

# MORGAN CREEK

## CAPITAL MANAGEMENT

ALTERNATIVE THINKING ABOUT INVESTMENTS

### *New Asia Perspectives*



Welcome to Morgan Creek's New Asia Perspectives, an open forum where we share our proprietary research together with curated articles of interest. We seek to offer a variant interpretation of important political and economic events through an Asian lens by leveraging our team's "on the ground" insights and decades-long experience in covering the region. We disseminate our research through newsletters, webinars and periodic whitepapers. Feel free to forward our research to colleagues you think might be interested and please share any interesting research you come across as well. To offer comments, share research, or learn more about our team and investment offerings, please email [chinateam@morgancreekcap.com](mailto:chinateam@morgancreekcap.com).

Best Regards,

Handwritten signature of Mark W. Yusko.

Mark W. Yusko  
CEO & CIO

### **NOTES FROM THE BUND<sup>1</sup>**

China started the Year of the Dragon with robust consumption, with headline numbers surpassing expectations and setting a strong tone for potential recovery in 2024. Notably, domestic spending on tourism and entertainment has reached new highs over the Chinese New Year period, surpassing even those of 2019. However, a deeper analysis suggests that consumer habits have experienced a shift with individual customers showing increased prudence in their expenditures.

These figures are illustrated in both domestic and outbound tourism: the former has outperformed pre-COVID levels and jumped 47% to \$88 billion from the same period in 2023. Despite the headline figure improvement, however, revenue per individual has yet to recover to pre-pandemic levels. A similar pattern is observed in outbound travelers as well. Destinations like Singapore, Thailand and Malaysia witnessed a 30% increase in Chinese travelers versus 2019<sup>2</sup>, while mobile payments in these areas presented a moderate 7.5% increase, according to AliPay.<sup>3</sup>

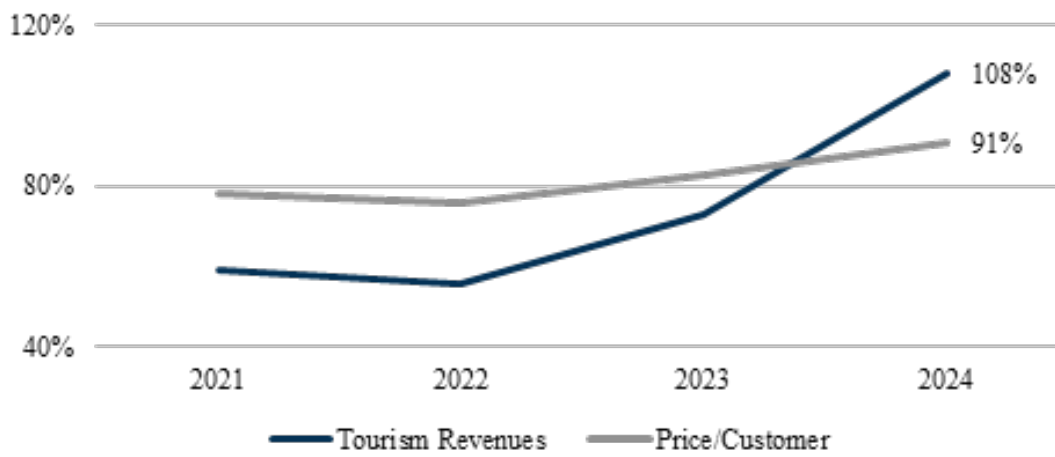


Figure 1: The level of recovery (%) in domestic tourism compared with 2019<sup>4</sup>

The film industry serves as another window to showcase these economic dynamics at play, where the total revenue generated from movies during the period reached new highs despite a decrease (6.1%) in ticket prices.

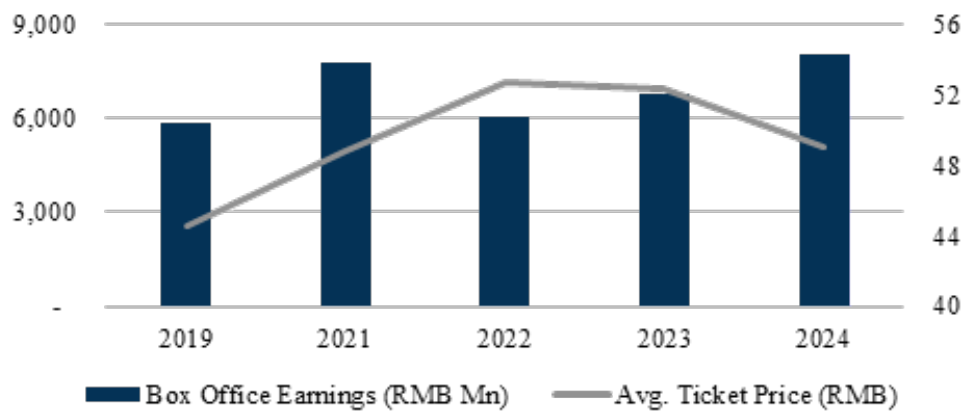


Figure 2: Domestic box office earnings vs. average ticket price<sup>5</sup>

Overall, there was a notable surge in service consumption during the 8-day festival period with value-added tax invoice data showing that this category experienced a 52% year-on-year increase. A closer examination of sub-item data reveals that the revenue growth rates for car rentals, travel agencies, and cultural & artistic performances have all doubled. Furthermore, daily consumption for catering and accommodation services recorded growth rates of 32% and 25%, respectively.

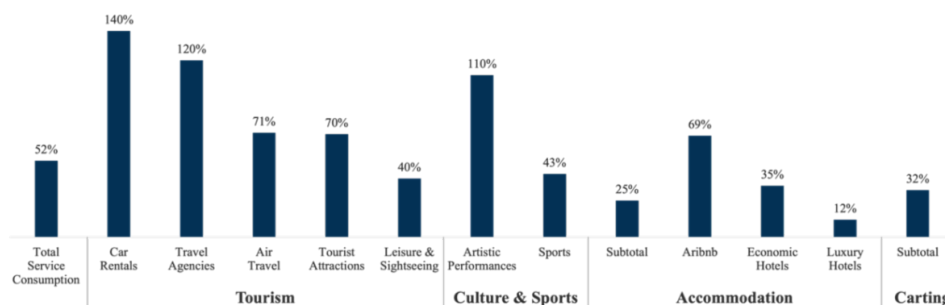


Figure 3: 2024 daily service consumption revenues (YoY) <sup>6</sup>

Consumer data during the festival has also unveiled another intriguing trend: While Chinese

consumption overall has increased, there has also been a simultaneous emergence of what might be termed as a "consumption downgrade." In our upcoming newsletter, we'll explore this shift in Chinese consumer behavior.

[Click here](#) to see back issues of **New Asia Perspectives**

### ***ASIA NEWS SPOTLIGHT***

**Forget Thailand and Vietnam: South-East Asia's Enticing New Travel Frontier:** When Sarorn Chea first heard that land neighboring his village near Cardamom National Park was earmarked for a luxury resort, he had no idea what that meant, let alone why foreigners would want to come to this remote part of Cambodia. To him, the forest was simply a means of survival – a place to forage, to hunt, and, if necessary, to eke a living from illegal logging. [Read More.](#)

**China's COMAC to Showcase C919, ARJ21 Jets in 5 Southeast Asian Countries:** Chinese state-owned plane maker COMAC will conduct flying displays of its C919 and ARJ21 jets in five Southeast Asian countries, it said on Tuesday, as it looks to lay the groundwork for future international sales. Over the next two weeks, the C919 and ARJ21 jets will conduct showcase flights in Vietnam, Laos, Cambodia, Malaysia and Indonesia, the Shanghai-headquartered aircraft manufacturer said in a statement. [Read More.](#)

**Southeast Asia Lays the Groundwork to Become Crypto, Blockchain, AI Hub:** The crypto and blockchain industries have made significant headway in becoming functional sectors around the world. However, in some parts of the world, such as Southeast Asia, there is a greater tendency to welcome these financial and technological advancements. The Southeast Asia region was highly represented in Chainalysis's 2023 global crypto adoption index, with countries such as Vietnam, the Philippines and Thailand on the brink of a crypto revolution. [Read More.](#)

**Geo Connect Asia 2024: Exploring the Transformative Power of Geospatial Technologies in Southeast Asia:** Geo Connect Asia (GCA), the region's leading trade event for geospatial, positioning, digital construction, and remote sensing industries, returns to the Sands Expo and Convention Centre in Singapore on 6 and 7 March 2024. Building on its position as the region's leading international show for the industry since 2019, GCA 2024 will explore the unprecedented growth and transformative potential of geospatial technologies in Southeast Asia as they facilitate economic development and government decision-making across the region. [Read More.](#)

**China's State Secrets Law to Cover High Tech:** China has amended its State Secrets Law to expand the coverage to high technology industries and improve security in areas near military sites. The National People's Congress (NPC) Standing Committee on Tuesday revised its Law on Guarding State Secrets. The amendment, which will take effect on May 1, said the nation encourages and supports the research and application of new technologies that can help protect its secrecy science and technology. [Read More.](#)

**New Investments in Semiconductor Chips will Remain in Asia but Moving Away from China - Moody's Analytics:** Even though new investments in the semiconductor industry seem to be moving away from China, electronics production will continue to remain in Asia for the foreseeable future, said Moody's Analytics in a report. According to Moody's Analytics, all the world's advanced chip production happens in Taiwan and South Korea, while the US and Europe each produce less than 10 per cent of the global chip supply. [Read](#)

[More.](#)

**Renewable Energy certificates, Defying Criticism, Take Off in Southeast Asia:** While the uptake of renewable energy in Southeast Asia has remained slow and laborious, solar and wind power producers are increasingly seeking supplementary income via a parallel market for certificates that verify their generation of clean electricity. This dynamic has propelled the region to become one of the fastest growing originators of such “renewable energy certificates”, or RECs, which corporates buy as they work towards decarbonization goals.

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**Russia’s Expanding Energy Ties in Central Asia:** After the invasion of Ukraine, Russia faced unprecedented sanctions. Following the refusal of many Western countries to buy Russian hydrocarbons, huge volumes of Russian energy exports were diverted to other parts of the world, primarily to Asia. At the same time, looking for new markets, Russia has intensified cooperation with numerous other nations that have declined to explicitly denounce its invasion of Ukraine or have stayed neutral, including its closest Central Asian neighbors. Russia’s main reasons for expanding regional ties in the energy sector were, first, to urgently find an alternative to lost European energy markets—even if that meant less-profitable customers in Central Asia—and, second, to strengthen its political influence in the former Soviet Union space by increasing the energy dependence of those countries on Russia. [Read More.](#)

<sup>1</sup>The Bund is a historic waterfront area in central Shanghai, where Morgan Creek’s office is located. From the 1860s to the 1930s, it was the rich and powerful center of the foreign establishment in Shanghai, operating as a legally protected treaty port. The picture above is part of the historical waterfront.

<sup>2</sup> Source: The longest Spring Festival holiday comes to an end, Overseas Chinese Network, Feb 19, 2024

<sup>3</sup> Source: China Outbound and Inbound Tourism Spending rebounds on Ant Group's Cross-Border Merchant Networks During Chinese New Year Break, <https://www.antgroup.com/en/>, Feb 14, 2024

<sup>4</sup> Source: The prosperity of wine and travel excursions, service consumption demonstrates resilience, Huachuang Securities, Feb 19, 2024

<sup>5</sup> Source: Wind Database

<sup>6</sup> Note: The data provides a snapshot of the daily figures throughout the 8-day festival period in 2024. Source: State Taxation Administration

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### Important Disclosures

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