

# Horizon Insights

# China Demand Monthly Report

Horizon Insights

2024/02

*Horizon Insights, Shanghai, Beijing, Houston,  
Singapore, Hong Kong*

**Tech, Manufacturing, Healthcare,  
Consumption, Market Strategy, FICC**

# The China Demand Series Reports



The China Demand Monthly Report is a new series of reports from Horizon Insights that provides insights into the latest trends in China's consumer, manufacturing, technology, and healthcare industries.

Each report is based on monthly research, observation, and data analysis by Horizon Insights' industry analysts. The reports cover a wide range of topics, including:

- **Consumer trends:** changes in consumer spending, preferences, and behavior
- **Manufacturing trends:** changes in supply chains, technology, and innovation
- **Technology trends:** new technologies, startups, and investment trends
- **Healthcare trends:** changes in healthcare policy, technology, and innovation

The reports also identify the implications of these trends for US companies with significant exposure to the Chinese market. We believe that the China Demand Monthly Report provides a valuable resource for overseas investors who want to understand the latest trends in China's economy and industries. The reports provide a comprehensive and objective overview of the Chinese market, and they can help investors make informed decisions about their investments.

# China Demand and Sector Observations

This month's China Demand report shows that the Chinese consumption market has improved significantly. Domestic and outbound travel during the Spring Festival Golden Week reached a record high in terms of the number of travelers and per capita spending. Duty-free store consumption also showed significant improvement. Online consumption in China generally increased year-over-year. Offline department store revenue also continued to improve. Overall, the consumption sector shows a clear recovery trend.

At the company level: **Starbucks** continues to open stores. The industry price war is nearing its end. Gross margin is expected to improve in the future. **Walmart China**: Business continues to grow rapidly. Sam's Club is showing strong growth momentum due to the stickiness of middle-class members. **Est é Lauder**: Channel and inventory adjustments are nearing completion. A new round of price increases and discounts will help improve corporate revenue and profits. Affordable luxury **Tapestry Group**: China revenue increased by 19% year-over-year. Business in China continues to recover. **Nike**: Demand for sportswear is slowly improving. The company is still increasing promotions to boost revenue growth. Overall, the Chinese consumption market is showing a clear recovery trend. Many international companies are reporting better-than-expected performance in China.

As for the manufacturing sector, we find China's strong momentum in Auto sales remained in January. Competition among combustible vehicles and new energy vehicles gets more intensified with broader price wars. Luxury fuel vehicles also lowered their price tags to attract customers in lower-tier markets where charging facility was seen as a bottleneck. Among new energy vehicles, **Tesla's** price cuts failed to boost sales as key Chinese players roll out more promotional activity. **Cummings**, on the other hand, saw improvement in the Chinese market. Robust logistic demand signals well for heavy truck sales in China. Cummings pointed out higher demand from China in terms of emission solutions and engine component. Excavator reports a mixed outlook in January. But we expect China's excavator sales will bottom out now. And Chinese companies going overseas will be a potential pressure for **Caterpillar** in the future.

For the technology sector, China's mobile shipment continues to rise up, which signals continuous recovery in mobile phone demand in the world. **Qualcomm** also said mobile demand from Chinese OEMs and Samsung has helped the company's mobile business turn profitable in Q4 of 2023. As Xiaomi as the most fast growing mobile maker in the global market, we expect the upward momentum to continue in 2024. **Apple**, however, is losing market share in the Chinese market. The company's latest price cuts in China has limited impact to boost its sales in China. Additionally, Chinese customers were said to accept price hikes with memory devices, which signals strong demand for **Micron**. Analog chip maker **Texas Instrument**, however, still struggle in the downward side (price cuts, inventory, and over-capacity issues). Nevertheless, Chinese peers point to gradual recovery with different pace, despite facing price wars from TI in the Chinese market.

Last but not least, foreign medical equipment makers including **GE** and others expect revenue improvement in H2 of 2024. Policy disruption due to hospital anti-corruption is the main drag. **llumina China** still finds it difficult to regain market share in China's sequencing market, although its key Chinese competitor **BGI Genomics** reports a 30% year-over-year growth in Q4 of 2024.

# Key Content

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## 01 Consumption

**Starbucks:** The End of Price Wars and More Coffee Drinker After Intense Competition

**Walmart:** Sam's Club Stores Thrived thanks to China's Loyal Middle-class Consumers

**Estée Lauder:** Warming Up of Skincare Demand & Recovery of Duty-Free Stores Spending

**Nike:** Gradual Recovery with Continuous Discounts

**Tapestry: Recovering** China Demand And Lingering Pressure

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## 02 Manufacturing

**Tesla:** Struggle to Maintain Market Share in China's Tough EV Market

**Cummings:** Sales Increased with Rising Heavy Truck Demand

**Caterpillar:** Potential Competition in the Global Market

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## 03 Tech

**Apple:** China Market Share Dipped Despite Price Cuts

**Qualcomm:** Mobile Phone Market Recovery and Strong Momentum from Xiaomi

**Micro:** Chinese customers' acceptance of higher prices from memory makers

**TI:** Still Moving in the Downward Trend with Weak Demand

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## 04 Health Care

**GE Health:** navigating the short-term impacts of the government's anti-corruption policies

**Illumina:** Struggle to Regain Its Market Share in China

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# Major Change in this Month's China Demand Report

Co.	China Rev	Demand	Price	Market Share	Prosperity
Starbucks	9%	↑	Decreasing	Stable, as the industry price war about to end	↑
Nike	15%	↑	Decreasing	Stable, more promotion	→
Tapestry	16%	↑	Decreasing	Challenge remained with frugal consumers	→
Est ée Lauder'	60%	↑	Increasing	Stable, improving duty free store performance & reducing inventory pressure	→
Walmart	5%	↑	Decreasing	Thriving on Loyal middle-class consumers	↑
Tesla	25%	↑	Decreasing	Falling, tough competition	↓
Cummings	9%	↑	---	Stable, seeing higher China component demand	↑
Caterpillar	4%	↑	--	Relatively stable at the domestic market	→
Apple	19%	↑	Decreasing	Declined, as price reduction fails to promote sales	↓
TI	50%+	↑	Decreasing	Dominant players who start price wars	↓
Micron	11%	↑	Increasing	Dominant players who will benefit from price hikes	↑
Qualcomm	22%	↑	---	May rise with Xiaomi's strong global performance	↑
GE	15%	→	--	Stable, but influenced with policy disruption	↓
Illumina	9%	→	---	Loosing the field to Chinese player	↓



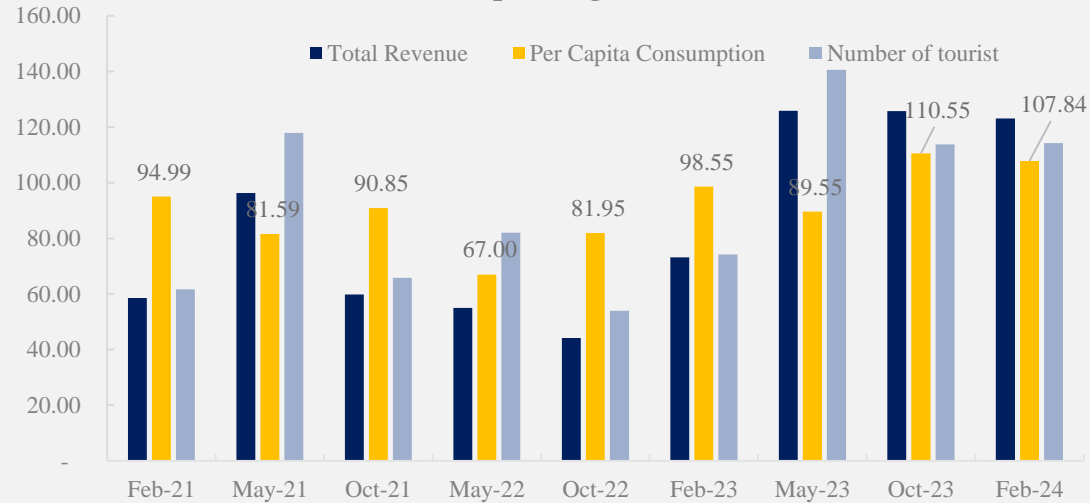
01

# Consumption

# China Consumer Spending is On Track For Steady Recovery

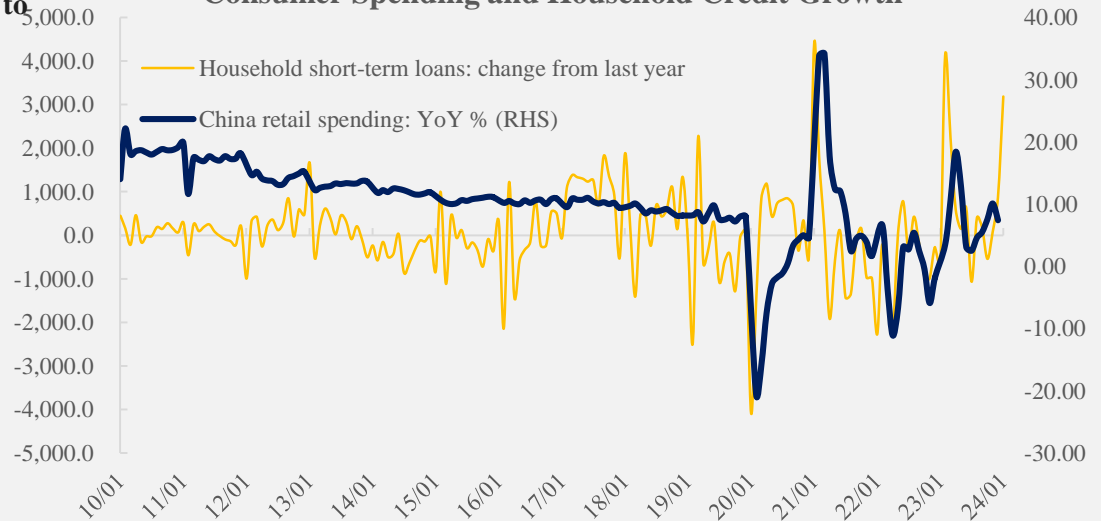
- V-shape Recovery in Chinese Holiday Spending.** The Spring Festival of 2024 witnessed a surge in domestic and outbound tourism, showcasing China's thriving consumer spending. Per capita consumption in China during the National Day and Spring Festival holidays has already recovered to 110% and 108%, compared to the same period in 2019.

Golden Week Consumer Spending as % of 2019 Same Period



- Expansion in Chinese household short-term loans point to an upward trend in consumer spending.** In January, Chinese household short-term bank loans increased by 320 billion from last year. Mostly for consumption purpose, the upward movement in household short-term credit suggests that China's retail spending will continue to rise on a year-over-year base in 2024.

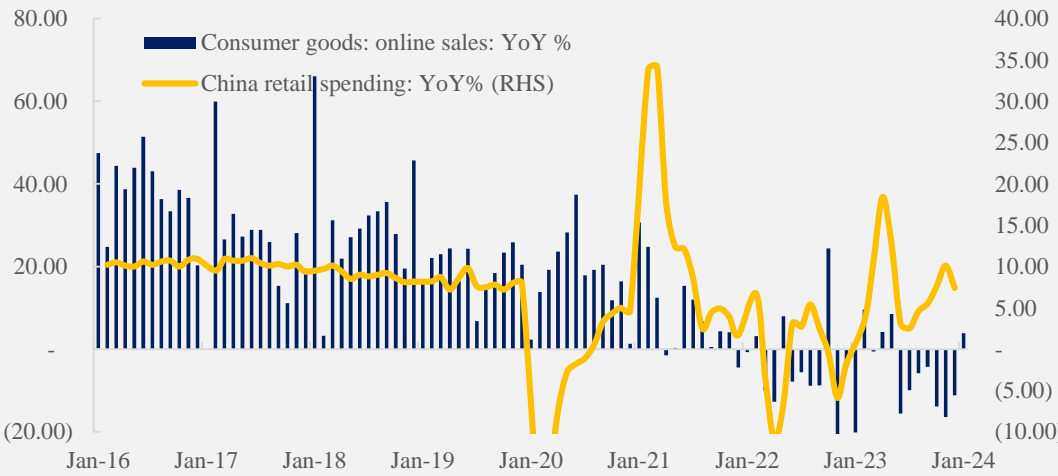
Consumer Spending and Household Credit Growth



# China Consumer Spending is On Track For Steady Recovery (Cont.)

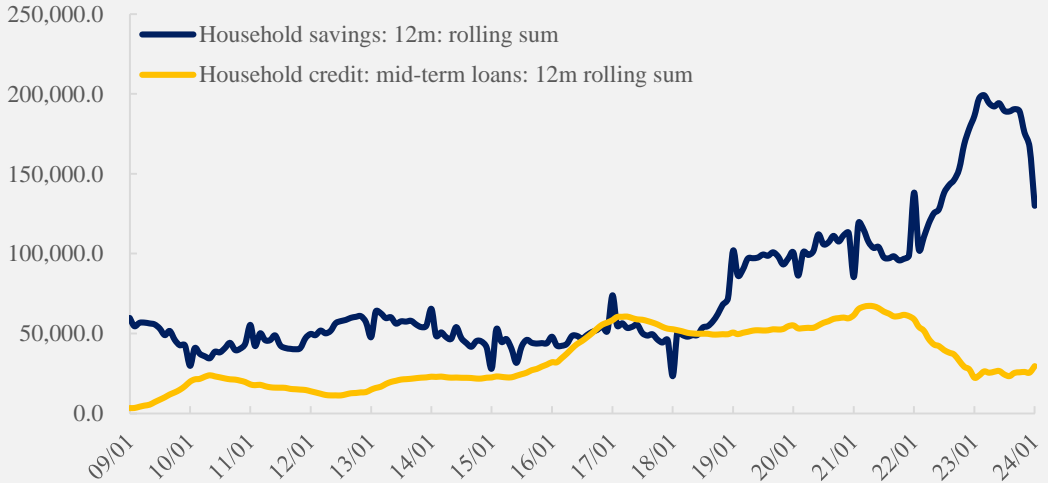
- Consumer online spending turned positive in January.** In detail, China's consumer goods sold online increased by 3.8% from last year, turning positive after being double digits of negative growth in Q4 of 2023. That also suggests China's retail spending in the first two month of 2024 will rise on a year-over-year base.

China Consumer Goods Online Spending and Retail Sales



- Normalization of Household Saving Behavior.** Meanwhile, Chinese households have reduced the amount of money they saved considerably since October. Post-pandemic preventative saving have exploded because of the downbeat economic confidence. With the property sector being stable, normalization of household saving and borrowing behavior will help the recovery of China's consumer spending going forward.

China Household Savings and Mid-term Loans

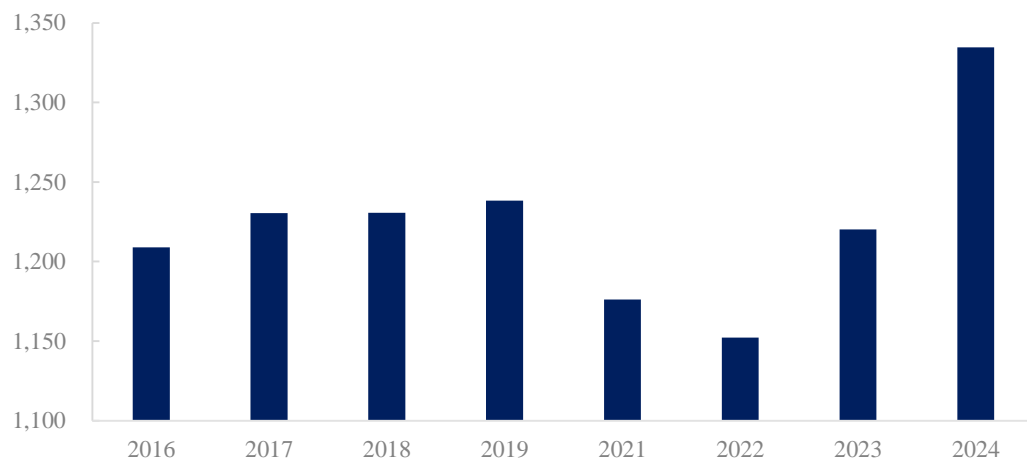




# Chain Catering: Sequential Improvements in Store Earnings

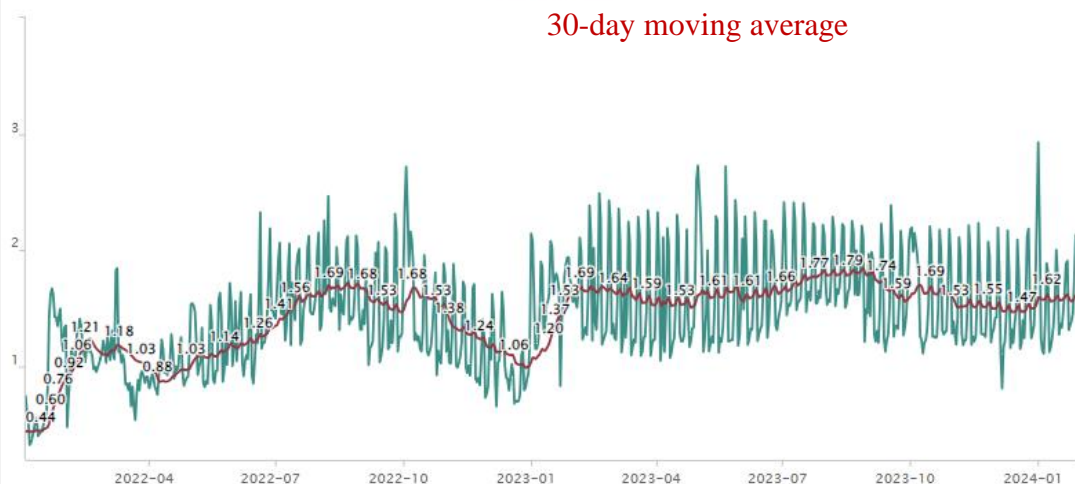
- Improving Consumer Spending:** With a record high tourist number in 2024 Chinese New Year Holiday, China's tourist per capita consumption during the spring festival holiday grew by 9% from 2023 to 1335 Yuan per person. A 8-day holiday break this year has helped to boost consumer spending this year.

Lunar New Year Travel Per Capita Consumption



- Marginal Improvements in Chain Store Earnings:** Meanwhile, chain store earnings experienced an increase in February, although the year-over-year growth of chain store new openings increased by roughly 8% (2-year compound annual growth rate to exclude the low base of 2023). In other words, chain store catering businesses start to have better earnings despite fierce competition.

Catering Industry Thousand Yuan Investment Repayment Index



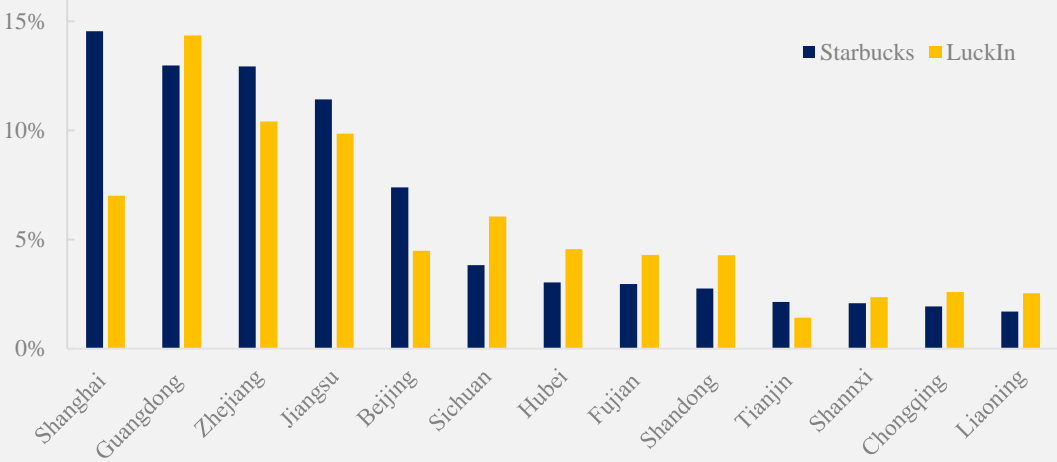
# Starbucks: The End of Price Wars and More Coffee Drinker After Intense Competition

- Dawn of Coffee Chain Store Price War:** With challenge to expand continuously with price wars, China's coffee chain new comer **Cotti Coffee** starts to have news of more store closure (decreased by 33 stores from January to November) after franchisees complaining months of net losses amid price war with Luckin. Despite continuous fast new store opening, Luckin was reported to reduce the scale of its 9.9 promotion campaign. Overall, the notorious price wars among China's top coffee chain brands appear to close to an end now.
- Easing Price War Impact for Starbucks:** Being refrained from the price war, Starbucks' per ticket spending in the Chinese market has declined slightly in Q4 of 2024. With reducing pressure from the price war, we expect improvements in Starbucks' performance in the Chinese market in H1 of 2024.
- With a focus on lower tier markets,** Starbucks China finds an edge in rich counties, and it set to open more stores there. Previously, Starbucks' store exposure is mainly in coastal area such Shanghai, Guangdong, Zhejiang and Jiangsu. Robust coffee drinker growth in lower tier markets due to the price war has helped in term of consumer habit.

China Coffee Chain Store Competition Landscape



Starbucks and Luckin Coffee Store Distribution



# Walmart: Sam's Club Stores Thrived thanks to China's Loyal Middle-class Consumers

Walmart's China market grew at a strong pace compared to the overall global performance of Walmart. In the past few fiscal years, Walmart has repeatedly praised the contribution of the Chinese market in its financial reports, especially the rapid growth of Sam's Club China and e-commerce business driving its international business.

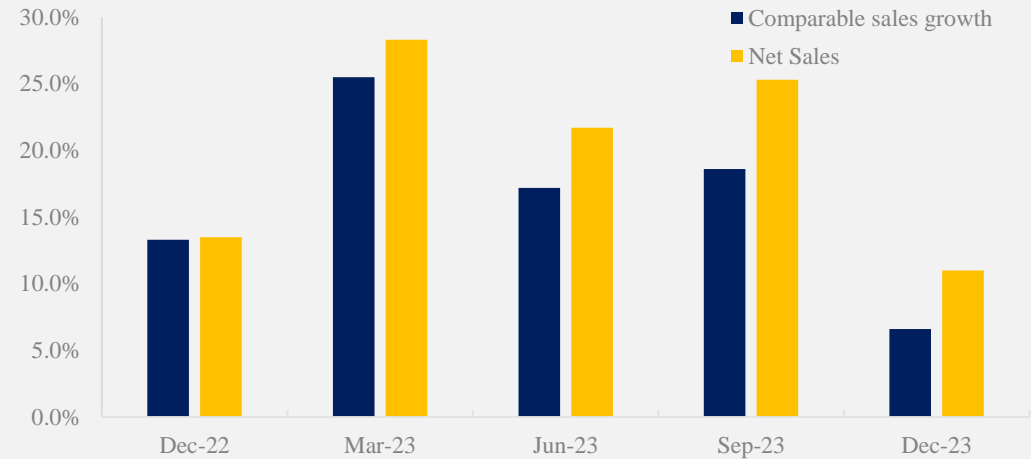
- **China market as a bright spot for Walmart:** Walmart's total revenue for the fourth quarter was \$173.4 billion, an increase of 5.7% year-on-year; net sales in the Chinese market of Walmart Group in the fourth quarter increased by 11.3% year-on-year to \$4 billion (approximately RMB 287.8 billion); comparable sales increased by 6.6%; and e-commerce net sales increased by 11% year-on-year.
- **Robust E-commerce Growth.** Walmart China's e-commerce net sales growth rates in the previous four quarters were 70%, 54%, 44%, and 38%, respectively.

## Sam's Club Expand with loyal Middle-class Consumers:

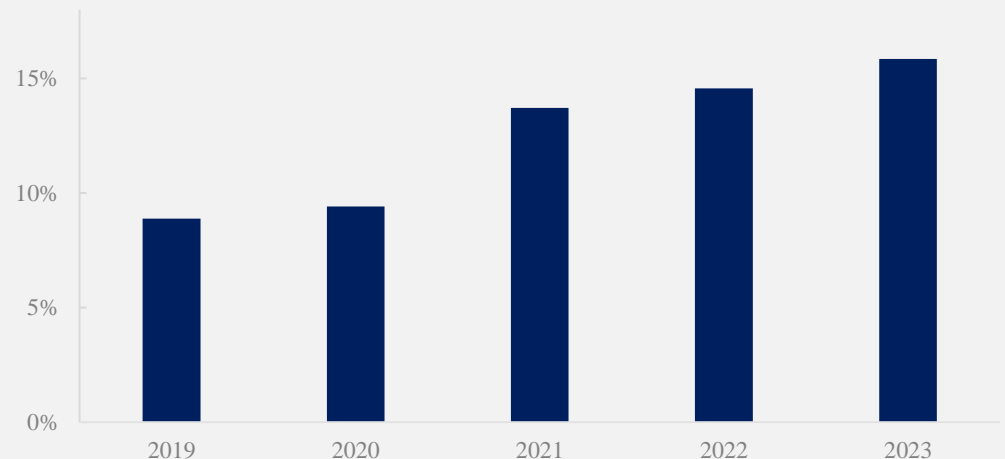
With five or six new store opening per year since 2016, Walmart has 47 Sam's Club Stores in China by the end of 2023, which creates 1 billion Yuan revenue via membership payment.

- According to our survey this month, Walmart Sam's Club Stores were reported with a 28% YoY comparable store growth in 2023, much better than the company's 6% overall performance in the Chinese market.
- With 6 million fee-paying members, Sam's club stores serve 12.5% of China's 80 million middle-class consumers, with a renewal rate as high as 85% in China.

### Walmart Performance in China



### Walmart China as % of International Net Sales

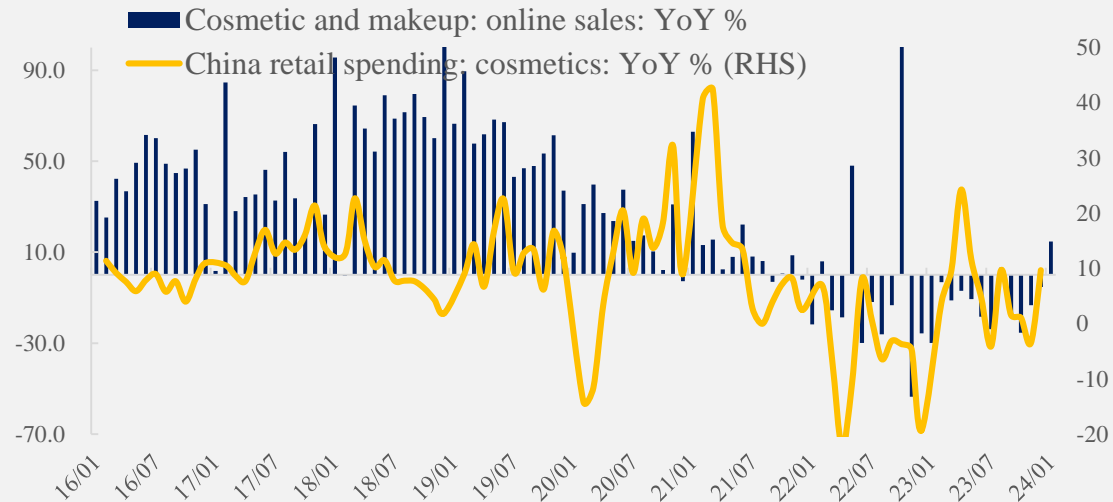


# Est é Lauder: Warming Up of Skincare Demand & Recovery of Duty-Free Stores Spending

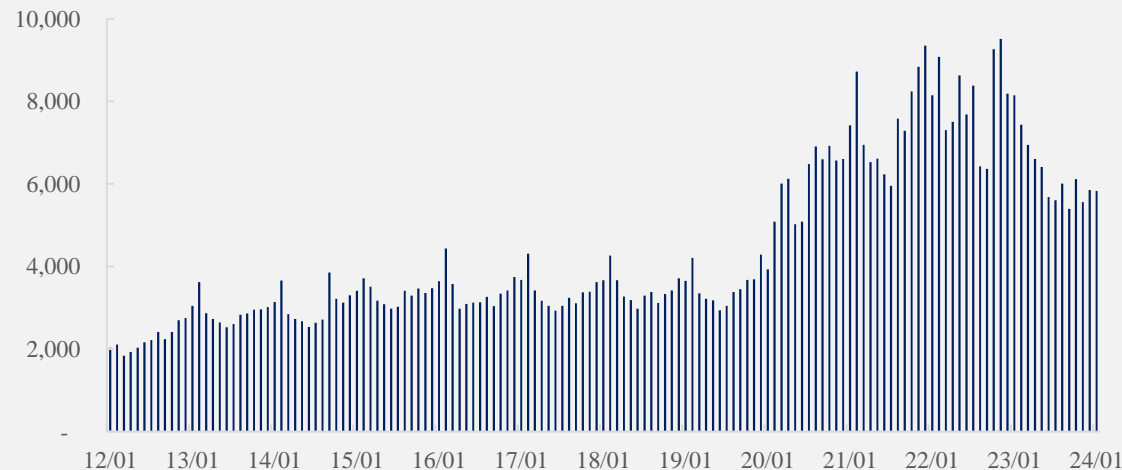
With demand recovery and post-pandemic duty-free consumption repairmen, we expect a turnaround in Est é Lauder China Market Performance.

- In January, China’s cosmetic and makeup products sold on internet increased by 14.7% from last year, up from December’s -5.2% and November’s -13.2%. Warming up of consumer spending on skincare demand is expected in the future.
- Meanwhile, per capita consumption of Hainan offshore duty-free shopping remained flat at 5831 Yuan in January, showing a steady improvement in consumer spending.
- As the key move for Est é Lauder China, the recovery of Hainan duty-free store spending signals well for the company’s bet on its long-awaited post-pandemic consumer spending recovery.

### China Cosmetic Sales



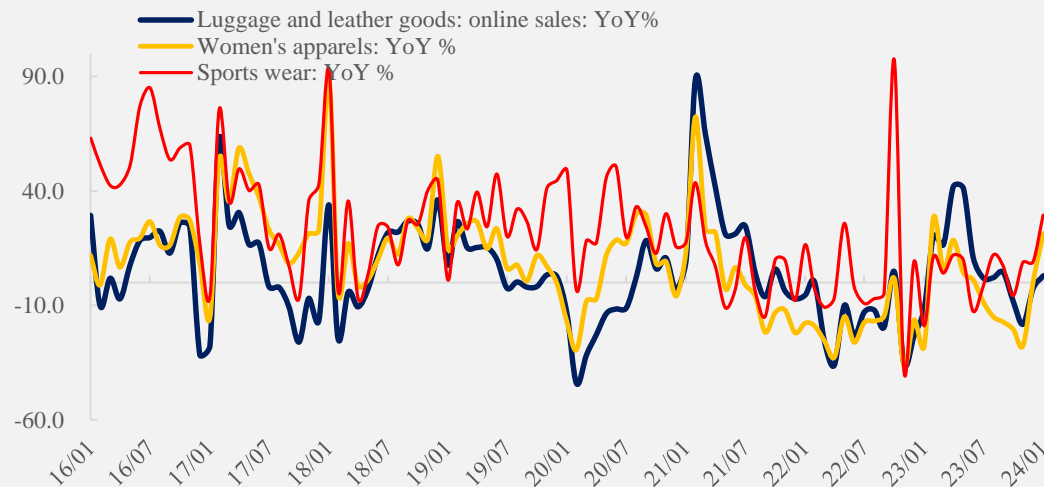
### Per Capita Consumption of Hainan Offshore Duty-free Shopping



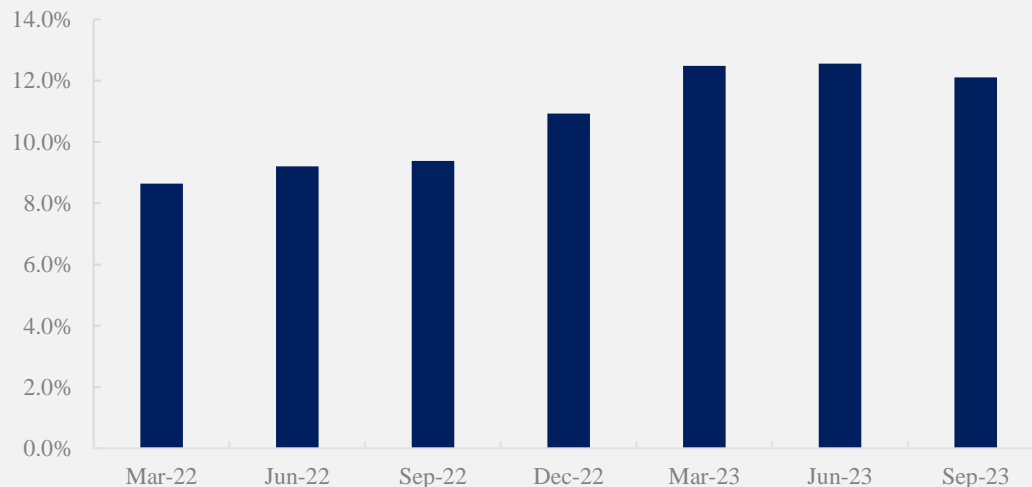
# Nike: Gradual Recovery with Continuous Discounts

- In January, China's online consumption of bags, women's clothing, and sportswear increased significantly from last year (3%, 21.4%, 29.4% respectively). The low base of 2023, as well as the cold weather in 2024, is partially responsible for the jump.
- As for the sportswear sector, weakening demand remains as the main issue for brands both domestic and foreign ones. An example on this point includes Lulu Lemon, and the company's China revenue share in Q3 2023 slipped slightly to 12.1% from 12.6%.
- According to our January Survey on one of Nike's distributors in the northeastern market, Nike's sales increased by 2.1%, 55%, 8.9%, and 4.9% in Q1, Q2, Q3, and Q4 of 2023. Sales managed to grow at a slower pace, with gross profit margins going down. Continuous efforts to give more promotion is the main reason.

Luggage and clothes online sales



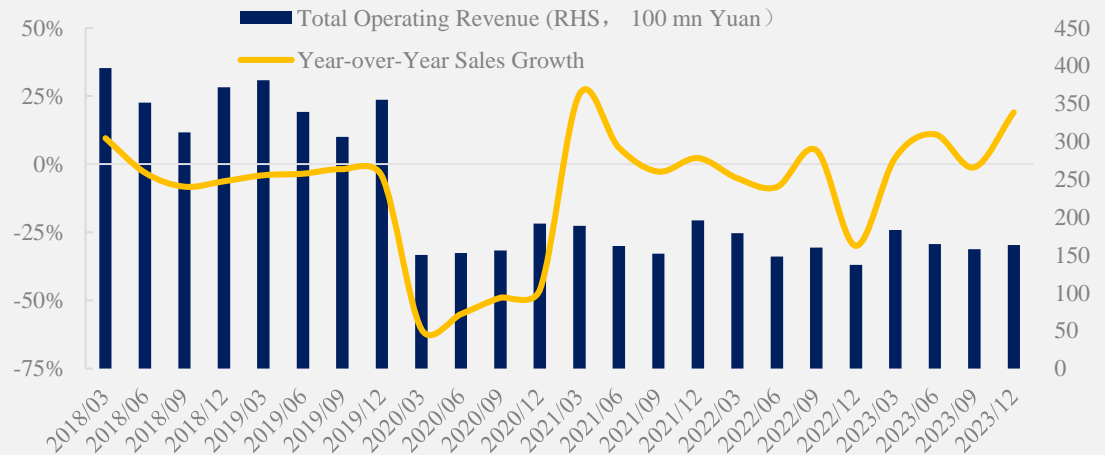
Lululemon China as % of Total Net Sales



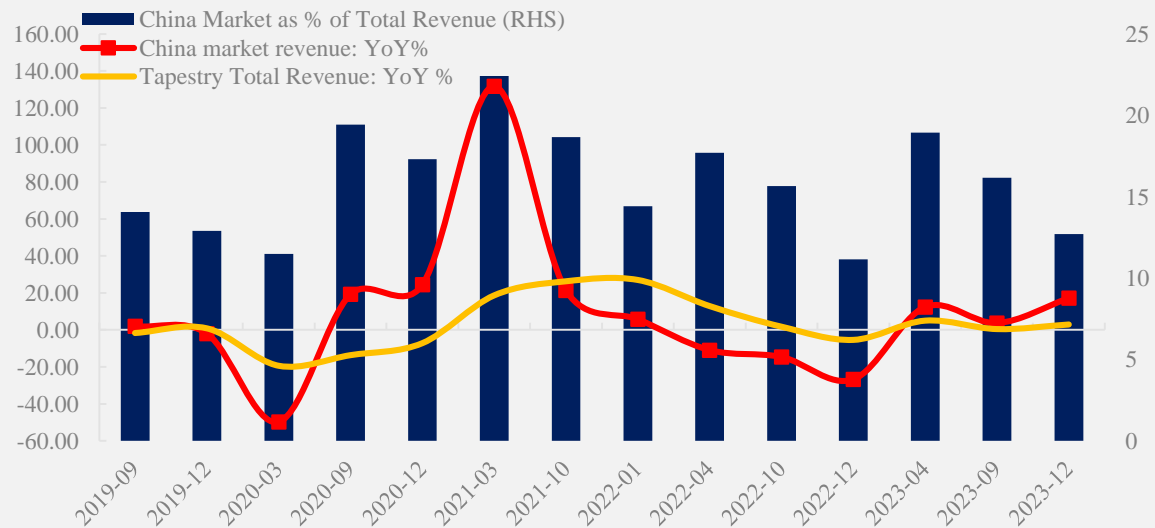
# Tapestry: Recovering China Demand And Lingering Pressure

- Improving Consumer Discretionary Spending.** Chinese consumer spending in department stores shows signs of continuous improvement, with market consensus major department store revenue turning positive in Q4. According to our calculation of public listed department stores such as Chongqing Department Store, Wangfujing, Dashang, Eurasia, Wuhan Department Stores, Hefei Department, and Nanjing Xinjiekou Department stores, the year-over-year revenue growth is expected to increase by 7% in 2023, up from 2022's -11%. That means China's consumer spending on discretionary goods are trending up in the post-pandemic time.
- Tapestry Reported with Strong Chinese Market Performance.** In Q4 of 2024, Tapestry's international revenue grew by 12% (calculated at constant exchange rates), achieving growth in all key markets, with China's market growing by 19%, Japan's market by 6%, other Asian regions by 9%, and the European market by 11%.
- Changing Consumer Behavior Remains as a Challenge.** Despite the strong performance in Q4 China, executives anticipate mid-single-digit sales growth in the Chinese market in 2024. As Chinese consumers become more frugal, the company says it will benefit from the current trend because it aims to capture market shares from traditional European luxury brands.

## Public-listed Department Store Sales Growth



## Tapestry China Market Performance





02

# Manufacturing

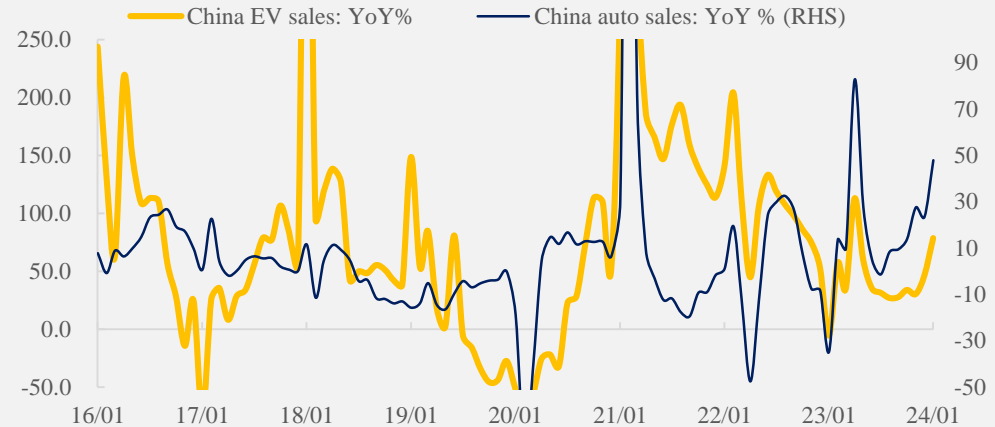
# Auto: Robust Auto Sales with Fierce Competition

**Strong Upward Momentum in Chinese Auto Sales.** With a low base of 2023, Chinese auto sales volume increased by 47.9% from last January to 2.44 million this year. To exclude the low base effect, the year-over-year sales growth rate for China's automobile over the rolling 12 month is 18%, up from December's 11%, showing continuous upward momentum in the sector. New energy vehicle improved by 78.7% from last year, up from December's 46.8%.

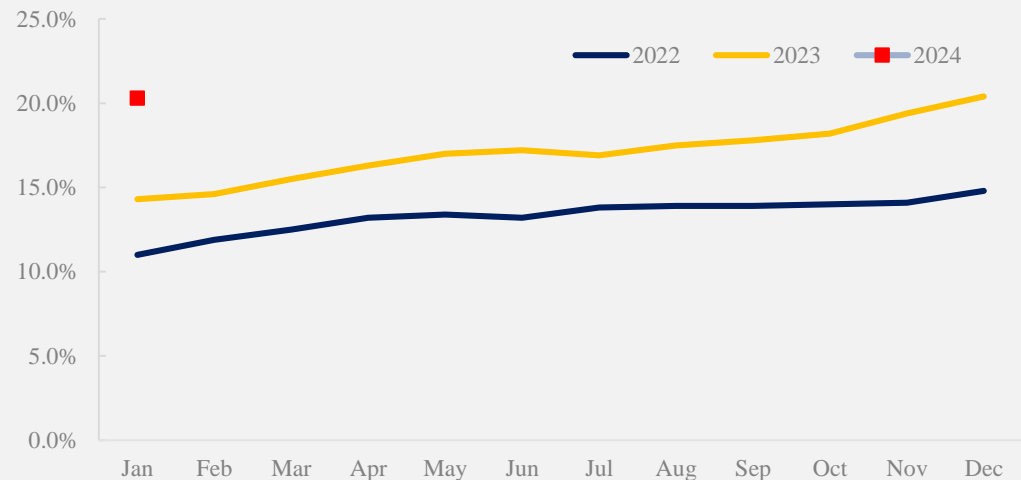
**In addition to fierce competition among new energy vehicles, traditional fuel vehicle brands are increasing promotional efforts to fend off their market shares.**

According to the data from the Passenger Car Association, the current promotional discounts for luxury fuel vehicles exceed 20%. Moreover, in many places, at Mercedes-Benz 4S stores, as long as you are truly interested in ordering a car, everything is negotiable. Wealthy would-be buyers in lower-tier cities are the main target of the move. The insufficient infrastructure, such as charging stations, remains the main bottleneck for the development of new energy in low-tier cities. The price reduction of entry-level luxury cars is beneficial for their competition with new energy vehicles.

## China Auto Sales



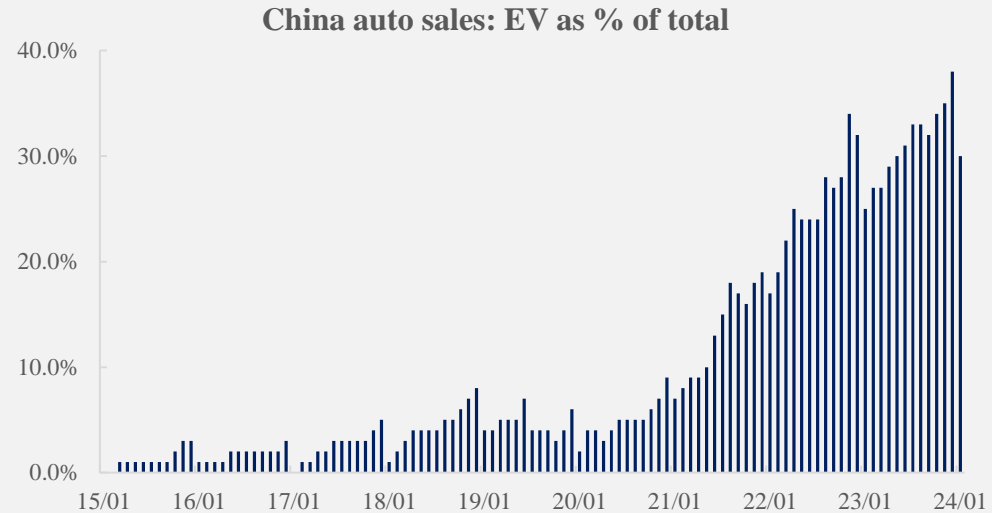
## Changes in Promotional Discounts for Luxury Fuel Vehicles



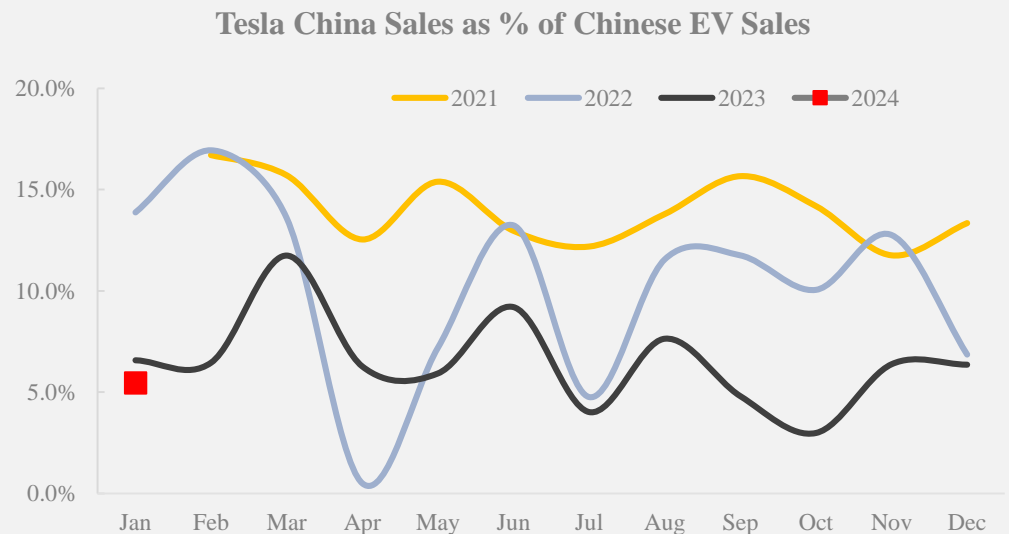


# Tesla: Struggle to Maintain Market Share in the EV Market

- **Short-term setbacks are unlikely to change the long-term growth trend of new energy.** Overall, we see the new energy vehicle's market share in January, moving down from December's 38% to January's 30%. Nevertheless, the market believes the new energy vehicle's market penetration will continue to rise in 2024 and 2025, reaching 40% and 50% respectively.



- **Tesla China, however, continues to see pressure to maintain its market share in China's EV market.** Tesla's China sales in January fell 47% month-on-month to 39,800 units. Tesla's share of China's new energy vehicle sales was 5.5%, down from 6.4% in November and December last year. Overall, facing significant price cuts from traditional fuel vehicles and new energy vehicles like BYD, Tesla's price adjustments in January had a limited effect on boosting its sales.



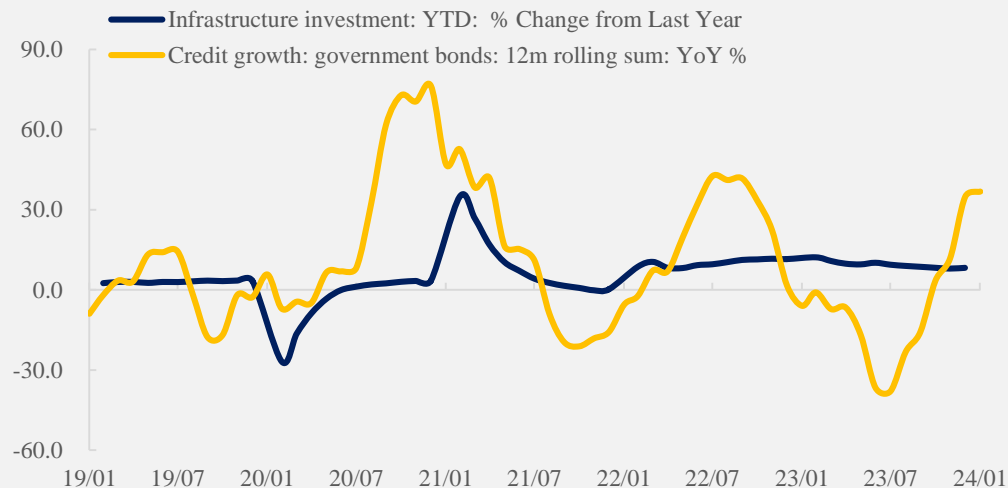
# Construction Equipment: Demand Shows Signs of Bottoming Out

- **Demand may bottom out with easing property drag.** With a low base of 2023, China's excavator sales increased by 57.7% from last January, having improvements two months in a row. China's construction equipment sales growth have been largely moving in sync with excavator sales in history. Due to the slowdown of China's property sector, the share of excavator in China's construction equipment sales have declined from 2020's 20% to 14.7%, 8.9%, and 5.1% in 2021, 2022, and 2023. The sales ratio forklifts has been rising at the same time.
- **Infrastructure investment to provide a counter-cycle support.** With the government's efforts to offset the downward pressure in the economy, we expect China's infrastructure investment will remain at an elevated level, which will provide a support for construction equipment in 2024. Overall, we think China's construction equipment demand may have bottomed out now.

## China Construction Equipment Sales



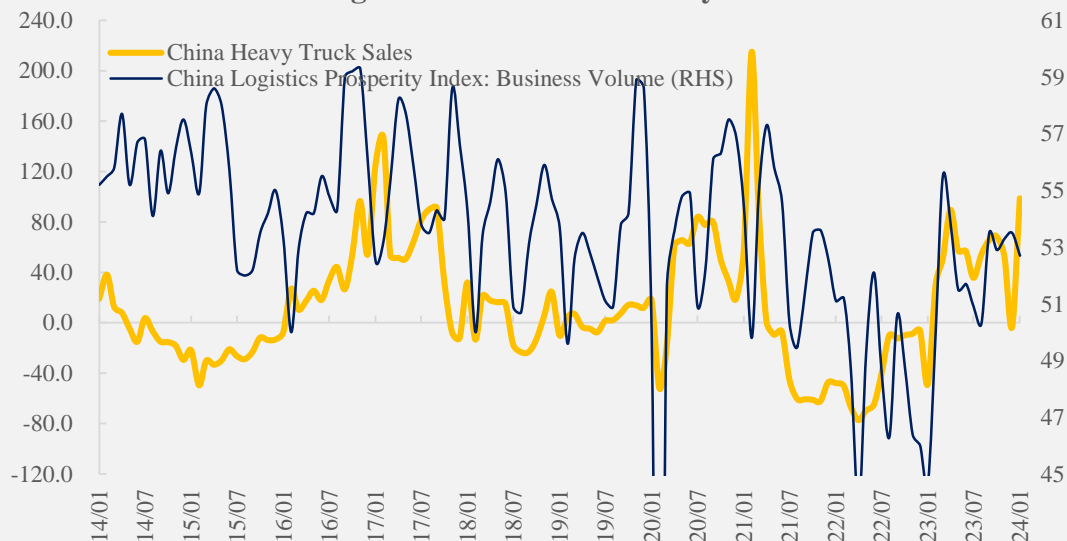
## China Infrastructure Investment



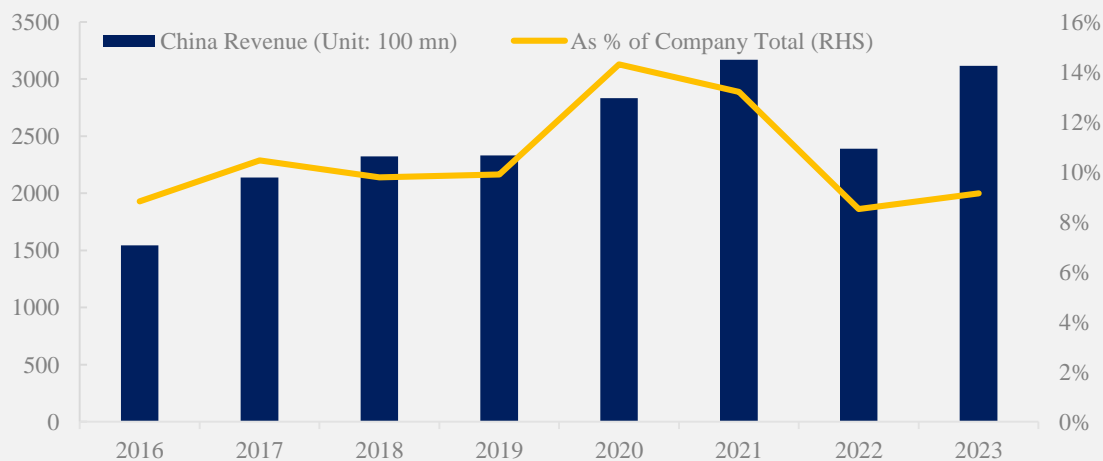
# Cummings: Sales Increased with Rising Heavy Truck Demand

- Heavy truck demand is trending up.** In January, China's heavy truck sales increased by 98.8%, up from December's -3.5% and November's 52.5%. The low base of 2023 is partially responsible for the jump. In January, China's logistic prosperity index declined slightly due to weather reason. In line with the logistic demand, we think China's heavy truck demand is moving on an upward track now.
- Thanks to improving demand, Cummings reported better sales in the Chinese market.** With a low base, Cummings sales in the Chinese market increased by 30% in 2023, and the company's revenue from the Chinese market as % of company total edged up from 2022's 8.5% to 2023's 9.1%. Higher demand for engine components as well as emission solution from the Chinese market is a key driver that the company highlighted in 2023. Overall, Cummings sales in the Chinese market is rising with improving demand and we expect a steady improvement in the company's revenue share from the Chinese market going forward.

## China Logistics Demand And Heavy Truck Sales



## Cummings China Performance



# Caterpillar: Potential Competition in the Global Market

**China's excavator sales improved both in the domestic market and export market in January.** In January, Chinese excavator export sales declined by 0.7% , up from December's -15.4%, while excavator domestic sales rose by 57.7%, up from December's 24%.

**Mixed survey feedback in January:** The overall demand for excavators in January 2024 appears to be mixed, with regional variances and cautious optimism for future growth. Key points include:

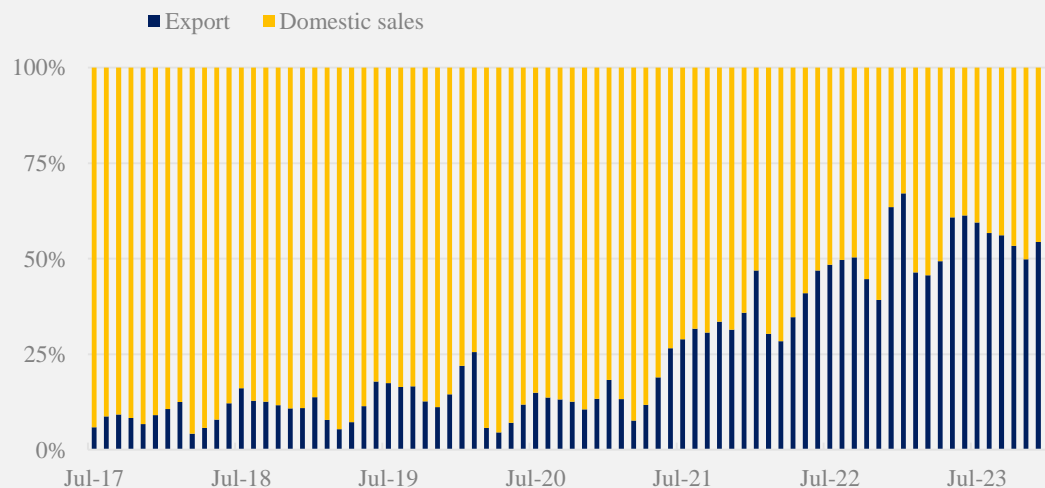
- 1. Interest vs. Sales:** High interest in large excavators contrasts with actual sales favoring smaller models due to customer caution. A slow recovery is noted, with January's sales flat compared to last year, indicating a typical off-peak season.
- 2. Outlook:** Optimism for 2024's infrastructure projects could boost demand, but the industry grapples with sales and payment collection challenges.
- 3. Strategies & Pricing :** Leasing models have shown temporary sales boosts in certain areas, yet doubts about their long-term viability persist. Some brands raised prices for profit strategy, affecting overall market dynamics.
- 4. Challenges:** Payment collection and competition in the leasing market remain significant hurdles.

**Excavator export sales account for half of Chinese excavator sales.** Mostly being sold in the belt-and-road market, China's rising momentum in excavator exports may have limited impact on Caterpillar now.

## China Excavator Sales



## China Excavator Sales Breakdown: as % of Total





03

# Technology

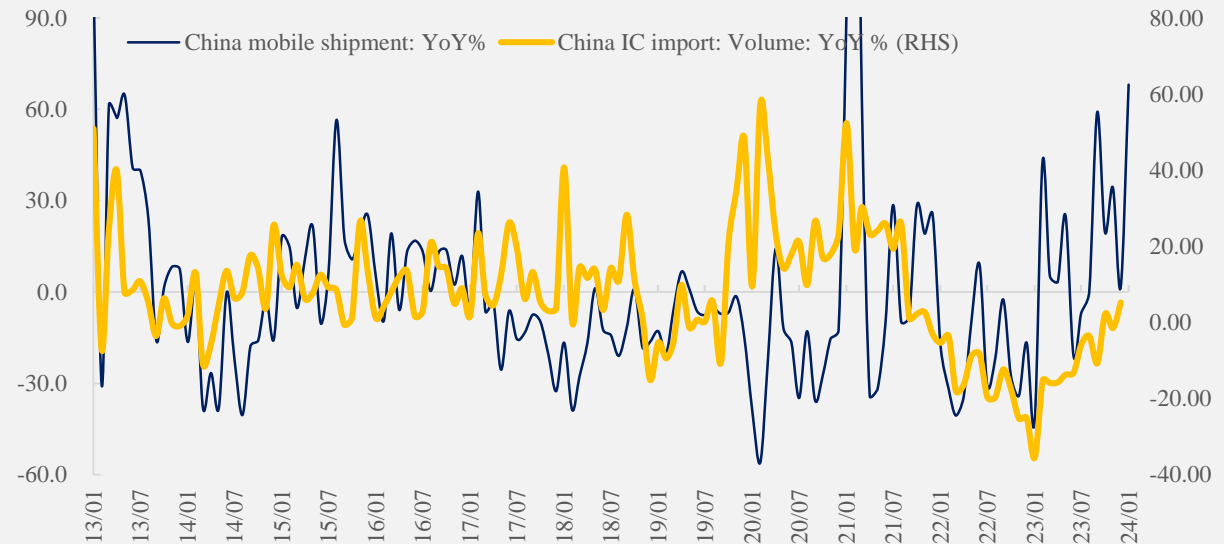
# Mobile Phone: Moving on Track with Demand Recovery and Fierce Competition

## 1. Improved market demand leads to a rebound in smartphone shipments.

According to the China Academy of Information and Communications Technology, in January 2024, domestic mobile phone shipments reached 31.778 million units, showing a year-over-year increase of 68.1%. Of these, 5G mobile phones accounted for 26.165 million units, up 59% compared to the same period last year, making up 82.3% of the total mobile phone shipments.

2. **Cautious Outlook for 2024.** With the extension of the replacement cycle, the market remains cautiously optimistic about the 2024 domestic smartphone market. Whether it can effectively stimulate the demand for upgrades among consumers in fourth to sixth-tier cities will be a key factor influencing the extent of the rebound in the 2024 domestic smartphone market. Market competition is expected to become more intense.

### Improving Mobile Phone Demand



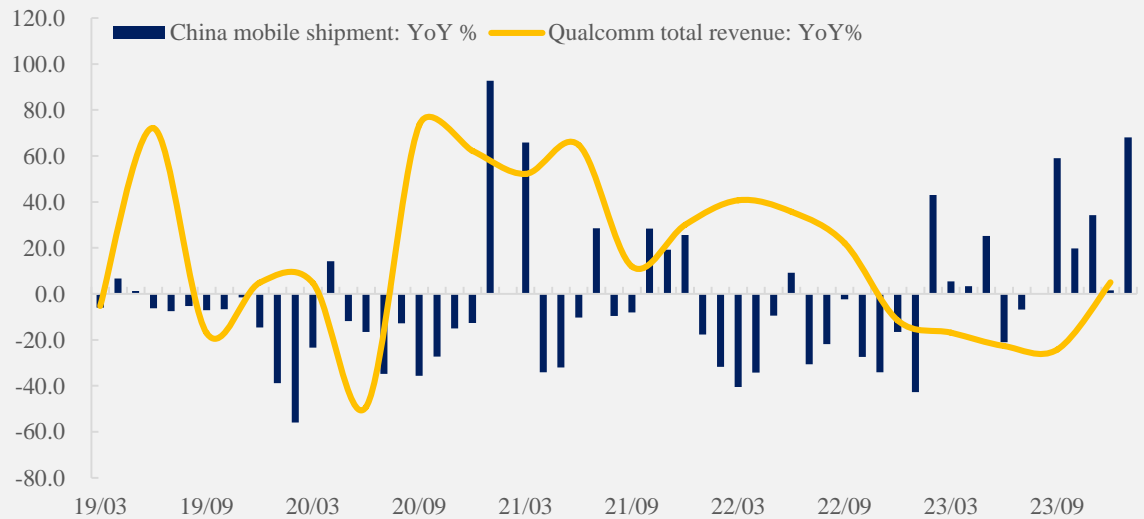
# Qualcomm: Mobile Phone Market Recovery and Strong Momentum from Xiaomi

**Qualcomm mobile profitable again, Q4 revenue rebounds.** Accounting for 67.7% of the company's total revenue, Qualcomm's mobile business revenue exceeded expectations in Q4 2023, growing 16% year-over-year to \$6.687 billion. Overall, Qualcomm's mobile division revenue decline in 2023 was in the middle of the 0%-10% range. The global smartphone industry is expected to flat line or grow slightly in 2024.

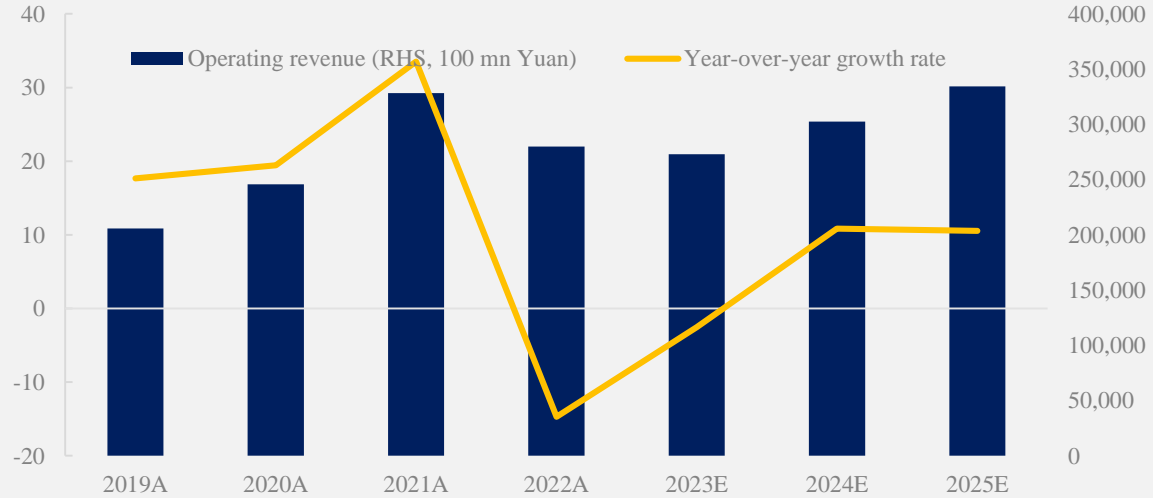
**1. Chinese and Samsung demand drives Qualcomm's Q4 improvement.** The strong performance was mainly driven by the recovery of the smartphone market, declining inventory levels, and new product launches from major **Chinese OEMs and Samsung's Galaxy series.** Qualcomm's mobile business revenue in Q3 2023 was \$5.456 billion, down 26.58% year-over-year, accounting for 74% of total revenue.

**2. Continuous Growth Potential from Xiaomi.** Xiaomi's smartphone shipments in Q4 2023 grew the fastest year-over-year (YoY 23%), accounting for 13% of the global market share, second only to Apple's 23% and Samsung's 16%. (Xiaomi's global market share in Q3 2023: 13.6%, Q4 2022: 11%.) The market currently expects Xiaomi's global shipments in 2024 to be 158 million units, an increase of 8.2% year-over-year, higher than the overall smart phone's market growth of 0-3%.

China Mobile Shipment and Qualcomm Total Sales Growth



Xiaomi Group Revenue Growth



# Apple: China Market Share Dipped Despite Price Cuts

- **Price reductions stimulated some demand, but market share still declined.** To boost performance in the China region, Apple launched a rare large-scale official price reduction for iPhones in the Chinese market, sparking widespread discussion. The price cuts spanned multiple channels, including the official website and physical stores, with reductions ranging from 50 to 1000 yuan.
- **Nevertheless, iPhone's market share in China edged down from No.1 to No. 2,** due to intense competition with domestic brand such as Huawei.
- **Additionally, Apple's Q4 2023 earnings showed a decline in the Chinese market alone,** with a minor revenue drop of about 2% in Greater China, contrasting with a larger decline in iPhone sales but continued growth in other markets.

China Mobile Phone Activation Volume (Unit: 1000)								
Brand	2023 Dec	2024/1/7	2024/1/14	2024/1/21	2024/1/28	Jan Total	2024/2/4	2024/2/11
Huawei	2706	1073	920	882	951	<b>3826</b>	1145	1192
<b>Apple</b>	<b>3126</b>	915	823	975	1008	<b>3721</b>	1062	954
Honor	3032	806	725	896	939	<b>3366</b>	1167	1209
Xiaomi	3102	740	650	740	828	<b>2958</b>	1046	1177
Vivo	2276	680	621	648	736	<b>2685</b>	968	1005
OPPO	2305	617	652	630	746	<b>2645</b>	970	1010
Others	1380	356	369	294	350	<b>1369</b>	413	375
IQOO (Vivo)	622	254	120	217	253	<b>844</b>	321	311
Oneplus	374	83	120	111	110	<b>424</b>	136	145
Realme	250	67	57	65	72	<b>261</b>	79	71
Total	19173	<b>5591</b>	<b>5057</b>	<b>5458</b>	<b>5993</b>	<b>22099</b>	<b>7307</b>	<b>7449</b>
2023 Same Period	19343	<b>6298</b>	<b>7069</b>	<b>8223</b>	<b>6041</b>	<b>27631</b>	<b>6652</b>	<b>5660</b>
2024 YoY %	<b>-1%</b>	<b>-11%</b>	<b>-28%</b>	<b>-34%</b>	<b>-1%</b>	<b>-20%</b>	<b>10%</b>	<b>32%</b>
2024 Apple YoY%		<b>-32%</b>	<b>-38%</b>	<b>-30%</b>	<b>-4%</b>	<b>-30%</b>	<b>-16%</b>	<b>-24%</b>

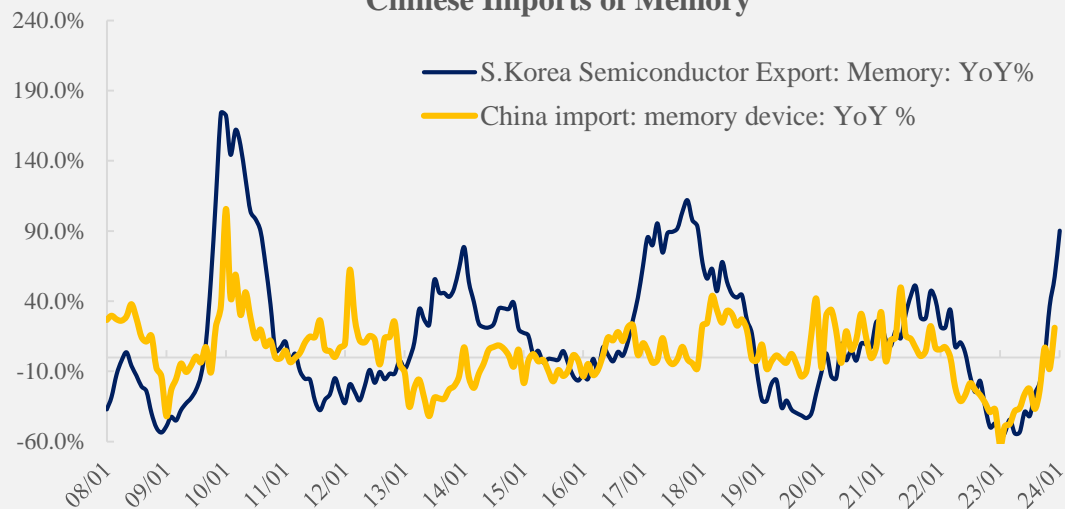
China Mobile Phone Activation: Market Share								
Brand	2023 Dec	2024/1/7	2024/1/14	2024/1/21	2024/1/28	Jan Total	2024/2/4	2024/2/11
Huawei	<b>14.1%</b>	19%	18%	16%	16%	<b>17.3%</b>	16%	16%
<b>Apple</b>	<b>16.3%</b>	16%	16%	18%	17%	<b>16.8%</b>	15%	13%
Honor	<b>15.8%</b>	14%	14%	16%	16%	<b>15.2%</b>	16%	16%
Xiaomi	<b>16.2%</b>	13%	13%	14%	14%	<b>13.4%</b>	14%	16%
Vivo	<b>11.9%</b>	12%	12%	12%	12%	<b>12.1%</b>	13%	13%
OPPO	<b>12.0%</b>	11%	13%	12%	12%	<b>12.0%</b>	13%	14%
Others	<b>7.2%</b>	6%	7%	5%	6%	<b>6.2%</b>	6%	5%
IQOO (Vivo)	<b>3.2%</b>	5%	2%	4%	4%	<b>3.8%</b>	4%	4%
Oneplus	<b>2.0%</b>	1%	2%	2%	2%	<b>1.9%</b>	2%	2%
Realme	<b>1.3%</b>	1%	1%	1%	1%	<b>1.2%</b>	1%	1%



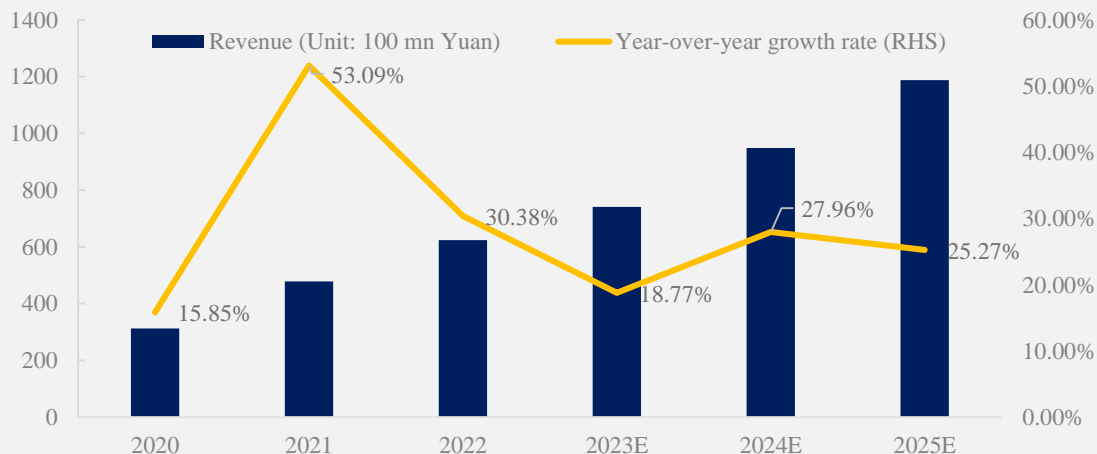
# Micron: Chinese customers' acceptance of higher prices from memory makers

- Improving Global Demand.** In January, South Korea's semiconductor exports soared to \$9.41 billion, a 53% increase year-over-year, nearly tripling the growth rate from December last year (19.3%). The surge was led by memory chip exports, which jumped 90.5% to \$5.27 billion, significantly driving up the ICT export figures. Therefore, we expect a similar jump in Chinese imports of memory devices at the same time.
- Chinese customers' acceptance of price hikes from memory manufacturers has driven continuous increases in DRAM prices, impacting sectors like smartphones, PCs, and data center servers.** As of January 2024, the wholesale price for DDR4 8Gb DRAM reached approximately \$1.85 per unit, up 9% month-over-month, while the smaller 4Gb variant was priced around \$1.40 per unit, an 8% increase. This trend, marking three consecutive months of price rises including negotiations before the Spring Festival, reflects both China's increased purchasing and the broader acceptance of higher prices by Chinese firms and major PC manufacturers.
- Additionally, with expectations of increased market revenue, the storage industry anticipates a strong profit recovery in 2024.

### Chinese Imports of Memory



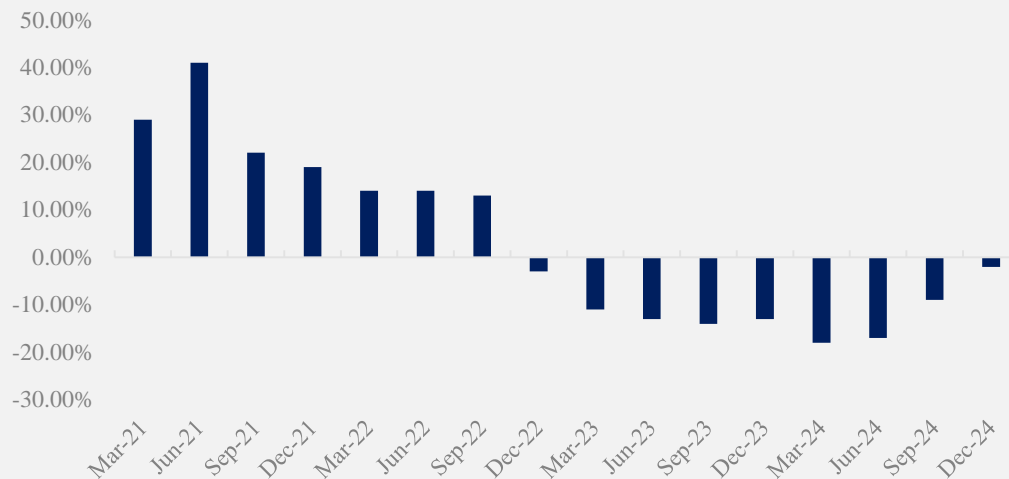
### Wind Yangtze Memory Concept Index



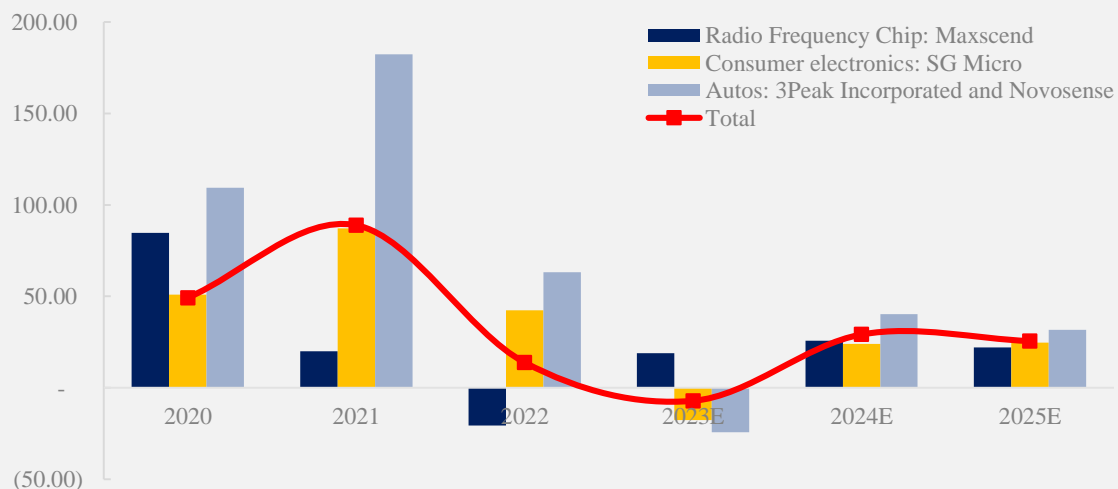
# TI: Still Moving in the Downward Trend with Weak Demand

- TI facing continued weak demand:** According to the earnings report, Texas Instruments' revenue for the fourth quarter of the 2023 fiscal year was \$4.08 billion, a 10% decrease quarter-over-quarter and a 13% decrease year-over-year; net profit was \$1.37 billion, a 30% drop from the previous year, both below analyst expectations. For the first quarter of the 2024 fiscal year, Texas Instruments expects revenue to be between \$3.45 billion and \$3.75 billion, significantly below the analysts' average expectation of \$4.09 billion.
- Chinese Analog Chip Makers Expect Recovery at Different Pace:** The 2023 earnings forecast for domestic analog chip companies indicates a negative growth in net profit, with an improvement in revenue in Q4 2023. Specifically, Q4 2023 showed a significant quarter-over-quarter improvement, aligning with the stabilization and recovery trend in the analog industry during the same quarter.
- Demand is rebounding after a two-year slump.** The smartphone sector saw growth in late 2023 with key releases from Huawei, Xiaomi, and Vivo, promising further boosts in 2024. New tech like AI and MR also offer fresh opportunities for the analog IC supply chain.

TI Revenue Growth: Year-over-Year



China Analog Chip Company Revenue and Expected Growth





04

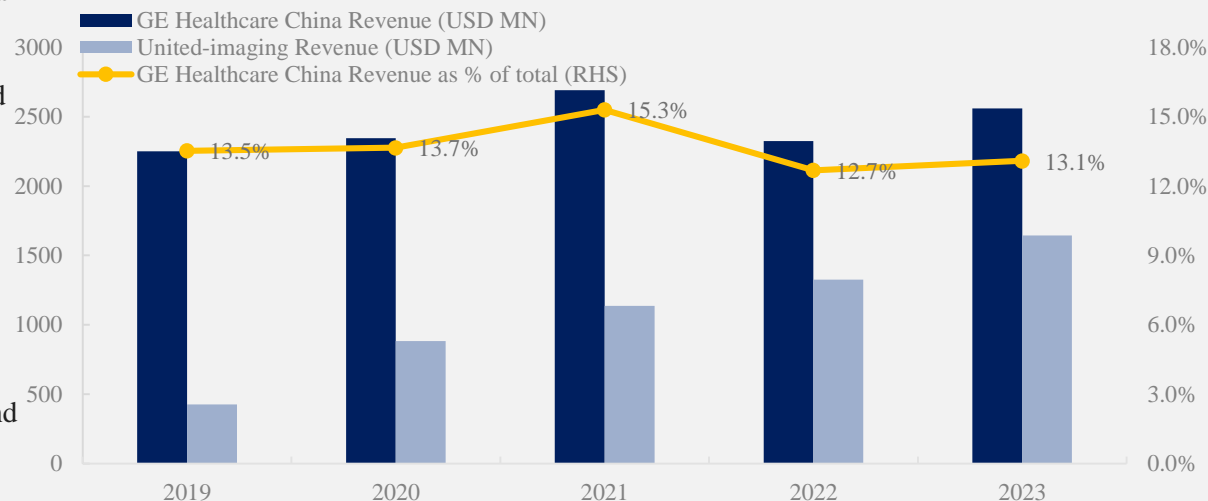
# Healthcare

# GE: navigating the short-term impacts of the government's anti-corruption policies

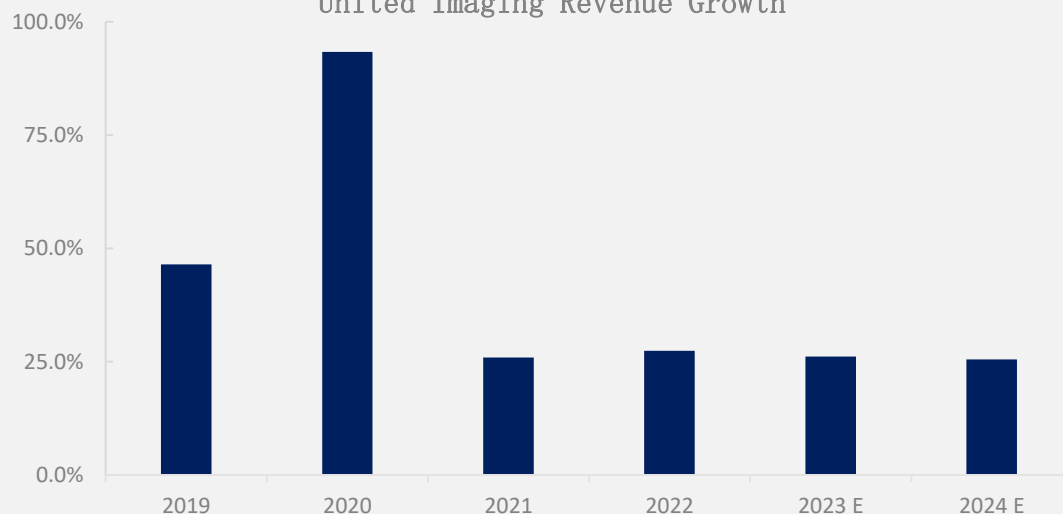
Tepid Demand in the Chinese market: Medical Devices such as Philips, GE, and Intuitive Surgical, all indicate significant revenue growth pressure in China for the first half of 2024, with recovery expected in the second half. GE specifically expects negative growth in H1 2024 but anticipates a return to positive growth in H2, projecting an overall positive growth for the year.

- **GE Healthcare:** With government support, GE has improved its market presence in China since 2021. Despite short-term setbacks from anti-corruption actions, a positive growth of 4% is forecasted for 2024, with China accounting for 15% of revenue and highlighting the market's unmet medical needs.
- **Intuitive Surgical (ISRG):** Q4 2023 saw a surge in China's surgical volumes, overcoming COVID-19 impacts. Despite initial 2024 caution due to anti-corruption efforts, growth is expected later in the year. The company is also advancing with SP robot marketing and local production in 2024.
- **Philips (PHG):** Facing short-term procurement impacts from anti-corruption policies, Philips sees a tough H1 2024 but expects recovery in H2. With China's economy growing at 3-5%, Philips aligns its growth expectations similarly, reflecting broader consumer and healthcare demand impacts.

## High-end Medical Imaging Equipment Company Comparison



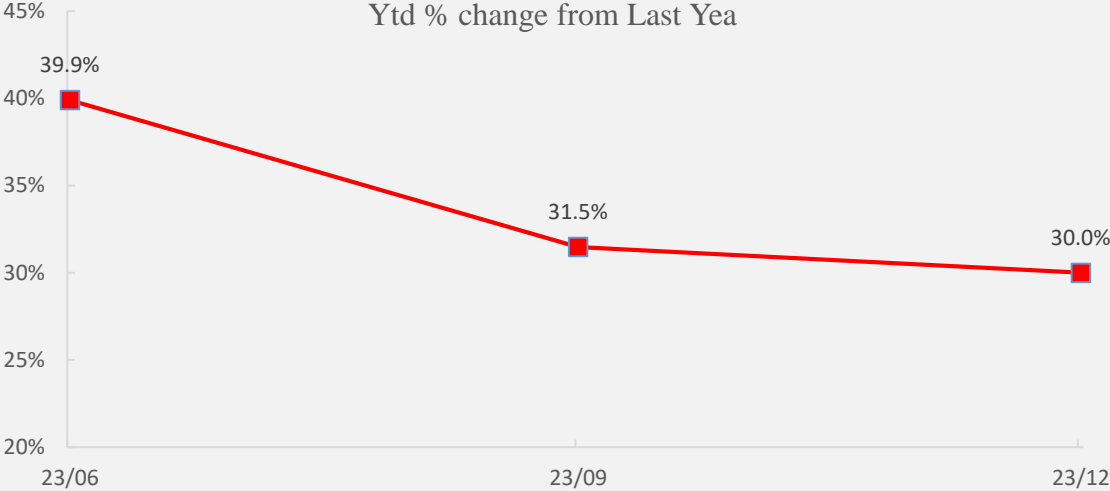
## United Imaging Revenue Growth



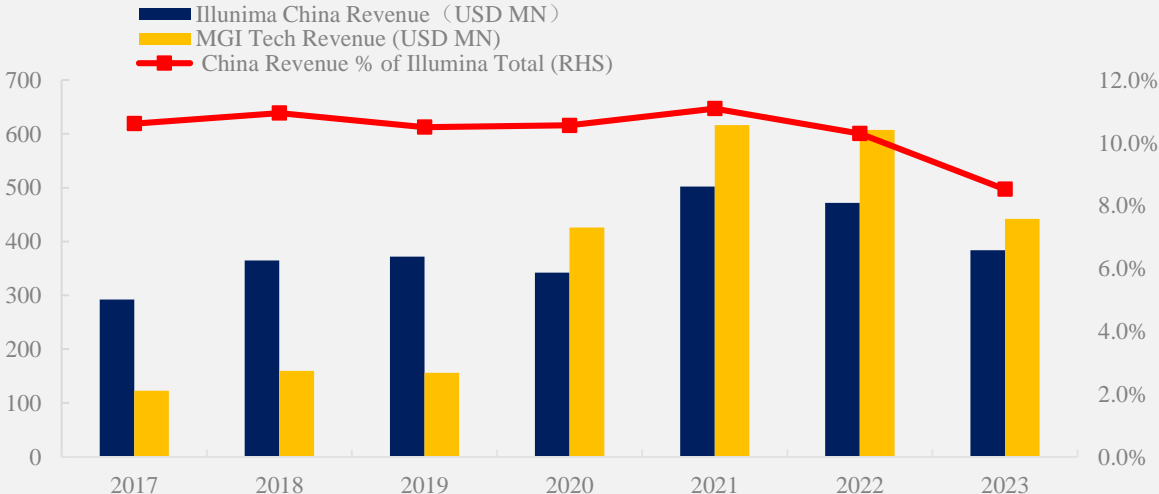
# Illumina: Struggle to Regain Its Market Share in China

- BGI Genomics (688114.SH), the key competitor of illumine in China, forecasts a 30% year-over-year increase in gene sequencing sales for 2023 but anticipates a net loss of -687 to -578 million yuan and a non-GAAP net loss of -768 to -646 million yuan, marking a decrease from last year. Despite weak market demand and an expected industry growth of 10%, BGI's competitive strength and growing market share contribute to its above-average revenue growth.
- In Q4 2023, Illumina's revenue in China was approximately \$82 million, marking a 13% decline year-over-year. That strikes a sharp comparison given the fact that the company's total revenue of \$1.12 billion for Q4 2023, up 4% from Q4 2022 (up 4% on a constant currency basis). Geopolitical challenges and local competition in mid-throughput are pointed out by the company for its sluggish China performance. To cope with the challenge in the Chinese market, the company said they have taken certain pricing and other strategic actions.

**MGI Tech Sequencing Equipment Sales:**  
Ytd % change from Last Yea



**Top Sequencing Company Comparison**





# Thanks

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