

China eases gaming crackdown, sending tech stocks upward

Article

The news: On Tuesday, China approved a slew of video game titles, injecting some vigor into its tech sector.

- A government regulator approved publishing licenses for **60 online games**, the most since July 2021, [per](#) South China Morning Post.

- Approved titles included miHoYo's Keqier Frontier, Perfect World Games' Black Cat Anecdote Society, and Hero Entertainment's Dynasty Legends 2.
- However, titles from major game developers Tencent and NetEase were conspicuously absent from the list of approvals.
- In 2017, China approved a record-high 9,000 new games. In 2020, **1,411** games got the greenlight, and in 2021, that number dropped to **755** games.
- This year's first round of game approvals began in April with **45 new titles**, which marked the end of a nine-month approval freeze that Beijing enacted to curb gaming addiction.
- Last year, officials also **restricted** gaming for minors to three hours a week in addition to ongoing censorship of content deemed "**electronic heroin.**"

What it means: The game greenlighting indicates a partial return to normalcy for the country that **leads** the world in gaming revenue. Beijing's easing of its hardline gaming stance has helped revive its languishing **tech sector.**

Video Game Revenues in China, by Segment, 2021

billions and % total



Note: total video game revenues in China=\$46.98 billion

Source: Niko Partners as cited in press release; eMarketer calculations, Nov 24, 2021

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- Following Tuesday's approvals, Chinese tech stocks rose, with Tencent up **4.7%** and NetEase up **2.9%** despite those companies' titles being excluded, **per** Tech Xplore.

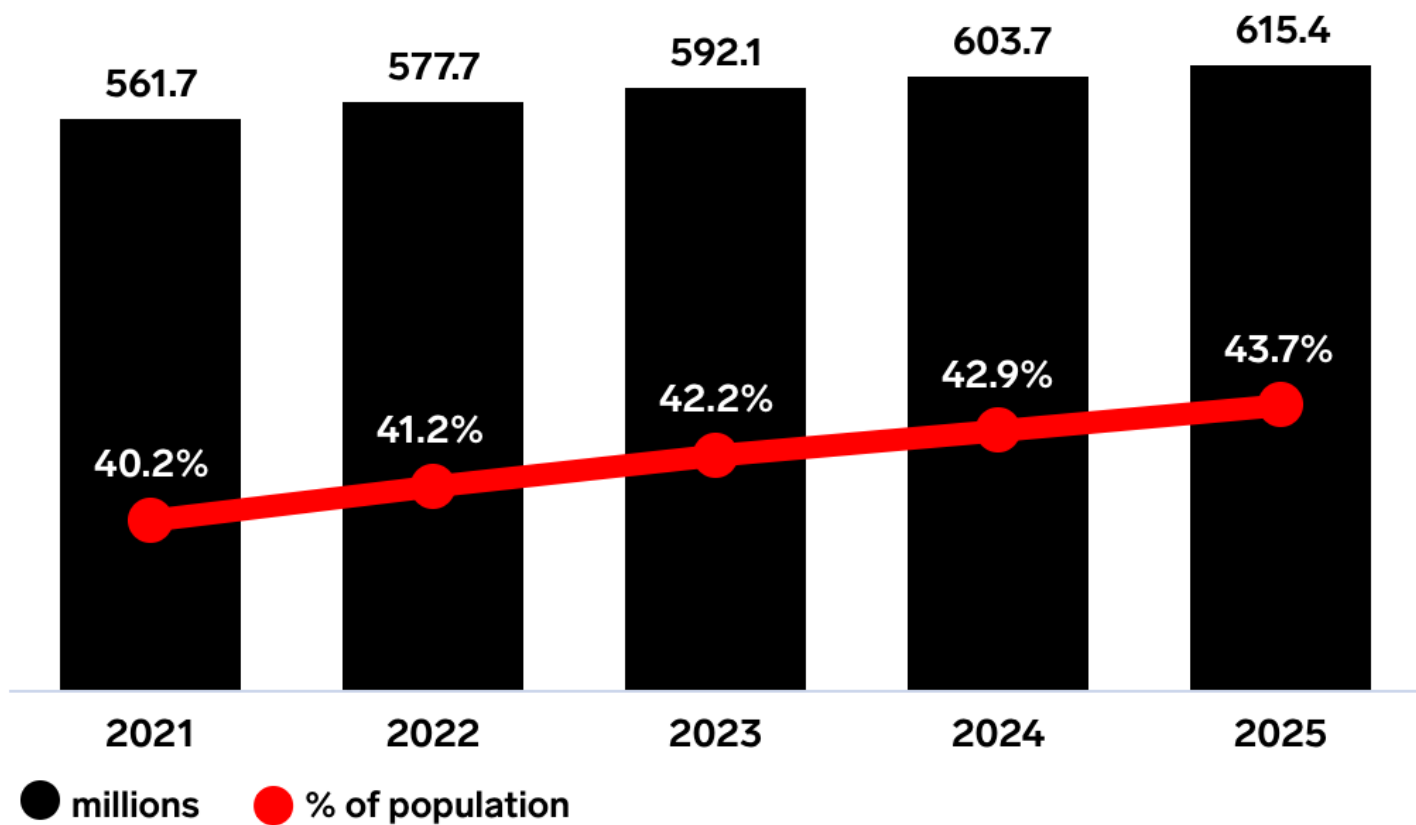
- Additionally, the gaming news increased **Alibaba** stocks by over 8% and **JD.com** by more than 4%, per Shine.
- Facing an 11-month-and-counting publishing dry spell, Tencent shares had fallen **34%** since July 2021, while NetEase was down **7.5%** over the same period, per SCMP.

The bigger picture: The game approvals are part of a recent trend of China officials easing regulations. While it bodes well for the economy, the outlook for the country's gaming industry is uncertain.

- The game licensing freeze resulted in **14,000 companies** shutting down. Beijing's mercurial policies will likely restrain developers' investments in new titles and make others wary to start or resume business.
- In addition, content censorship still appears to be in place, which could curb creativity, reducing international appetite for the country's titles and Chinese gamers' access to international titles.
- As the number of gamers in China grew by **0.22%** YoY in 2021, per SCMP, continued restriction on youth playtime could have a further negative effect on the industry.

Digital Gamers

China, 2021-2025



Source: eMarketer, December 2021

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