Publication

China’s Tech Slowdown Has Widespread Consequences for the Global Market

China’s previously most lively and vivid example of the nation’s technological prowess and innovation and now lying more quietly. The wider situation of the Chinese economy helps explain why.

China’s largest tech companies have now started to bear the brunt of the country’s wider economic slowdown. This is not good news for the leader, Xi Jinping, who has repeatedly emphasised his commitment to moving investment from the property market to technology. PDD Holdings, which runs the online retailers Temu and Pinduoduo, saw profits fall below expectations, and its shares duly fell near the end of November this year. While local government and housing have been the greatest victims from China’s slowdown since the pandemic over the last five years, the fact that tech has not continued to grow apace is another reason to stoke fears in Xi’s government. PDD is continuing to lose market traction, as well as facing pressure from the video apps proliferating in the Chinese market; revenue is down 6%. Uncertainty is not just for PDD; there is uncertainty around the whole technology sector in China. In a surprising development, China’s richest man has weighed in on the debate, with criticism of the firm. Zhong Shansham wrote that ‘The price system like Pinduoduo’s does great harm to China’s brand and industries.’

What does this mean for the wider market? Most pertinently, the position of Chinese tech stocks is clouded by uncertainty about the incoming Trump administration in Washington. The biggest issue is tariffs, with Trump promising to raise them on Chinese imports, thereby raising the prices and closing the profit margins for a firm such as Temu. Geopolitical tensions have a direct impact on not only the stocks and shares of China’s most important technological firms, but on the wider climate of economic and political tension in the region.