

Weekly China Insight

Beijing, 20 December 2024

China's November economic data reflect supply-side strength but weak demand

China's National Bureau of Statistics reported a mixed economic performance for November.

- Industrial production grew by 5.4% y/y, slightly above October's 5.3%, with high-tech and equipment manufacturing expanding by 7.8% and 7.6%, respectively.
- Retail sales increased only by 3% y/y, slowing from October's 4.8%.
- Fixed-asset investment expanded 3.3% in the first 11 months.
- Home sales in November turned positive for the first time in 17 months. However, the rebound in home sales has not reversed the real estate industry's overall slowdown, with new property investment falling 11.6% y/y in November.

The stabilization in industrial growth and home sales reflect the early success of recent policy support measures, but sluggish consumption and weak investment indicate lingering structural challenges for China's economy. Sustained policy support, especially accelerated monetary easing and expanding fiscal support, will be crucial to address the imbalances between the supply and demand sides in 2025.

Beijing moves to address local governments' financing

Premier Li Qiang chaired a State Council executive meeting to align central government officials with the directives set at last week's Central Economic Work Conference (CEWC), held among China's Party leadership. Li emphasized the proactive implementation of the Party's economic policies, especially by streamlining local government special bond management with expanded use for infrastructure projects and affordable housing. Li also stressed the importance of developing government investment funds in a sustainable way that avoids crowding out private capital.

In view of the continuous accumulation of local debt, the State Council is encouraging local governments to expand cashflow while avoiding add-on risks. Such a move aims to increase the momentum of local governments and private sectors to stimulate economic growth.

China expands visa-free transit policy to gain global travel buzz

China's National Immigration Administration extended its visa-free transit policy to allow international travelers from 54 countries to stay in China up to 240 hours (10 days) – an increase from the previous 72-144 hours. International travelers from below countries can now enjoy cross-provincial travel during their stay.

- Europe (40): Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Monaco, Netherlands, Norway, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Ukraine, Bosnia and Herzegovina, Montenegro, North Macedonia, Albania, Belarus, Kosovo.
- Americas (6): United States, Canada, Brazil, Mexico, Argentina, Chile.
- Oceania (2): Australia, New Zealand.
- Asia (6): South Korea, Japan, Singapore, Brunei, United Arab Emirates, Qatar.

The announcement coincided with a surge in international attention on "China Travel" content on platforms like YouTube and TikTok, where related videos have collectively reached nearly 1 billion views. Viral trends such as "Friday after work, off to China" have gained popularity in countries like South Korea, showcasing growing enthusiasm for Chinese tourism.

By significantly easing entry requirements and tapping into the global enthusiasm for Chinese culture, Beijing is leveraging its appeal to boost tourism and foster people-to-people ties. The most recent policy change is expected to stimulate economic growth while enhancing China's soft power as a tourist destination.

Trump and Chinese foreign minister highlight the potential for US-China cooperation

On 16 December, US President-elect Donald stated at a press conference in Florida that "China and the United States together can solve all the world's problems." A day later, Chinese Foreign Minister Wang Yi underscored the global significance of US-China relations at a symposium, noting past strategic dialogues, cooperation on issues like climate change and drug control, and the renewal of the bilateral science and technology agreement demonstrate the potential for greater cooperation between Beijing and Washington. Wang reiterated the four "red lines" outlined by Xi Jinping on Taiwan, national sovereignty, development rights, and domestic systems.

Trump's remarks, while mostly spontaneous, signal a potential shift in US policy toward more cooperative engagement with Beijing. Wang's remarks highlight that while areas of contention persist, a shared willingness to collaborate could set the stage for US and China to tackle pressing global challenges, from climate change to technological innovation.

Decades-old US-China science and technology agreement renewed with a narrowed scope

On 13 December, the US and China signed a five-year extension of the US-China Science and Technology Agreement, first signed in 1979 shortly after the two countries resumed diplomatic relations. This renewal followed months of intense negotiations, reflecting heightened geopolitical tensions between the countries. The updated agreement focuses exclusively on basic research and explicitly excludes cooperation in the development of critical and emerging technologies such as artificial intelligence and quantum computing. The renewal introduces enhanced safeguards, addressing concerns over data security, reciprocity, and researcher protections.

While the narrowed scope of the renewed agreement reflects prevailing mistrust between the two countries, the agreement's eventual renewal underscores the importance of scientific collaboration between Beijing and Washington, even as competition in critical technologies intensifies.

Tesla launches end-of-year sales push in China

Tesla has launched aggressive sales campaigns in China to meet its annual sales targets. Tesla's Shanghai factory delivered 79,000 vehicles in November, including 73,000 for the Chinese domestic market – a 12% y/y increase and the highest monthly domestic sales for 2024. Consumption incentives like five-year interest-free financing and a RMB 10,000 discount on select Model Ys drove strong consumer interest. Tesla also benefited from enhanced government subsidies from Beijing, which doubled the old-for-new trade-in incentives for new energy vehicles to RMB 20,000.

Tesla's aggressive sales and marketing strategies in China demonstrate its adaptability and market leadership, but rising competition from domestic brands means Tesla's success in maintaining sales growth will hinge on balancing price competitiveness with innovation in its flagship models.