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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.

Best Regards,

Handwritten signature of Mark W. Yusko in black ink.

Mark W. Yusko
CEO & CIO

NOTES FROM THE BUND¹

China has recently concluded its annual Two-Sessions meeting. The Two Sessions is the collective term for the Chinese government's annual plenary sessions of the National People's Congress and of the Chinese People's Political Consultative Conference, which are typically both held every March. During the meeting, leaders will signal how they plan to steer the economy in the year ahead. In 2024, the main objectives for economic and social development include achieving approximately 5.0% real GDP growth, generating over 12 million new urban jobs, keeping CPI increase around 3.0%, ensuring residents' income growth aligns with economic expansion, and reducing energy consumption per unit of GDP by about 2.5%.

	2024	2023	2022	2021	2020	2019	2018
GDP Growth	5%		5.5%	Above 6%	-	6-6.5%	6.5%
Unemployment	Around 5.5%		Less than 5.5%	Around 5.5%	Around 6%	Less than 5.5%	-
CPI			3%		3.5%		3%
Energy reduction per unit GDP	2.5%	Control fossil fuel energy	-			3%	
Budget deficit (% of GDP)	3%		2.8%	3.2%	3.6%	2.8%	2.6%

Figure 1: Summary of China's policy targets in recent two-session meetings ²

The main economic indicators for 2024 remained within the expected range. The government's target, outlined in the '14th Five-Year Plan', is to double the economic aggregate or per capita income by 2035 from 2021³, requiring an average annual economic growth rate of at least 4.8%. Apart from GDP, the targets for other economic indicators, such as CPI and unemployment rate, have largely remained unchanged.

Future Growth Drivers

The new productive forces [will] lead innovation and break the development model from traditional economic drivers.

---President Xi Jinping

Elevating the nation into a high-tech powerhouse through technological innovation stands as the primary focus of this year's meeting, as underscored by the key concept of "New Productive Forces". China plans to increase its annual budget for science and technology by 10% to a historical high of \$51.6 billion⁴, aiming to achieve the following objectives:

- Upgrading traditional industries towards high-end, intelligent, and environmental sustainability;
- Expanding the competitive edge of high-tech industries; and
- Implementing an AI+ initiative to strengthen the digital economy.

To finance this initiative, the government plans to allocate 3.9 trillion yuan of national special bonds in 2024 and continue the issuance of such long-term special national bonds for several years after.⁵

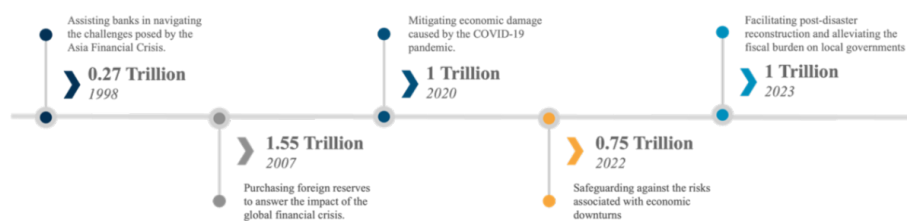


Figure 2: Historical issuance of national special bonds (RMB)

This transition of debt burdens from the local governments to the central government is advantageous for a few reasons.

- First, this would result in reduced borrowing costs (interest payments) due to the enhanced creditworthiness of the central government.
- Next, the extended maturity period of the new issuance allows local governments more time to repay their debt.

- Third, the transition effectively transfers the debt from off-balance sheet local government financing vehicles (“LGFVs”) to the balance sheet of the central government, enabling better control and accountability of government debt. This change is expected to promote fiscal stability and empower local governments to support the regional development of new productive forces.

In sum, the country seeks to promote economic growth through high-quality development, wherein consumption—recognized as a pivotal driver of GDP—can be enhanced through such mechanisms.

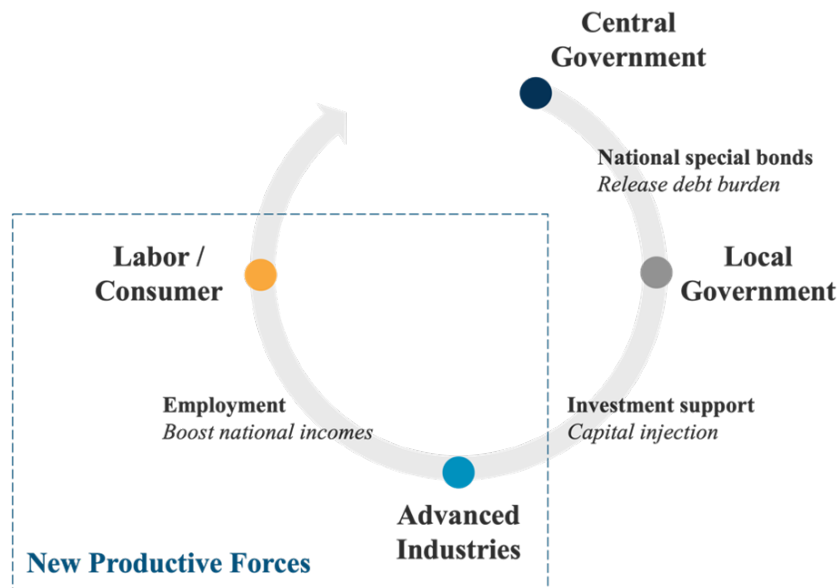


Figure 3: China’s plan to transition its economy

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ASIA NEWS SPOTLIGHT

China Preferred Over US in Southeast Asia, Survey Finds: More than half of southeast Asians would now prefer to align with China over the US if Asean were forced to choose between the rival superpowers, according to a regional survey by a Singapore-based think-tank, reflecting Beijing’s growing influence in the region, reports the Financial Times. [Read More.](#)

Goldman, Morgan Stanley Now Expect China to Perform Better: Goldman Sachs Group Inc. and Morgan Stanley raised their outlook for China’s economic growth this year as factory activity and exports accelerate more than expected. China’s economy likely expanded at a 7.5% annualized pace in the first quarter from the prior three months, Goldman economists led by Hui Shan said in a note Wednesday — higher than their 5.6% prior estimate. The bank now sees 2024 growth forecast at 5%, in-line with Chinese policymakers’ target, versus 4.8% previously. [Read More.](#)

Asia Minute: Japan's Prime Minister Visits Washington with a Focus on Defense and Technology: Japanese Prime Minister Fumio Kishida is in Washington, D.C., and will head to a White House meeting tomorrow — followed by a state dinner. On Thursday, he'll become the second Japanese leader to address a joint session of Congress. There will also be a three-way summit with Philippine President Ferdinand

Marcos Junior. A common theme: regional security. [Read More.](#)

SUSI Partners and Alba Renewables Forge Strategic Investment for Renewable Energy Expansion in the Philippines: SUSI Partners, through its SUSI Asia Energy Transition Fund (SAETF), has announced a strategic investment agreement with Alba Renewables, a seasoned developer in Southeast Asia, aimed at fostering the growth of utility-scale solar and onshore wind projects in the Philippines. This partnership is set to catalyze the development, construction, and operational phases of renewable energy projects within the country over the next two years, while also bolstering Alba's expansion efforts across Southeast Asia. [Read More.](#)

How China Can Help Change the Game for Clean Energy in Southeast Asia: Southeast Asia and China are committed to closer cooperation in climate action and transitioning to clean energy, as reaffirmed at the 26th ASEAN-China summit last year. The question is how China can support the region's transition towards such a future. For answers, one needs to first understand Southeast Asia's changing energy landscape. With growing climate commitments, Southeast Asia's energy sector is at a critical juncture, faced with the need to ensure the provision of sufficient and reliable clean energy at affordable prices while advancing the decarbonization agenda. [Read More.](#)

United Front, Clean Future - South Asia's Path to Sustainable Energy: Amid escalating climate concerns and pressing environmental challenges, South Asia stands at a critical juncture. Recent initiatives, such as commitments forged at COP28 and ongoing efforts to combat air pollution, underscore the region's steadfast commitment to steering toward a sustainable future. Internationally, endeavors persist to ensure coherence between last year's COP28, this year's COP29 in Azerbaijan, and next year's COP30 in Brazil. Notably, the recent intensified collaboration between the International Energy Agency (IEA) and the United Nations Framework Convention on Climate Change (UNFCCC) exemplifies the concerted efforts toward monitoring energy-related outcomes, fostering consensus on aligned energy transitions, and supporting the formulation of Nationally Determined Contributions (NDCs) under the Paris Agreement. [Read More.](#)

¹ 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.

² Source: Report On The Work Of The Government, <https://english.www.gov.cn/>; Mar. 12, 2024


³ Source: The Outline Of The 14th Five-Year Plan For Economic And Social Development And Longrange Objectives Through The Year 2035 Of The People's Republic Of China; <https://en.ndrc.gov.cn/>; Oct, 2020

⁴ Source: Tighter control and high-tech push: Key takeaways from China's biggest annual political event; <https://www.cnn.com/>; Mar. 11, 2024

⁵ Source: China plans to issue ultra-long treasury bonds to propel economic growth: Premier Li Qiang; <https://www.globaltimes.cn/index.html>; Mar. 5, 2024

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