

# Shandong (China)

## May 2023

### 1. Economic Overview



Shandong Province is a northern coastal province in China, across the Yellow Sea from the Korean peninsula. It is China's second most populous province, with a population of more than 100 million people and exceeded only by the province of Henan. Jinan is the provincial capital of Shandong.

Shandong is an important maritime economy hub for China. Qingdao and Yantai are two of the major ports in China, and in 2020 the two ports accounted for 10.6% of China's total volume of freight handled in major coastal ports. China (Shandong) Pilot Free Trade Zone, established in August 2019, has boosted the maritime economy, and has established a new focus for its development goals.

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.

In 2022, Shandong exported goods to the value of USD307bn, making it the 4th largest exporter out of the 31 exporting provinces in China. The province imported USD195bn worth of goods, making it the 5th largest importer out of the 31 provinces in China.

Sources: HKTDC Research, 2022; The Observatory of Economic Complexity (OEC), 2023

TABLE 1: DEMOGRAPHIC & ECONOMIC INFORMATION	
Capital	Jinan
Governor	Zhou Naixiang
Population (2021)	101.70 million
GDP (2021)	RMB83.10bn
GDP growth (2021)	8.3%
Per capita GDP (2021)	RMB81, 727
Total Exports (2022)	USD307bn
Total Imports (2022)	USD195bn
Inward FDI into Shandong (2022)	(8 projects; USD291m)

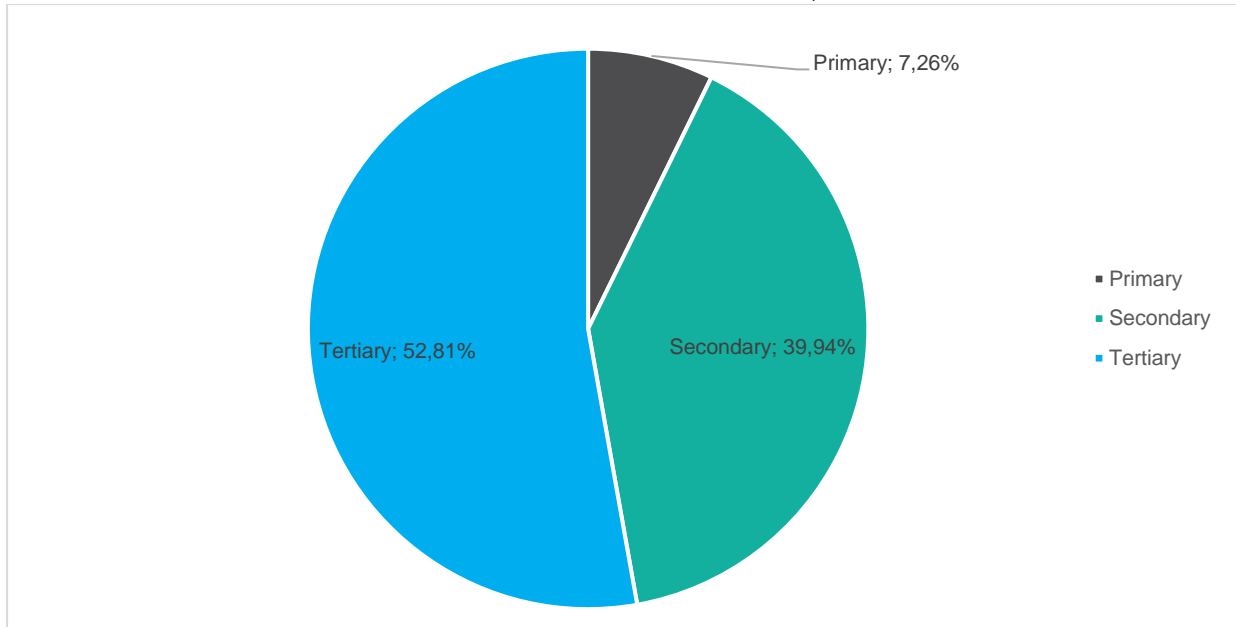
Source: National Bureau of Statistics of China, 2023; HKTDC Research, 2022; The Observatory of Economic Complexity (OEC), 2023; FDI Intelligence, 2023.

## GROSS DOMESTIC PRODUCT

The contribution by the three main strata of industry towards Shandong's GDP in 2021 is shown in figure 1 below. In 2021, Shandong's GDP stood at RMB83.10bn and grew by 8.3% y-o-y between 2020 and 2021.

As shown below, the tertiary sector accounted for more than half of Shandong's GDP in 2021. The secondary sector followed in second place, making a 39.94% contribution towards GDP, while the primary sector contributed of 7.26%.

**FIGURE 1: SHANDONG GDP BY SECTOR, 2021**

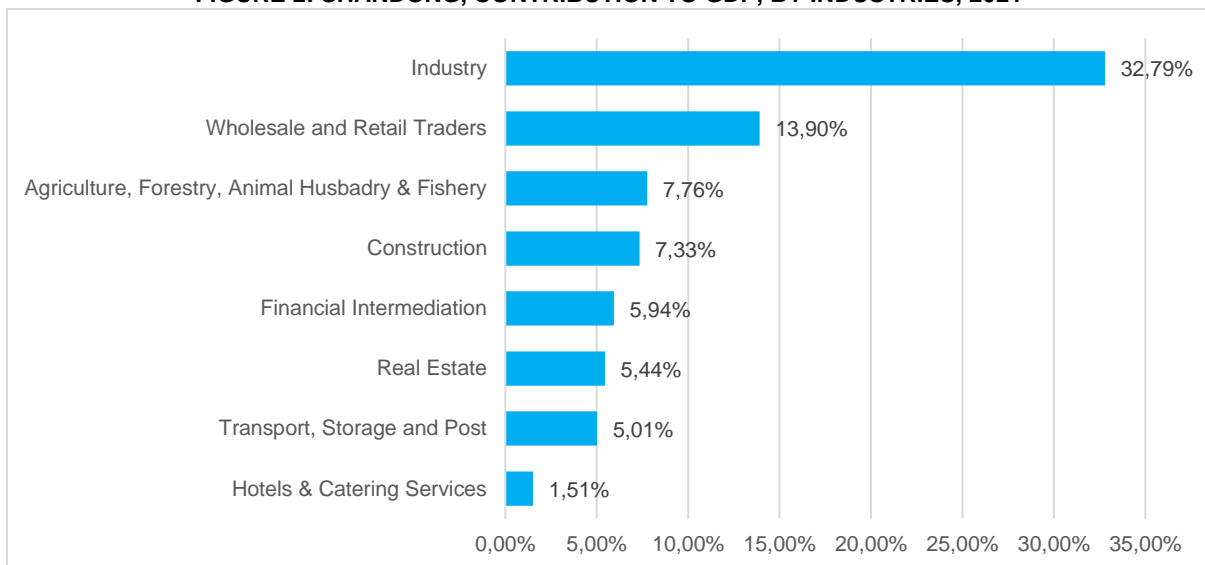


Source: National Bureau of Statistics of China, 2023

NOTE: Data on the values are calculated at current prices.

The figure below shows the contribution per industry towards Shandong's GDP in 2021. Industry had the largest contribution to Shandong's GDP in the specified year, accounting for 32.79% of total GDP. This was followed by wholesale and retail trade (13.90%), and agriculture, forestry, animal husbandry and fishery (7.76%).

**FIGURE 2: SHANDONG, CONTRIBUTION TO GDP, BY INDUSTRIES, 2021**



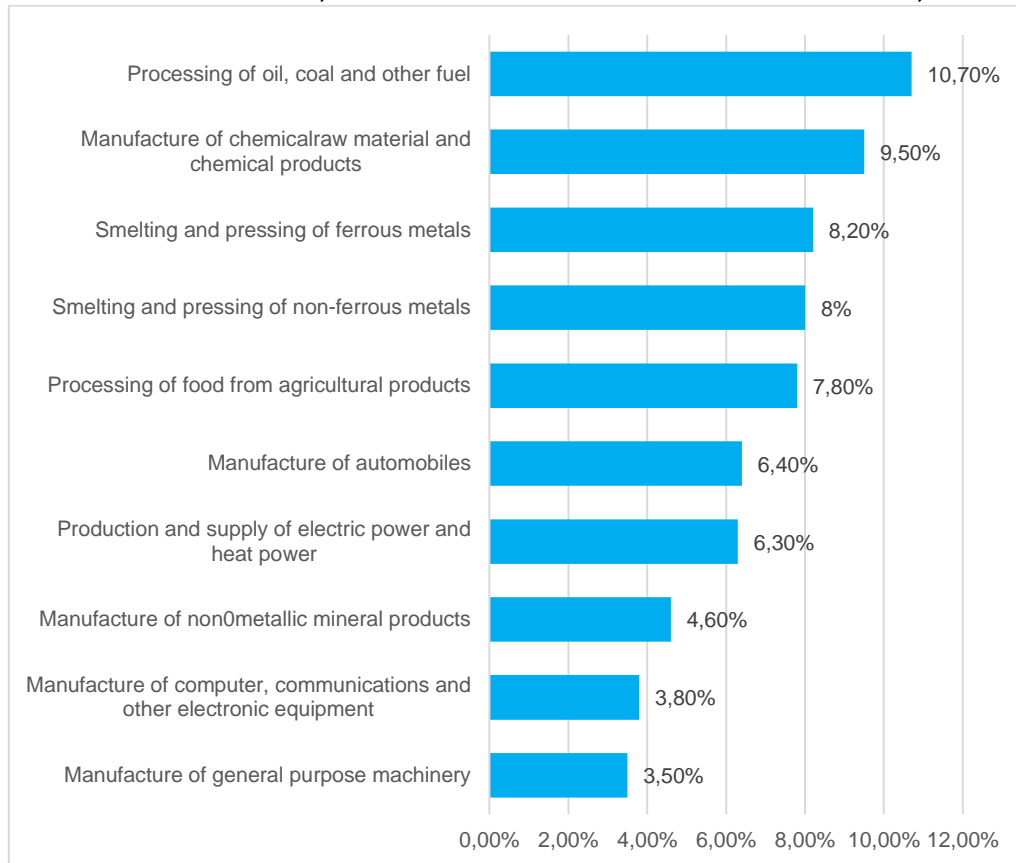
Source: U. Source; National Bureau of Statistics of China, 2023.

NOTE: Data on the values are calculated at current prices.

## Industry output

Due to the region's rich natural resources, particularly oil and coal, Shandong's excavating and energy industry is strong. In 2020, Shandong accounted for 11.4% of China's total crude oil production. Industries are mainly located in Qingdao, Yantai, Weifang, Jinan and Weihai.

**FIGURE 3: SHANDONG, OUTPUT SHARE OF LEADING INDUSTRY GROUPS, 2020**



Source: HKTDC Research, 2022

Some of the most important industries<sup>1</sup> in Shandong include:

### Agriculture

Shandong is the largest agricultural exporter in China. A large portion of China's exports of peanuts and poultry meat come from Shandong. The province 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

<sup>1</sup> Sources: HKTDC Research, 2022

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 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, and are at the golden stage for these grapes produced in the region.

### **Manufacturing**

Shandong's key manufacturing 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 and is known for its charming and romantic beachscape or the beautiful buildings with typical European style. In 2021, Shandong attracted 730 million (+26.6%) domestic tourists with a revenue of RMB827.9 billion (+37.5%). 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 including 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.

## **2. Trade**

### **Exports**

In 2022, Shandong exported goods to the value of USD307bn, making it the 4th largest exporter out of the 31 exporters in China.

Top exports products:

- Other games: video game consoles (USD11.3bn),
- Pneumatic tyres new of rubber (USD5.94bn),
- Other toys (wheeled, model scale, puzzles) (USD5.63bn),
- Pneumatic tyres new of rubber (USD4.11bn), and
- Electrical machines and apparatus (USD3.25bn).

### **Imports**

In 2022, Shandong imported goods to the value of USD195bn, making it the 5th largest importer out of the 31 importers in China.

Top import products:

- Petroleum oils, crude (USD60.8bn),
- Iron ore, concentrate, not iron pyrites, un-agglomerate (USD12.8bn),
- Electronic integrated circuits: processors and controllers (USD7.93bn),
- Bituminous mix, mastic from asphalt, bitumen/tar/pitc (USD5.85bn), and
- Soya beans: other than seed (USD5.81bn).

Source: *The Observatory of Economic Complexity (OEC), 2023*

### 3. Investment

This section analyses Foreign Direct Investment (FDI) flows between Shandong and South Africa as well as the Western Cape.

#### 1.1 FDI from Shandong into South Africa

For the period January 2003 to March 2023 a total of nine FDI projects were recorded from Shandong into South Africa. These projects represented a total capital investment of ZAR2, 513.92m which is an average investment of ZAR279.32m per project. During the period, a total of 1, 859 jobs were created.

The most recent investment from Shandong was made in September 2020 by Hisense, a manufacturer of electronic products. The company invested in Cape Town's consumer electronics sector in a manufacturing project valued at ZAR187.15m. This investment was made into the Atlantis Special Economic Zone.

TABLE 2: SOUTH AFRICA'S FDI FROM SHANDONG JAN 2003 – MAR 2023						
DATE	INVESTING COMPANY	DESTINATION STATE	INDUSTRY SECTOR	INDUSTRY ACTIVITY	CAPEX (ZARm)	JOBS
Sep-20	Hisense	Western Cape	Consumer electronics	Manufacturing	187.15	200
Nov-17	Hisense	Western Cape	Consumer electronics	Manufacturing	593.66	538
Mar-16	Sinotruk (China National Heavy Duty Truck Group) (CNHTC)	Not Specified	Automotive components	Logistics, Distribution & Transportation	427.99	72
Jun-15	Hisense	Western Cape	Consumer electronics	Headquarters	222.43	81
Jun-13	Hisense	Western Cape	Consumer electronics	Manufacturing	538.68	300
Dec-12	Hisense	Western Cape	Consumer electronics	Sales, Marketing & Support	55.22	29
Mar-12	Shantui Equipment Southern Africa	Mpumalanga	Industrial equipment	Maintenance & Servicing	76.70	27
May-10	Shantui Construction Machinery	Gauteng	Industrial equipment	Sales, Marketing & Support	42.95	12
Jan-07	Hisense	Western Cape	Consumer electronics	Manufacturing	369.14	600
<b>TOTAL</b>					<b>2513.92</b>	<b>1859</b>

Source: FDI Intelligence, 2023

## 1.2 FDI from South Africa into Shandong

There is no recorded greenfield investment from South Africa to Shandong during the period January 2003 to March 2023.

## 1.3 FDI from Shandong into the Western Cape

A total of six FDI projects were made by companies from Shandong into the Western Cape between January 2003 to March 2023. These projects represented a total capex of ZAR1, 966.59m and created 1748 jobs in total. This made the Western Cape the largest recipient (among provinces) of FDI from Shandong into South Africa over the review period, both in terms of the number of projects, which was equivalent to 94.03% of projects, and capex at 78.22%.

TABLE 3: FDI FROM SHANDONG INTO WESTERN CAPE, JAN 2003 – MAR 2023						
DATE	INVESTING COMPANY	DESTINATION STATE	INDUSTRY SECTOR	INDUSTRY ACTIVITY	CAPEX (ZARm)	JOBS
20-Sep	Hisense	Western Cape	Consumer electronics	Manufacturing	187.15	200
17-Nov	Hisense	Western Cape	Consumer electronics	Manufacturing	593.66	538
15-Jun	Hisense	Western Cape	Consumer electronics	Headquarters	222.43	81
13-Jun	Hisense	Western Cape	Consumer electronics	Manufacturing	538.68	300
12-Dec	Hisense	Western Cape	Consumer electronics	Sales, Marketing & Support	55.22	29
07-Jan	Hisense	Western Cape	Consumer electronics	Manufacturing	369.14	600
<b>TOTAL</b>					<b>1966.59</b>	<b>1748</b>

Source: FDI Intelligence, 2023

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