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China faces reckoning after sputtering economic growth

Article

The news: China reported a gross domestic product growth of 3% for 2022, its weakest annual performance in decades, prodding Beijing to reverse course on a number of earlier strategies, including its hold on tech, per Nikkei Asia.

China's woes intensify: After monthslong COVID-related factory closures that led to riots and loss of business, China's annual growth missed its official target of 5.5%.

- Aside from 2020's 2.2% annual growth at the outset of the pandemic, **the latest numbers are China's weakest since 1976** and could foreshadow continued economic turmoil for the world's second-biggest economy.
- Wave upon wave of coronavirus outbreaks led to government-mandated closures, which eased late last year after mounting pushback. But **since December, China says, 60,000 people have died from COVID-19**, per CNN.

China leans on Big Tech: Beijing has dialed back its aggressive hold on China's Big Tech monoliths, per NASDAQ.

Beijing made moves last year to keep its most powerful tech giants in check by **clamping down on AI algorithms that run its apps and internet services**. The restrictions came after years of China's laissez-faire approach to frenetic tech growth.

- On Tuesday, Beijing lifted its 18-month restriction on rideshare giant **Didi Chuxing**—regulators had banned new riders from registering on the app for a year and removed the company's app from app stores.
- Shares of Didi fell as much as **30%** in December 2021—wiping out **$22 billion** in market value and driving the stock down below its $14 IPO price—as Beijing forced it to delist from the NYSE.

China's government has reportedly taken a "controlling interest" in gaming giant **Tencent**, per Windows Central. Beijing's penchant for regulation and censorship could affect how Western companies deal with Tencent.

Can China's Big Tech turn things around? Beijing's softening stance on China's Big Tech companies is the beginning of a new agenda to kickstart its flagging economy.

The country fell behind last year partly due to factory closures and plummeting demand for Chinese-built tech products eating into the country's bottom line.

- China is under duress to recover from 2022's losses, even as tech companies, who rely heavily on China, seek to move production elsewhere. In context, Apple is looking to diversify production outside of China, an exit strategy that other US firms may be looking to emulate.
- A political risk survey by **Willis Towers Watson** late last year revealed that 95% of multinational corporations are concerned about China, up from 62% in 2020. This means the country needs to redouble efforts to lock in business opportunities.

What's next? Expect Beijing to ease restrictions on China's Big Tech monoliths while negotiating better deals and incentives for multinational technology companies that are pulling away.

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