Weekly China Insight

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British Prime Minister's Beijing visit signals reset in UK-China strategic partnership

On 29 January, Chinese President Xi Jinping met with British Prime Minister Keir Starmer in Beijing, marking the first official visit by a UK leader to China since 2018. The two sides agreed to pursue a "long-term and stable comprehensive strategic partnership," pledging to enhance cooperation across trade, finance, healthcare, climate, and technology. Xi emphasized the need for mutual respect and trust, warning against "unilateralism and power politics," while Starmer stressed that engagement with China is "in our national interest" and vital for global stability. Agreements reached during the state visit included China's offer of visa-free access for UK citizens for up to 30 days and exploratory talks on a bilateral services trade agreement. Starmer also unveiled AstraZeneca's USD15 billion investment in China through 2030, focused on expanding drug manufacturing and R&D in China. Starmer's China visit also includes meeting with Chinese Premier Li Qiang and a later stop in Shanghai.

Starmer's state visit represents a pragmatic shift toward re-engagement with China amid geopolitical uncertainty caused by US President Trump's uncertain foreign policy.

Finland and China seek to deepen ties during Orpo's first official Beijing visit in 17 years

On 25 January, Finnish Prime Minister Petteri Orpo began a four-day official visit to China, the first by a Finnish head of government since 2017. Orpo was accompanied by over 20 Finnish business leaders. On 27 January, Orpo met President Xi Jinping in Beijing where both sides reaffirmed their traditional "ice and snow friendship" and pledged to expand cooperation in trade, investment, clean energy, and the digital economy. Xi emphasized the need for stronger global coordination amid shared challenges, while Orpo voiced support for the one-China policy and closer EU–China ties.

Orpo also held talks with Chinese Premier Li Qiang, agreeing to strengthen multilateralism, promote free trade, and align development strategies across fields such as shipbuilding, clean tech, and life sciences. They also witnessed the signing of multiple cooperation agreements in science, urban development, culture, and trade. On 26 January, Orpo and Commerce Minister Wang Wentao co-chaired the sixth China–Finland Committee for Innovative Business Cooperation, where firms from both countries signed commercial deals focused on green development, innovation, and digital collaboration.

The Finish prime minister's visit reflects Helsinki's pragmatic approach to deepening high-tech and green economy partnerships with Beijing while positioning Finland as a stable EU interlocutor in the increasingly complex China–Europe relations.

China’s auto sector profit margin hits record low in December amid rising costs

On 28 January, data from the China Passenger Automobile Association revealed that the automotive industry’s profit margin dropped to just 1.8% in December 2025, down 2.3 percentage points y/y. For the full year, the sector’s profit margin stood at 4.1%, despite a 7.1% y/y increase in revenue to RMB 11.2 trillion in 2025. Profit growth also lagged behind, rising only 0.6% y/y as costs climbed 8.1% y/y to RMB 9.8 trillion in 2025. A key drag on profitability was the doubling of battery-grade lithium carbonate prices from RMB 58,000 to RMB 119,000 per ton in the second half of last year, alongside rising costs for chips, copper, and aluminum.

Automakers cannot pass on the cost increases onto consumers because of intense market competition. Additional policy factors, including the expiry of the government’s old-for-new trade-in subsidies, end-of-year tax incentive changes for NEVs, and promotional campaigns by automakers to boost year-end sales, all eroded automakers’ profit margins further. As raw material prices continue to rise and consumption incentives wane, automakers face an increasingly unsustainable cost structure, which may well continue into 2026.

China’s luxury market stabilizes in 2025 as secondhand sector surges

On 29 January, Bain & Company released its *2025 China Luxury Report*, noting that China's personal luxury goods market shrank 3%–5% y/y, a marked improvement from the 17%–19% y/y decline in 2024. The market showed signs of recovery in Q3 2025, with Q4 seeing 1%–3% y/y growth. While outbound travel recovered strongly, overseas luxury purchases by Chinese consumers fell to 35% of the total spending (down from 40% in 2024). This trend was caused by a stronger RMB, narrowing global price gaps, and improved domestic retail experiences. Among product categories, beauty and personal care was the only category that reported growth (4%–7% y/y), while leather goods and watches saw the steepest declines (down 8%–11% y/y and 14%–17% y/y, respectively). In contrast, China’s secondhand luxury market surged 15%–20% y/y, driven by both supply-side asset liquidation and younger consumers' growing demand for affordable products.

China’s narrowing contraction in luxury spending signals cautious optimism among consumers. However, the rapid rise of secondhand luxury goods suggests a structural shift in consumption patterns that will challenge brand strategies across pricing, innovation, and market segmentation.