

## **INDUSTRIAL TRANSITIONS AND GROWTH IN HENAN PROVINCE SINCE 2019**

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China's third largest by population and fifth-largest by economic size, Henan province is a major centre of lower-skill, labour-intensive manufacturing, producing goods from Apple phones to agricultural products. Despite reports of consistent growth during the COVID-19 pandemic, a closer look reveals no net growth in secondary industries since before the pandemic. Stagnant industrial growth has coincided with two other trends: a growing concentration of industries around the provincial capital, Zhengzhou, and strong growth in exports, particularly in electronics like semiconductors. These trends reflect the province's success in upgrading its manufacturing output over the last 10 years and the resilience of Henan's exports despite international trade tensions. At the same time, Henan is experiencing a range of growing structural weaknesses, including a sharp decline in foreign investment, threats to its technological exports and lower industrial employment in traditional industries across much of the province. These challenges are likely to increasingly impede Henan's growth prospects.

**(Click on the link to read the above in [Chinese](#), [French](#) and [Spanish](#))**

### ***Chinese:***

#### **2019 年以来河南省的产业转型与增长**

河南省是中国人口第三大和经济规模第五大的省份，以低技能、劳动密集型制造业为主，生产产品从苹果手机到农产品。尽管有报告称在新冠大流行期间，河南省的工业在持续增长，但仔细观察会发现，自疫情之前以来，工业其实没有净增长。工业的停滞与另外两个趋势相吻合：产业日益集中在省会郑州周围，以及出口的强劲增长，特别是半导体等电子产品的出口。这些趋势反映了该省在过去十年中制造业产出升级的成功，以及在国际贸易紧张的局势下河南出口的韧性。同时，该省正经历一系列日益严重的结构性弱点，包括外资的急剧下降、对其技术出口的威胁以及全省大部分地区传统产业的就业减少。这些挑战很可能越来越阻碍河南的增长前景。

### ***French:***

#### **TRANSITIONS INDUSTRIELLES ET CROISSANCE DANS LA PROVINCE DU HENAN DEPUIS 2019**

Troisième plus grande province de Chine par la taille de sa population et cinquième économiquement, la province du Henan est un centre industriel à forte intensité de main-d'œuvre peu qualifiée majeur, produisant des biens allant des téléphones Apple aux produits agricoles. Malgré les rapports faisant état d'une croissance continue pendant la COVID-19, un examen plus attentif révèle qu'il n'y a pas eu de croissance nette dans les industries secondaires depuis la période précédant la pandémie. La stagnation de la croissance industrielle a coïncidé avec deux autres tendances: une concentration croissante des industries autour de la capitale provinciale, Zhengzhou, et une forte croissance des exportations, notamment dans l'électronique et les semi-conducteurs. Ces tendances reflètent le succès de la province à faire monter en gamme sa production manufacturière au cours des 10 dernières années ainsi que la résilience des exportations du Henan malgré les tensions commerciales. Parallèlement, le Henan connaît une série de faiblesses structurelles croissantes, notamment une forte baisse des investissements étrangers, des menaces pour ses exportations technologiques et un faible taux d'emploi dans les industries traditionnelles dans une grande partie de la province. Ces défis sont susceptibles d'entraver de plus en plus les perspectives de croissance de la province.

### ***Spanish:***

#### **TRANSICIONES INDUSTRIALES Y CRECIMIENTO EN LA PROVINCIA DE HENAN DESDE 2019**

La provincia de Henan, la tercera más grande de China por población y la quinta por tamaño económico, es un importante centro de manufactura de baja habilidad y labor intensiva, produciendo bienes que van desde teléfonos de Apple hasta productos agrícolas. A pesar de

los informes de crecimiento constante durante la pandemia de COVID-19, un examen más detallado revela que no ha habido crecimiento neto en las industrias secundarias desde antes de la pandemia. El estancamiento del crecimiento industrial ha coincidido con otras dos tendencias: una creciente concentración de industrias alrededor de la capital provincial, Zhengzhou, y un fuerte crecimiento en las exportaciones, particularmente en electrónica como los semiconductores. Estas tendencias reflejan el éxito de la provincia en mejorar su producción manufacturera durante los últimos 10 años y la resiliencia de las exportaciones de Henan a pesar de las tensiones comerciales internacionales. Al mismo tiempo, Henan está experimentando una serie de crecientes debilidades estructurales, que incluyen una fuerte disminución en la inversión extranjera, amenazas a sus exportaciones tecnológicas y un menor empleo industrial en industrias tradicionales en gran parte de la provincia. Es probable que estos desafíos dificulten cada vez más las perspectivas de crecimiento de Henan.

## Executive Summary

1. Henan, China's third most populous province and fifth-largest economy, is a hub for lower-skill manufacturing, producing Apple devices, metals and agricultural products, vehicles, wigs, and industrial chemicals and powders. It exemplifies lower-grade manufacturing that fuelled Chinese growth in the 1990s and 2000s.
2. Henan reported steady economic growth during the COVID-19 pandemic. A deeper analysis reveals no net growth from secondary industry since 2018-19. More drastic changes in official data have made interpreting the state of the provincial economy more difficult: In 2024, statistical authorities cut Henan's official 2022 gross regional product by 5% and industrial output by 13%.
3. Henan's industries are increasingly concentrated in the capital, Zhengzhou, where industrial growth offsets declines elsewhere in the province. Zhengzhou benefits from transport infrastructure, special economic zones and a worker influx. Other areas face declining traditional industries like steel and cement and possibly fewer workers, leading to disparities masked by overall industrial stagnation.
4. Exports have fallen from their COVID-19 era peak, but remain above 2019 levels. Henan accounts for at least 5% of China's overall trade surplus. Exports to ASEAN countries of manufactured or intermediate goods have grown, replacing agricultural products like furs and garlic that dominated in 2019.
5. Despite the recent export surge, Henan's trading position may have weakening foundations. Foreign investment and exports linked to foreign firms are in decline. Smartphone production, which drove the growth of Zhengzhou in the 2010s, may have peaked as Foxconn moves manufacturing to other countries.
6. Despite lacking key resources like major universities or international transport links, Henan has surprisingly succeeded in upgrading some of its industries. In the last decade, the production of electronics, electric vehicles and specialised consumer

products like synthetic diamonds has surged, moving beyond agricultural and lower-skill industrial goods.

7. However, Henan's new industries, like electric vehicles, face over-capacity issues domestically and growing trade restrictions abroad. Meanwhile, Henan's older industries are declining, a risk as newer industries may not be able to employ the laid-off workers. By 2023, the share of Henan-registered industrial enterprises reporting net losses hit a 21st-century record high.
8. Trends in Henan may suggest lessons for industrial transitions elsewhere in China. Successes in trade and industrial upgrading are not necessarily linked to overall growth in industrial value or employment and may have distributional effects within provinces—not only between provinces—that hinder broader growth.