Newsletter

19 February 2019

FCCC/EUCBA ACTIVITIES

China Immersion Programme – Negotiating with the Chinese: Cultural Roots & Practical Recommendations – Business Models & China Entry Strategies – 19 March 2019, 10h00 – 16h00 – Ghent

The Flanders-China Chamber of Commerce is organizing the **China Immersion Programme: 'Negotiating with the Chinese and China Entry Strategies'**, which will take place on **19 March** at 10h00 in Ghent.

Mr. Bo Ji, Chief Representative Europe & Assistant Dean Global Executive Education of the **Cheung Kong Graduate School of Business**, will be the keynote speaker.

China has embarked on unprecedented economic growth since its market opened up four decades ago, rising to become the world's second-largest economy today. What is happening in China? What are the new increasing business opportunities that attract European companies? How can you break into the Chinese market and win your customers there?

Companies with the ambition of global expansion, especially those who are eager to enter the Chinese market, should have a better understanding of how to negotiate with the Chinese. However, due to the cultural differences and the shifting dynamics of the business context, it is not easy for all business leaders. Today, effective communication and negotiation skills play a crucial role in a company's success in China.

Attendees will gain a comparative understanding of the practical Chinese and Western approaches to negotiation as well as sharpen their own negotiation skills through learning from multiple case studies and real-life contexts. Furthermore, they will identify the cultural roots behind business scenarios, which will provide them with the knowledge to reshape their strategies and tactics. The attending business leaders will also learn to optimize their approach to a win-win value creation through negotiating with the Chinese to achieve a sustainable partnership.

The event contains a comprehensive discussion of the Chinese culture and the business environment in China. There is also a large selection of real-life case studies of western companies that have failed in China, which could deepen your understanding of how to avoid mistakes. Finally, the course aims to find you the right China entry strategies and business models.

The morning session: Negotiating with the Chinese: Cultural Roots & Practical Recommendations
This session offers guidance to business leaders on how to leverage cultural differences, complexity, uncertainty, and conflicts during the negotiation process with their Chinese partners.

The afternoon session: Win in China: Business Models & China Entry Strategies
The authoritative China guidance helps you learn the best tried-and-tested China concepts to today's ever-changing environment and discover strategies that enable you to thrive in China.

Programme
10:00 – 10:15 Signup & Networking
10:15 – 10:30 Opening Remarks and introduction, Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce
10:30 – 12:00 Keynote Speech "Negotiating with the Chinese: Cultural Roots & Practical Recommendations", Bo Ji, Chief Representative & Assistant Dean of CKGSB Europe
12:00 – 13:00 Lunch Break & Networking
13:00 – 14:30 Keynote Speech "Win in China: Business Models & China Entry Strategies", Bo Ji, Chief Representative & Assistant Dean of CKGSB Europe
14:30 – 15:00 Q&A Session about China
15:00 – 16:00 Networking

The participation fee for this event is:
Morning or Afternoon Session, lunch included:
Members (excl. VAT): €195
Whole Day price:
Members (excl. VAT): €325

For non-member fees, please check our website. For more information about the speaker, please check our website.

If you are interested to participate in this session, please subscribe before 12 March 2019 via this link

Experience of previous participants:
"The enthusiasm of the speaker was remarkable. Through the experiences of the lecturer everything was very understandable and clear. There was a lot of interaction in the group, which allowed us to know the experiences of others."

Another quote from **Christian De Cartier,** M&A Director of Ontex Group:
"A very interesting workshop that covered some fascinating topics! I would recommend it!"

Peter Cannaerts, Purchasing Manager of Agfa Graphics:
"A very dynamic speaker and a very interesting workshop where the diversity of the group was a big advantage. In addition to the speakers information and tips, we could learn through the experiences of each participant."

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FOREIGN TRADE

Trade talks move to Washington as March 1 deadline nears

(from left to right) U.S. Trade Representative Robert Lighthizer, Chinese Vice Premier Liu He and U.S.Treasury Secretary Steven Mnuchin in Beijing

Chinese President Xi Jinping met the U.S. trade delegation in Beijing for talks on the trade war, including Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin. Xi said "China would like to address the problems of economic and trade frictions with the United States in a cooperative way to promote the conclusion of a deal acceptable to both sides." It was the first time the Chinese President met with the U.S. trade delegation since the trade talks began last year. The talks are this week moving to Washington as a Memorandum of Understanding (MOU) is being prepared. There is still no firm date for Presidents Trump and Xi to meet and seal a final agreement.

U.S. President Donald Trump said that the talks "went extremely well" and that he was inclined to push back the March 1 deadline after which U.S. import tariffs on USD200 billion of Chinese goods would be raised from 10% to 25% in the absence of a deal. "If we're close to a deal where we think we can make a real deal, and it's going to get done, I could see myself letting that slide for a little while,"Trump said, perhaps extending the deadline by 60 days. "We want very much to make a deal," Trump said. He added that a delay was justified, based on the scope and scale of the talks. Speaking on the White House lawn, he said: "Trade with China – how big does that get? It must be the biggest deal in history."

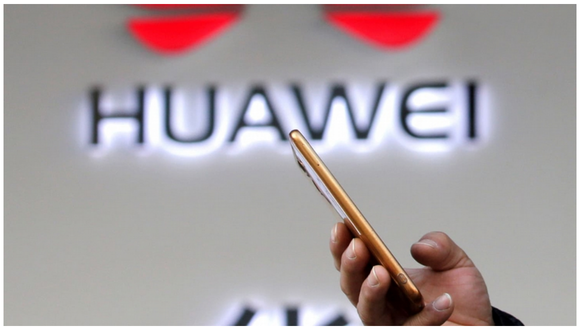
Seven U.S. Democratic Senators urged President Donald Trump to press China for a trade deal that fully addresses the technology transfer and intellectual property concerns. Led by Senator Robert Menendez of New Jersey, the Senators said in a letter to Trump that any deal with Beijing must at a minimum commit China to "cease the predatory practices" identified in the section 301 investigation by the Office of the U.S. Trade Representative (USTR), which formed the basis for U.S. tariffs on Chinese goods.

Trade flows between China and the United States are shrinking quickly as a result of the trade war. Chinese imports of U.S. products plunged 41.1% from a year earlier to USD9.2 billion last month, the lowest since February 2016, according to the Chinese General Administration of Customs. The fall in U.S. exports to China contrasted sharply with China's overall imports last month, which remained largely steady with only a 1.5% fall year-on-year. China's imports from the U.S. have now fallen for eight consecutive months, month-on-month, the longest period of continuous decline since monthly bilateral trade data was first made available in 1999. In January alone, China's imports from the U.S. were smaller than its imports from Australia, South Korea, Taiwan or Germany. One of the few U.S. products China is buying more of is soybeans, increasing 29% from December, after China agreed to make more purchases during trade negotiations. Going the other way, Chinese exports to the U.S. fell slightly, down 2.4% to USD36.5 billion in January.

The United States must change course and compete smarter with China rather than sever ties between the world's two biggest economies, a group of prominent American China-watchers and former U.S. officials has warned in a report by a task force led by Orville Schell of the Asia Society's Center on U.S.-China Relations and former U.S. Deputy Assistant Secretary of State Susan Shirk, who is now with the University of California San Diego's 21st Century China Center. While the 17 members of the group supported a tougher approach against Beijing, they said the present U.S. strategy was "defective" in various aspects including the economy and security.

IT & TELECOM

Huawei plans legal action against spying allegations



Huawei Technologies plans legal action against accusations by official agencies of several countries that its telecom equipment may be used by the Chinese authorities to spy on its clients.

U.S. Secretary of State Mike Pompeo said during a visit to Budapest, Hungary, that **the presence of Huawei complicates the country's partnership with the U.S.** Earlier, U.S. ambassador to the EU Gordon Sondland made a similar warning. U.S. Vice President Mike Pence said in Warsaw that the U.S. welcomes Poland's commitment to "protecting the telecoms sector from China". Poland arrested a Chinese employee of Huawei and a former Polish security official on spying allegations. Chinese Foreign Ministry Spokesperson Hua Chunying said that U.S. actions using state agencies to suppress and block Chinese high-tech companies are unjust and immoral, and totally unfit for a major world power. Separately, Republican Senator Marco Rubio has proposed legislation that would restrict and tax Chinese investments in the U.S. to counter Beijing's "Made in China 2025" industrial modernization program, which includes direct subsidies for domestic companies developing advanced semiconductors.

Some dissenting voices disagree with the allegations against Huawei. Robert Hannigan, Britain's former Director of spy agency GCHQ, has characterized the "chorus of voices" calling for a blanket ban on Chinese companies like Huawei Technologies from telecommunications networks in Western countries as being "short on technical understanding" of cybersecurity and the complexities of 5G networks. While GCHQ's National Cyber Security Center "has been blunt about Huawei's shortcomings in security engineering and in its general attitude to cybersecurity", it has "never found evidence of malicious Chinese state cyber activity through Huawei", Hannigan wrote in the Financial Times.

That assessment is based on GCHQ's evaluation of Huawei's presence in British telecoms networks over some years, which has given it detailed insights into the company's hardware, code, processes and policies. A blanket security ban based on a company's nationality is likely to be ineffective as state-linked cyber espionage attacks on IT-managed services providers around the world do not require the manipulation of companies such as Huawei, he added. Hannigan is now a Senior Fellow at Harvard Kennedy School's Belfer Center for Science and International Affairs. "Assertions that any Chinese technology in any part of a 5G network represents an unacceptable risk are nonsense," he concluded. Hannigan said that the UK and other European countries should "hold their nerve" and base decisions on Chinese involvement in future telecom networks on technical expertise and rational risk assessment instead of "political fashion or trade wars".

The CIA and the National Security Agency (NSA) have studied Huawei's operations for over a decade, but they have not found a "smoking gun" showing conclusively that Huawei executives have helped Chinese security services penetrate America's wireless networks. Still, President Trump is considering to order an new investigation which could lead to banning Huawei and other Chinese IT companies from selling their products in the U.S. and banning U.S. companies from selling components to them. Chinese telecom sales to the United States are tiny. Huawei has effectively been blacklisted by Washington for several years and made little market headway beyond limited sales in rural markets.

The company also received some good news: Philippines-based network operator Globe Telecom said the security concerns had been overblown and that it would push on with a planned roll-out of its 5G commercial services in the second quarter of the year.

Huawei became the world's third-largest buyer of semiconductors last year, with its expenditure on purchasing chips witnessing the largest growth among the top five companies, according to research firm Gartner. Huawei spent over USD21 billion on semiconductor chips last year, accounting for 4.4% of the total worldwide market. It increased its chip spending by 45.2%, overtaking Dell and Lenovo Group to the third spot. Three other Chinese companies, Lenovo, BBK Electronics and Xiaomi Corp, ranked in the top 10 semiconductor buyers in 2018. Samsung Electronics and Apple remained the top two semiconductor chip buyers in 2018 with a 17.9% market. Huawei shipped 30 million smartphones in the domestic market in the fourth quarter of last year, up 23.3% year-on-year. It topped the list with a market share of 29%, according to research firm IDC.

RETAIL

Holiday spending up 8.5%, reaching a new high

The 7-day Lunar New Year Holiday has always been an important barometer of consumption for the entire year. The **combined sales of retail and catering enterprises in China rose 8.5% year-on-year** to a new high of CNY1.01 trillion from February 4 to10, according to the latest statistics from the Ministry of Commerce (MOFCOM). Lunar New Year's Eve dinners, and dinners with relatives and friends dominated the festival. But a lot more Chinese chose not to cook this year, resulting in an increase in Lunar New Year's Eve take-out orders by various degrees in different cities. Beijing's major restaurants saw their revenue up by more than 10% during the holiday compared with the same period of last year. More Chinese also ordered ready to eat meals through e-commerce platforms or hired a chef to cook meals at home. On one online ordering platform, the number of orders for Lunar New Year's Eve dinners increased 107%, according to MOFCOM.

While making special purchases for the holiday, more Chinese favored imported food such as cranberries from North America, avocados from Myanmar, codfish from New Zealand, lobster from Boston and cherries from Chile. Apart from exotic foreign food, Chinese consumers also paid more attention to product quality, with the sales of organic food, smart home appliances and new electronic devices seeing fast growth.

Chinese e-commerce giant JD.com said its sales from February 3 to 7 rose 42.7% year-on-year, with smartphones, computers and home appliances being the top three items in terms of sales value. Cooking utensils posted the most substantial growth at 399% year-on-year, with people tending to prefer higher-end products in this category, the company said.

The Spring Festival once again unleashed China's annual travel rush, with an increasing number of people opting to celebrate the holiday by traveling to tourist attractions. **There was a 19% year-on-year growth in the number of Chinese tourists** during the Spring Festival holiday, according to data from Fliggy, an online tourism service provider. A total of 12.59 million air passenger trips were made, up 10.6% from last year's holiday, according to the Civil Aviation Administration of China (CAAC). Around 111,000 flights were made during the period, up 6% year-on-year. Domestic tourism revenues rose 8.2% year-on-year to CNY513.9 billion during the holiday. The number of overseas trips taken by Chinese increased by 28%. Ctrip, a Shanghai-based online travel agency, said countries along the Belt and Road such as Thailand, Indonesia, Singapore, Vietnam, Malaysia, the United Arab Emirates and Cambodia are among the most popular outbound destinations. The number of visitors to East European countries increased by nearly 40%.

China UnionPay said transactions over the weeklong Chinese New Year holiday surged 71.5% to a record-high of CNY1.16 trillion. Spending on gold accessories jumped 90% from a year earlier, while cultural entertainment spending more than doubled. The number of payments through UnionPay's mobile platform increased 2.5 times, and the amount jumped 4.4 times.

During the 40-day travel rush from January 21 to March 1, air travelers are expected to make 73 million trips, up 12%, the Shanghai Daily reports.

CHINA NEWS ROUND-UP

Chinese drivers are buying more used cars

Chinese consumers, who created the world's largest automobile market in a generation, are discovering that new is not everything. They **are increasingly buying second-hand cars, eschewing first-hand models**, as economic growth in China weakens to its slowest pace in decades and an ongoing trade war with the United States spills over into uncertainties about investment and job prospects. Consumer confidence in second-hand cars is also being boosted by an evolving ecosystem of financing, used-car dealerships, better ownership data and insurance.

A decade ago most Chinese drivers did not want to buy a second-hand vehicle, but trends are changing. Transactions involving new cars fell by 2.8% in 2018 to 28.1 million units, while sales of second-hand vehicles jumped by 11.5% to 13.8 million units. **The ratio of second-hand vehicles to new models stood at 49.1%**, a 6 percentage point growth over 43% in 2017, according to the China Automobile Dealers Association (CADA). In the United States, in comparison, sales of used cars far outnumber purchases of new vehicles and this trend has been on the rise in recent years.

The increasing popularity of second-hand cars at home could mean trouble for Chinese carmakers, spurring them to look for export markets in which to sell some of the 28 million cars and trucks that roll off assembly lines every year. Last year, China exported 1.15 million passenger cars and commercial vehicles, an increase of 11.3% from a year earlier, according to the General Administration of Customs. This export volume represents about 4% of the country's total automobile output. China is – by far – the world's largest car market, producing about 27.8 million vehicles last year, down by 4.2% from 2017, the South China Morning Post reports.

Chinese appetite for luxury products remains strong

Chinese rich consumers' appetite for luxury products remains robust this year, with strong growth in purchasing power among the younger generations, according to an **industry survey by Ruder Finn and Consumer Search Group**. The **2019 China Luxury Forecast** surveyed 1,075 consumers in more than 130 cities on the Chinese mainland and 310 consumers in Hong Kong. About 46% of the survey respondents from the mainland and 32% from Hong Kong said they plan to spend more on luxury products in the next 12 months. Rich Chinese consumers spent an average of CNY240,000 on luxury items in 2018. The average annual income of the households surveyed was CNY1.4 million on the Chinese mainland and HKD975,286 in Hong Kong.

"What has remained unchanged over the past 10 years is that China and Chinese consumers are on an overall upward trajectory," said Gao Ming, Senior Vice President and General Manager of National Luxury Practice, China, Ruder Finn Asia. Gao noted several key trends in the market, including digitalization of communications and marketing, as well as the massive increase in purchasing power among the region's younger generation. **Millennials have been the key consumer target group for almost every luxury brand over the past two to three years.** The report found that total spending on luxury goods was on average higher among millennials aged between 26 and 35 over the past 12 months in China. Chinese mainland consumers purchased a higher amount of clothing, shoes and beauty products online, with over 70% saying they would be willing to buy any luxury item, except automobiles, online. They said they prefer to purchase goods from Chinese e-commerce firms JD and Tmall.

Luxury goods consumers mainly use digital channels to obtain brand and product information, the report said. **Digital channels are dominant in China**, as four of the nation's leading information channels are all digital. Clothing and jewelry products were at the top of consumers' overseas shopping lists this year. Half of the consumers surveyed said they plan to spend more on clothing in the next 12 months. Chinese consumers focus heavily on shopping, allocating nearly 30% of their total travel budget. On average, rich consumers from the Chinese mainland made 2.8 international trips over the survey period.

The report advised that, against the backdrop of market volatility, brands cannot rely on a one-size-fits-all approach. Rather, "companies must fully tap the wide variety of consumer market opportunities in order to successfully engage with the changing face of Chinese luxury consumers," Gao said, as reported by the China Daily.

MOFCOM optimistic about foreign trade growth

China has confidence in its ability to maintain stable trade growth in 2019 thanks to a raft of positive factors. "Looking ahead, despite the complex environment, we still see many favorable factors for the stable development of foreign trade in 2019," Chu Shijia, Director of the Comprehensive Department of the Ministry of Commerce (MOFCOM), told a conference. The gradual recovery of the global economy, China's opening-up efforts and pro-trade policies, accelerating industrial upgrading and improving corporate vitality will lend strong steam to the country's trade growth this year, Chu said.

China's foreign trade in goods surged faster than expected to a record high last year, totaling USD4.6 trillion, up **12.6% year-on-year**, faster than that of major trading nations. It made China the world's largest trader in goods. MOFCOM noted growing trade with Belt and Road countries, more high-end exports and accelerating imports growth. Trade with the countries along the Belt and Road rose to 27.4% of the total. The private sector accounted for 48% of total exports, making it the largest single source of exports. China has continued to push foreign trade growth, setting up 22 new comprehensive pilot zones for cross-border e-commerce.

According to World Trade Organization (WTO) statistics, China's share of global imports increased by 0.7 percentage points to 10.9% in the first three quarters of 2018, and the country's contribution to global import growth was 16.8%. In particular, last year's inaugural China International Import Expo provided new opportunities for countries and regions around the world to expand exports to China and injected new impetus into world economic growth.

Global direct investment fell 19% in 2018 from a year earlier, but increased 3% in China to USD134.97 billion. Foreign investors are also increasing their investment in China's commercial real estate market, surpassing CNY70 billion, up over 50% year-on-year, according to CBRE Group, a leading global commercial real estate service. Foreign investment accounted for about 60% of Shanghai's major property deals in the fourth quarter of 2018, the Shanghai Daily reports.

China's exports and imports both rose at a faster-than-expected rate in January, up 8.7% from a year earlier to CNY2.73 trillion. Exports rose 13.9% year-on-year to CNY1.5 trillion, while imports grew 2.9% to CNY1.23 trillion. The trade surplus expanded 1.2 times to CNY271.16 billion. The increase in exports was significantly higher than analyst forecasts, partly driven by front-loading by exporters before the Spring Festival, which fell at the beginning of February as compared with the end of February last year. In terms of regions, **China's trade with the European Union**, ASEAN countries and Japan **increased** 17.6%, **7.8%** and 6.5%. Trade with countries along the Belt and Road rose 11.5%.

Investment into China from the United States rose by 124.6% in January, with the hi-tech industry witnessing the most significant increase, from the Netherlands by 95.6%, the United Kingdom by 13.7% and Hong Kong by 6.5%.

Agricultural firms doing well on the Shenzhen Stock Exchange

Not artificial intelligence (AI) or semiconductor firms, but **agricultural companies, have been advancing the most on the Shenzhen Stock Exchange**. The agricultural sub-index has rallied more than any other in 2019, and is the only one to eke out a gain in the past three years as the city's benchmark slid 22%. Analysts attribute the more recent gains to the likelihood of higher pork prices as African swine fever dents supply. And while trade tensions with the U.S. have affected the price of soybeans, which are used as animal feed, progress in talks could result in China importing more from America, lowering breeders' costs, said Dai Ming, Shanghai-based Fund Manager at Hengsheng Asset Management. A pork producer stood out in Hong Kong too, with WH Group climbing more than 8% over a three-day period.

In another boost, the government has promised to support share listing and fundraising by qualified agriculture firms. "The agriculture sector has had a totally different story to technology firms over the past few years," said Sun Jianbo, President of China Vision Capital Management in Beijing. "China is still at the early stage of large-scale farming and, with this trend picking up, the sector's revenue is growing steadily." Muyuan and Wens Foodstuffs Group, another meat producer, have more than doubled their profit since 2014, though they have yet to report 2018 earnings. Wens Foodstuffs has risen 16% in Shenzhen this year, about half the advance by Muyuan, which has driven much of the Shenzhen agricultural gauge's advance over the past three years as it more than tripled in value.

Gains in farming-related stocks have made them much more expensive. The agriculture gauge in Shenzhen trades at about 49 times reported earnings – more than double the broader index – according Bloomberg. Meanwhile, technology companies "have seen the business environment worsening", Hengsheng's Dai said. "For example, the smartphone supply chain is seeing intensifying competition and shrinking margins." After years of breakneck expansion, global smartphone makers are grappling with slowing revenue growth. Apple's Chinese phone shipments plummeted by an estimated 20% in the final quarter last year, while Xiaomi fared even worse, research firm IDC said this week.

China Minsheng Investment Group (CMIG) sparks alarm by missing bond payment

China Minsheng Investment Group (CMIG), a private company backed by dozens of the biggest Chinese firms and dubbed the **"the aircraft carrier of China's private companies"** by local media **has partly suspended trading of its bonds** after missing a repayment. The case underlines the mounting pressure in the country's USD11 trillion bond market, said analysts, as a liquidity crunch forces an increasing number of heavily indebted companies to the brink of default. CMIG has stopped taking bids for three of its bonds "due to recent price volatilities", according to a filing to the Shanghai Stock Exchange.

One of the three bonds had plunged by more than 27% on February 11, as investors sold off amid concerns about CMIG's financial condition. The company missed a deadline on January 29 to pay back a privately placed bond, worth CNY3 billion. Some of the investors still have not received their money, and CMIG has been negotiating with them for a repayment extension, sources said. The company faces more than CNY10 billion in payments for maturing debts and interest this year, according to data provider WIND. It had assets worth CNY310.9 billion as of the end of last September, but its net profit plunged by nearly 60% to just CNY1.6 billion.

In recent filings CMIG has been alerting investors to risks stemming from cash-flow stress caused by earlier mergers and acquisitions, and an underperformance in the solar energy sector, in which it has heavily invested. "Three billion yuan is a very small amount of money for a company like CMIG. The delay in repayment shows they have bigger problems to deal with," said Wonnie Chu, Managing Director of fixed income at GaoTeng Global Asset Management. She said the Chinese government is becoming more tolerant of bankruptcies and defaults by companies "as long as it does not create systemic risks". "There was a time when China tended to bail out all the defaults, but it is not the case since the supply-side reform, when Beijing emphasized 'quality growth'," Chu added. The crisis facing CMIG is widely shared by other Chinese private companies, said Ivan Chung, head of Greater China credit research and analysis at Moody's Investors Service, as reported by the South China Morning Post.

CMIG was set up in 2014 by Chinese veteran banker Dong Wenbiao. Dong, former Chairman of China's biggest private lender, Minsheng Bank, managed to persuade 59 of the biggest private companies to make initial investments in the company. The combined assets of those firms surpassed CNY1 trillion at the time. The ambition of CMIG was to make investments in strategic industries, with the backing of the country's strongest entrepreneurs.

The number of corporate bond default cases surged to 119 in 2018, more than triple the 35 cases a year earlier. The value of defaulted bonds also tripled to CNY116.6 billion in 2018 from CNY33.7 billion in 2017, according to the data compiled by Wind.

China home sales decline 56% during Lunar New Year holiday

New homes sales declined by 56% year-on-year in 17 major Chinese cities, including Shanghai and Nanjing, **during the Lunar New Year holiday** from February 4 to 9, in a sign that does not bode well for a sector already weighed down by a bearish outlook and concerns about a slowing economy. Investment bank China International Capital Corp (CICC) said Beijing's easing stance on the overall economy boosted market sentiment in the beginning of 2019, but sales data from sample cities and developers shows "the fundamentals of the property sector have actually exacerbated".

A survey of 14 cities by Huatai Securities found that only four cities had posted growth in sales year-on-year during the holiday period. On the other hand, Yangzhou in Jiangsu province, Fuzhou in Fujian province, and Zhaoqing in Guangdong province reported declines of 80% or more. Raymond Cheng, head of Hong Kong and China property research at CGS-CIMB Securities, said: "A major reason for the big slump is a high comparison base. In the beginning of 2018, sales were brisk and the common outlook was that the bull run would continue. A year later, the outlook is the opposite – sentiment has gone south." Cheng once again forecast that for the whole year, China's new home sales by volume will slump by 10%. Chinese property developers have already reported a decline in home sales **for January**. According to property consultancy CRIC, **the top 10 developers in terms of sales volume reported a 15%** year-on-year **decline in combined contracted sales**. Sales at the top three developers, Country Garden, China Vanke and China Evergrande Group, contracted by 28% or more in January.

The drop in home sales has been accompanied by a decline in spending on cars, travel and other sectors. Retail and catering revenue rose by 8.5% during the seven-day Year of the Pig holiday, according to China's Ministry of

Commerce (MOFCOM), the lowest rate since the government began publishing holiday sales data a decade ago. National tourism revenue growth also slowed to 8.2%, the first instance of single-digit growth since 2008.

Chinese venture capital market collapsed in January

The Chinese venture capital market collapsed in January, with both the value and number of deals down more than 60% year-on-year, though some see the slump as a necessary "correction" amid tighter regulation and slowing economic growth. Investments last month totaled CNY29.4 billion, representing a 67.5% year-on-year slide and 31.7% month-on-month slump, according to a report by China-based researcher Zero2IPO. A similar year-on-year fall was seen in the total number of deals, which fell 63.5% to 286. More than half of the investment deals last month were for early-stage, series A and B financing rounds, with the hottest targets being business services instead of the previously dominant consumer sector, according to a separate report by Zero2IPO.

The easy money is now over, according to Joe Tsai, Alibaba Group's Executive Vice Chairman. "Entrepreneurs in China had it too easy raising gigantic billion-dollar rounds of capital and multibillions in valuation," Tsai said at a Thomson Reuters Breakingviews Predictions 2019 event. "A correction will happen and it's healthy." Chinese tech start-ups were able to raise billions of dollars in the private market in the years from 2015 to 2017, though some that listed publicly last year are now trading below their offering prices, including smartphone maker Xiaomi and on-demand service firm Meituan Dianping.

Ofo is perhaps a prime example of the sudden change in fortunes some companies are experiencing. Founded in 2014, the bike rental firm raised a total of USD2.2 billion in nine funding rounds in less than four years, but has struggled against bankruptcy rumors since late 2018. The number of Chinese start-ups that launched IPOs in January fell 65% year-on-year to 55, according to Zero2IPO, signaling a tougher environment for venture capital or private equity investors looking to profit from new listings. "Some start-ups cannot survive now that the capital rush has slowed," William Li, Senior Analyst at Beijing-based data research company Context Lab, told the South China Morning Post.

The silver lining for yuan-dominated private market investors this year could be Shanghai's new Technology Innovation Board, which is expected to boost the city's ability to attract tech listings while creating more opportunities for private equity investors to exit.

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