

Shandong (China)

October 2021

1. Economic Overview

Shandong is a northern coastal province of China, lying across the Yellow Sea from the Korean peninsula. It is China's second most populous province; its population is exceeded only by that of Henan. The province has an area of more than 157, 900 square kilometres and a population of more than 100 million people. Shandong is predominant in agriculture and is renowned as "China's most outstanding agricultural province". This is due to the value it places on its agriculture, as well as its outstanding agricultural output of vegetables, fruit, meat, and aquatic products. Shandong is also a major producer and supplier of petroleum, coal, and nonferrous metals.

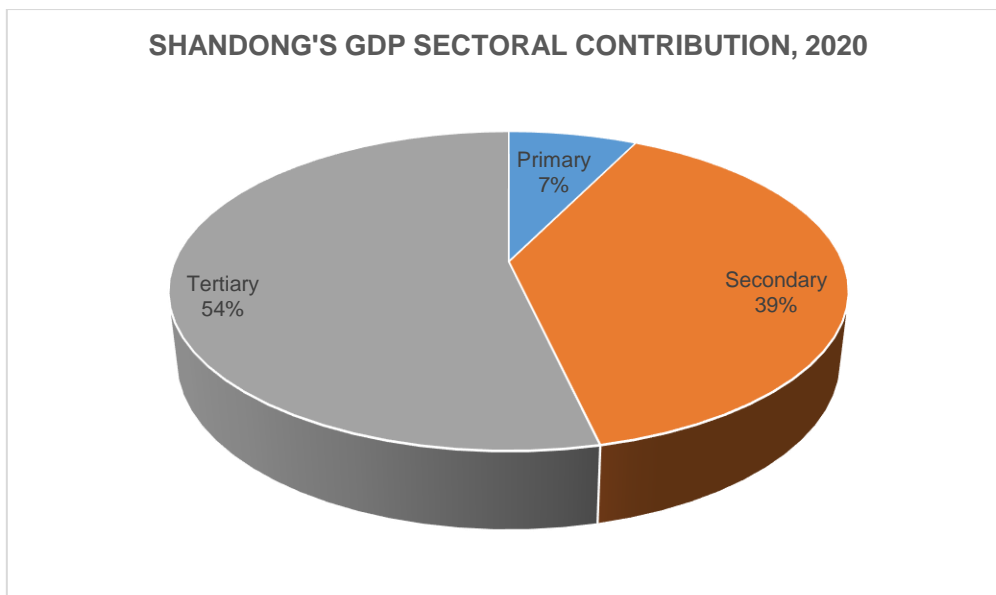
GENERAL INFORMATION	
Capital	Jinan
Governor	Zhou Naixiang
Population (2020)	101.52 million
GDP (2020)	Rmb7, 312.9bn
GDP per capita (2019)	Rmb70, 653
GDP growth (2020)	3.6%
Area	157,900 sq. km
Exports (2020)	USD181bn
Imports (202)	USD128bn
Utilized FDI	USD18.0bn

Source: HKTDC Research, 2021; Shandong Yearbook, 2020; The Observatory of Economic Complexity (OEC), 2021

Shandong is endowed with agricultural and marine resources. In 2019, the gross output value of agriculture, forestry, animal husbandry and fishery of Shandong stood at RMB967.2 billion, the most among all provinces and accounting for 7.8 percent of China's total output. As a base of agricultural and marine production, Shandong has developed strong food manufacturing and food processing industries. Yantai is an especially important export base of agricultural products, focusing on apples, peanuts, and vegetables.

Industrial output has been dominated by heavy industry which accounted for about 77% of the total business revenue of industrial enterprises in 2019. Nonetheless, Shandong is also a cradle for many national giants in light industry. Shandong has successfully promoted many famous brands such as Haier Electronics, Hisense Electronics, Tsingdao Beer, Qingqi Motorcycles, Kongfujia Liquor, and Weifang Kite etc.

Due to the rich natural resources, particularly oil and coal, Shandong's excavating, and energy industry is very strong. In 2019, Shandong accounted for 11.7% of China's total crude oil production. Industries are mainly located in Qingdao, Yantai, Weifang, Jinan and Weihai.



Source HKTDC Research, 2020

Agriculture: Shandong is the largest agricultural exporter in China. Both peanuts and poultry meat from Shandong account for more than half of the whole country's exports. Shandong's export of food colouring takes up 60 percent of world trade in this area. Shandong's strengths lie in its labour-intensive industries. Take fruit production, for instance. Shandong's prices for apples and pears are 40 to 80 percent lower than internationally set prices. Shandong ranks first among the provinces in the production of a variety of products, including cotton and wheat. Other important crops include sorghum and maize.

Machinery Equipment: Key manufacturing sub-sectors include agricultural machinery, engineering machinery, machine tools, petroleum equipment, and woodworking tools. Shandong has also strengthened construction for intelligent agricultural machinery, intelligent animal husbandry and intelligent irrigation.

Petro-Chemical: Top chemical products in Shandong include high concentration fertilizer, caustic soda, radial tire, and soda ash. Furthermore, Shengli Oil Field, China's 2nd largest oil field, is in the north of Shandong.

Mineral Resources: Shandong's main mining sub-sectors include coal mining and separating, petroleum exploiting, natural gas extracting, as well as ferrous and nonferrous metal ore mining and separating. Shandong ranks first among the provinces in the production of precious metals such as gold and diamonds. It also has one of the biggest sapphire deposits in the world. The main mining enterprises are Shengli Oil Field, Yankuang Mining Group, and Zhaoyuan Gold Group.

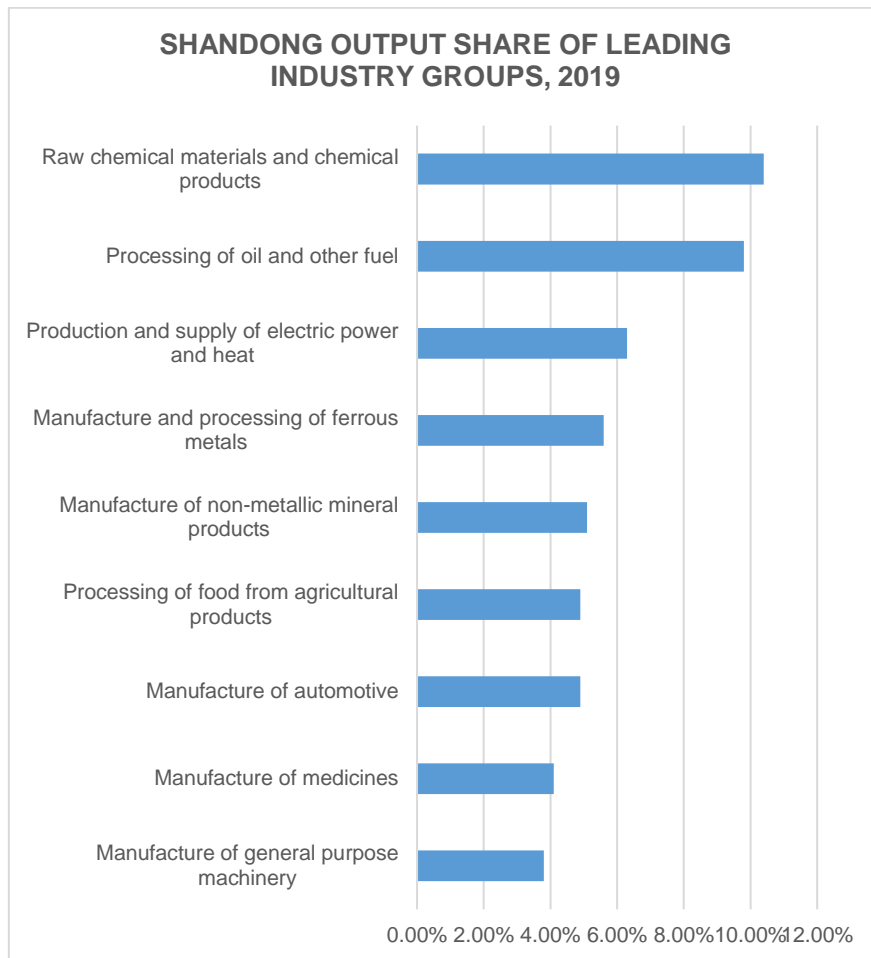
Wine industry: Shandong is one of China's major wine-producing provinces. The province accounts for nearly 40 percent of China's total wine production. Most of the region's 140+ wineries are located along the northern coast of the Shandong Peninsula, in the famous Yantai wine region, which is typically referred to as China's Napa Valley. Additional wineries are in Qingdao, on the other side of the Shandong Peninsula. Main varieties such as Cabernet Sauvignon, Cabernet Gernischt, Merlot, Riesling, and Chardonnay are all at 20 years of age, considered the golden stage for these grapes produced in the region.

Within the **manufacturing sector**, Shandong's key sectors include automobile, shipbuilding, petrochemical, light industry, textiles, steel, and non-ferrous metals. The richest part of the province is the Shandong Peninsula, where the city of Qingdao is home to three of the most well-known brand names of China: Tsingtao Beer, Haier, and Hisense.

Tourism: Shandong is a popular tourist spot, thanks to the charming and romantic beachscape or the beautiful buildings with typical European style. In 2019, it attracted 933 million (+8.6%) domestic tourists with a revenue of RMB1,085bn (+12.3%). Overseas tourists reached 5.21 million (+1.6%) generating a revenue of USD3.41bn (+1.5%). Shandong was the birthplace of influential cultural and historical figures such as Confucius and Mo Zi and is also home to four UNESCO World Heritage sites: Mount Tai, Temple and Cemetery of Confucius and the Kong Family Mansion in Qufu, the Grand Canal and the Great Wall of Qi, which forms part of the Great Wall of China.

Shandong's share of leading sectors is highlighted below:

- Raw chemical materials and chemical products accounted for 10.40%;
- Processing of oil and other fuel accounted for 9.8%; and
- Production and supply of electric power and heat 6.3%.

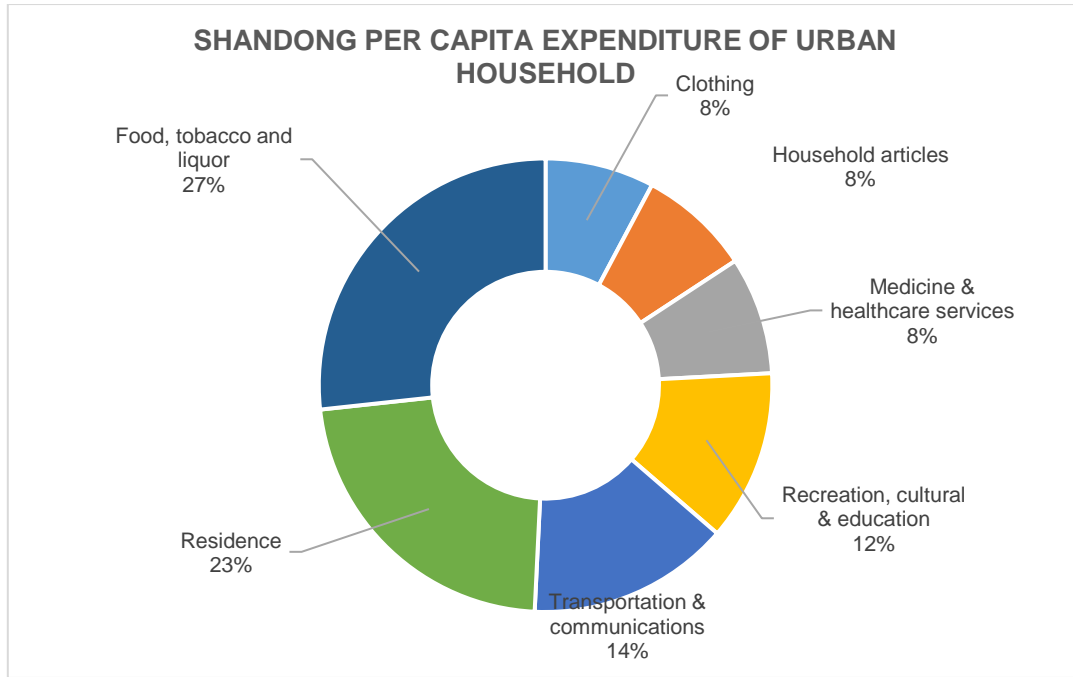


Source: Shandong Statistical Yearbook, 2020

Consumer Market

Shandong is the third largest consumer market (in terms of retail sales) among all mainland provinces and municipalities, only after Guangdong and Jiangsu. Major commercial centres are locating in Jinan, Qingdao, Yantai, and Weifang. In 2020, annual per capita disposal income of urban households grew by 3.3% to RMB43,726.

The landscape of retail distribution in Shandong is changing rapidly in recent years. While the importance of traditional department stores has declined, various forms of modern operation such as shopping malls, supermarkets, ware-house type markets, chain stores, and convenience stores are prolific.



Source: HKTDC Research, 2020; Shandong Statistics Yearbook, 2020

2. Trade

In 2020, Shandong exported goods to the value of USD181bn, making it the 4th largest exporter out of the 31 exporters in China. In 2020 the top exports of Shandong were Games: video game consoles and machines (USD4.87bn), Pneumatic tyres new of rubber (USD4.19bn) and Made up articles (textile) (USD3.02bn). The top export destinations of Shandong were United States (USD29bn), South Korea (USD17.7bn), and Japan (USD17.4bn).

On the import front, Shandong imported goods to the value of USD128bn, making it the 5th largest importer out of the 31 importers in China. In 2020 top imports of Shandong Province were Petroleum oils, oils from bituminous minerals (USD32.7bn), Iron ore, concentrate, not iron pyrites agglomerate (USD12.5bn), and Soya beans (USD4.25bn). The top import origins of Shandong were Brazil (USD16.7bn), South Korea (USD10.1bn), and Australia (USD9.91bn).

In July 2021 China exported goods to the value of USD1.76bn and imported USD2.86bn from South Africa, resulting in a negative trade balance of USD1.1bn. The top exports of China to South Africa were Computers (USD79.5m), telephones (USD73.7m), and Other Furniture (USD55.5m). China's top imports from South Africa were Iron Ore (USD686m), Platinum (USD573m), and Diamonds (USD426M). Shandong's exports to South Africa stood at USD212m.

Source: The Observatory of Economic Complexity (OEC), 2021

3. Investment

For the period 2003 to October 2021 a total of eight FDI projects were recorded from Shandong into South Africa. These projects represent a total capital investment of **USD155.3m** which is an average investment of **USD17.25m** per project. During the period, a total of 1, 854 jobs were created.

The most recent investment from Shandong was made in September 2020 by Hisense, a manufacturer of electronic product. The company invested in Cape Town's consumer electronics sector in a headquarters project valued at USD12.4m. This investment was made to the Atlantis Special Economic Zone.

SOUTH AFRICA'S FDI FROM SHANDONG 2003 – OCTOBER 2021							
DATE	INVESTING COMPANY	DESTINATION STATE	INDUSTRY SECTOR	SUB-SECTOR	INDUSTRY ACTIVITY	CAPEX (USDm)	JOBS
Sep 2020	Hisense	Western Cape	Consumer electronics	Consumer Goods	Manufacturing	12.4	200
Nov 2017	Hisense	Western Cape	Consumer electronics	Consumer Goods	Manufacturing	38.2	538
Mar 2016	Sinotruk (China National Heavy Duty Truck Group) (CNHTC)	Not Specified	Automotive components	Transport Equipment	Logistics, Distribution & Transportation	17.7	67
Jun 2015	Hisense	Western Cape	Consumer electronics	Consumer Goods	Headquarters	16.0	80
Jun 2013	Hisense	Western Cape	Consumer electronics	Consumer Goods	Manufacturing	35.1	300
Dec 2012	Hisense	Western Cape	Consumer electronics	Consumer Goods	Sales, Marketing & Support	3.8	30
Mar 2012	Shantui Equipment Southern Africa	Mpumalanga	Industrial equipment	Construction	Maintenance & Servicing	5.0	27
May 2010	Shantui Construction Machinery	Gauteng	Industrial equipment	Construction	Sales, Marketing & Support	3.0	12
Jan 2007	Hisense	Western Cape	Consumer electronics	Consumer Goods	Manufacturing	24.1	600
TOTAL						155.3	1854

Source: FDI Intelligence, 2021

There was no recorded Greenfield investment from South Africa to Shandong during the period 2003 to 2021.

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