Asia Perspective Economic Update Report

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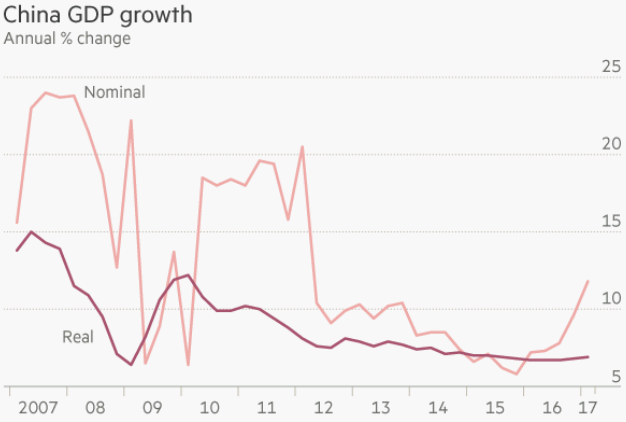
Continuous strong growth during the first quarter of 2017.

The Chinese economy grew with a Gross Domestic Product (GDP) of 6.9 % during the first quarter of 2017 according to official statistics, a figure higher than expected by many analysts.



Source: National Bureau of Statistics; CEIC.

A GDP growth of 6.9 % is the fastest growth rate since the third quarter of 2015. However, growth in the first quarter was largely driven by the Chinese government's continuous spending on large infrastructure investments along with a growing property sector.

China's industrial production rose to 6.8 % year on year and industrial profits increased during the first quarter. China's non-manufacturing purchasing index was 55.1 % in March, 2017.

While China's economic data has been largely above analysts' expectations so far this year, many believe the world's second-largest economy will lose steam later this year as the impact of the government's stimulus measures starts to fade.

Retail sales rose to 10.9 % year-on-year for the first quarter of 2017 and data showed strong consumption potential in China's rural areas, outpacing the rate of the country's larger cities.

The growth in consumption is a set out goal by the Chinese government and in line with the current Five-Year Plan to shift the economy to focus more on services, innovation and consumption. Last year, domestic consumption contributed to 64.6 % of the country's GDP growth.

China's new passenger jet

The Chinese passenger jet C919, a twin-engine airliner, took wing earlier in May from Pudong International Airport outside Shanghai, China.

The aircraft is designed to compete with the industry's two giants, Boeing and Airbus. The symbolic maiden flight was broadcasted live on Chinese state-owned television channels.

The Commercial Aircraft Corporation of China, Comac, was founded in 2008 and is a state-run company aimed at manufacturing China's own commercially viable passenger jets.

The production of Chinese commercial passenger jets is yet another step in the direction of shifting the economy towards innovation and science.

Another reason behind the development of a Chinese aviation manufacturer is also commercial. China is expected to overtake the United States as the world's largest aviation market by 2024, according to the International Air Transport Association.

The Chinese produced passenger jets are designed to acquire market shares from foreign companies in China's fast growing aviation market. Comac has already received large orders from China's government backed aviation airlines.

EU and China unites behind Paris climate deal

Following US president Donald Trump's decision to withdraw from the Paris climate agreement, China and EU are set to force an alliance in tackling climate change.

The goal of the alliance is to jointly lead the energy transition towards a low-carbon economy. The cooperation between the European Union and China will also be an important part in developing new green technologies in the sector.

China is already the world leader in renewable energy power development and the recent developments will reinforce its position as the leader in clean energy investments.

The Chinese government has a set out goal of peaking greenhouse gas emissions in the country no later than 2030 under the Paris agreement. China has also recently cancelled the planned construction of nearly 100 coal-driven power plants in an attempt to fight air pollution in the larger cities.

The decision to join forces and form an alliance together with the EU illustrates China's growing ambition to take on a leadership role in the world and fill the void left by the US.

Note: The Paris agreement is a climate change accord set out to fight global warming of the planet. The accord was agreed on in Paris 2015 by almost 200 countries but it is not legally binding.

China's growing healthcare sector

China's remarkable economic development and fast urbanization rate during the last decades has also brought along a change in lifestyle and food habits among the country's population.

As a result of this development, China now has the most cases and deaths from diabetes in the world. At present, it is estimated that around 10 % of Chinese adults live with diabetes.

In addition, close to 50 % of all adults in China are pre-diabetic, a condition with higher glucose levels in the blood than normal according to the World Health Organization.

However, different from other countries with high rates of diabetes among its population, merely 35 % of the diabetics in China are receiving treatment for their condition, thus leaving a large part of the people suffering from diabetes unaware about the disease.

This can be compared with rates in other countries such as around 63 % in the US and 50 % in Japan, according to a report made by the industry organization R&D-based Pharmaceutical Association Committee.

Diabetes is a non-curable, chronic disease divided into type 1 and type 2. Type 1 diabetes is also known as juvenile diabetes since it is commonly diagnosed among children and young adults.

Type 2 diabetes is largely coupled to a lack of physical exercise and an unhealthy diet. This form of diabetes currently make up close to 90 % in China.

The diabetes epidemic is likely to continue and people suffering from diabetes in China are expected to grow from around 110 million to 150 million by 2040. At present, 80 % of the health cost associated with the disease is spent on treating the implications.

As a result of this development, China is currently stimulating investments for foreign healthcare to establish business operations in the country.

One of the largest investment projects is the government backed Asia-Pacific Smart Healthcare Demonstration Zone, which is set to be a comprehensive multifunctional international healthcare destination in China.

The area is located at the Beidaihe district in the south-east part of Qinhuangdao city and stands in the center area of Bohai Sea Economic Circle (Beijing-Tianjin-Hebei).

The area is designed by the Chinese government to be an international, life science, technology and health-services epicenter in China over the next fifteen years.

Foreign investments are encouraged to set up clinics or hospitals in the area and the project is set to start operations in 2018.

ASIA PERSPECTIVE

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What differentiates us from our competitors is the knowledge and expertise we have gained after several years in the Asian market. We have experience from a variety of industries and clients including leading international companies from Europe, the US and Asia.

With a highly collaborative team of problem solvers and a passion for excellence we will add value to your business. We work closely with our clients to create and deliver insight, advantage and real impact.

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