	4.1
- India*	6.7	6.5	6.5
- Brazil	3.1	1.7	1.9
- Russia	3.1	2.6	1.1
- ASEAN-5[9]	4.2	4.7	4.4

** Data and forecasts are presented on a fiscal year basis.*
Source: World Economic Outlook Update released in January 2024, IMF

[9] 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 15,000 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.

Listed entities of the Group include Retail Asia Limited (SEHK: 00831). Privately-held entities include Li & Fung Limited, LH Pegasus, Branded Lifestyle Holdings Limited, Fung Kids (Holdings) Limited, Toys "R" Us (Asia) and Suhyang Networks.

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