Asia Perspective Economic Update Report

Issue 3, November 2017

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Solid Economic Growth Figures as China's GDP grew at 6.8 % in Q3.

The Chinese economy grew 6.8 % in the third quarter of 2017 from a year earlier, a figure in line with forecasts. The gradual slowdown from the second quarter of 2017 is due to a decrease in property- and construction investments as the Chinese government is looking to control the country's soaring home prices and deter speculators. The Chinese property sector's growth of 3.9 % during the third quarter is the slowest pace in around two years' time.

Industrial growth slowed to 6.3 % in the third quarter and is expected to slow further due to government measures to fight air pollution during winter. China's steel output also dropped during Q3 after production cuts in line with Beijing's campaign to fight pollution. The services industry grew with 8 % during the third quarter, up from 7.6 % from the previous period, mainly due to strong growth in the financial sectors along with rapid expansion within information technology.

Retail, catering and accommodation continued to show stable growth figures of 7.1 % in the third quarter. Online retail sales grew with 34.2 % during the third quarter, showing the fast development of Chinese e-commerce.

Furthermore, in the opening speech of the Communist Party's Congress in mid-October, China's president Xi Jinping declared that China aims to deepen economic and financial reforms and further open up its markets to foreign investors as the country is moving towards more high quality growth. China's import and export growth figures also grew in September, illustrating an expansion of the economy at a healthy pace.

In sum, China's solid economic growth figures and development during 2017 are in line with the government's goal of shifting the economy from manufacturing and heavy industry to a larger focus on services and consumption.

China's aging population

The Chinese economy has been developing rapidly during recent decades with increasing living standards and life expectancy as a result. The fast development of the economy along with associated changes of the Chinese society, has also brought along a decrease in birth rate.

In combination with the effects of the country's previous one child policy (abondonded in 2015), China now face societal challenges of a quickly aging population.

In 2014, 9 % of China's population was 65 or older and the UN projects this percentage to rise to 27.5 % by 2050.

Traditionally in China, most children take care of their parents when they are old and as a result the Chinese government's resources has not been directed towards elderly care.

As a consequence, China's rapidly aging population combined with the consequences of the one Child policy initiated in 1979, creates a demand to provide social services and associated elderly healthcare products to its aging population.

One key difference when comparing China to other already developed nations facing a similar dilemma is that the Chinese population is aging rapidly at an early stage of the country's development.

While it is estimated to take 20 years for the proportion of the elderly population in China to double from 10 % to 20 % between the period of 2017-2037.The similar process of doubling the elderly population in Sweden took 64 years (1947-2011), illustrating the pace of development in this sector.

Furthermore, the median age in China will go from about 30 at the start of the century to around 46 at 2050, making China one of the older societies in the world.

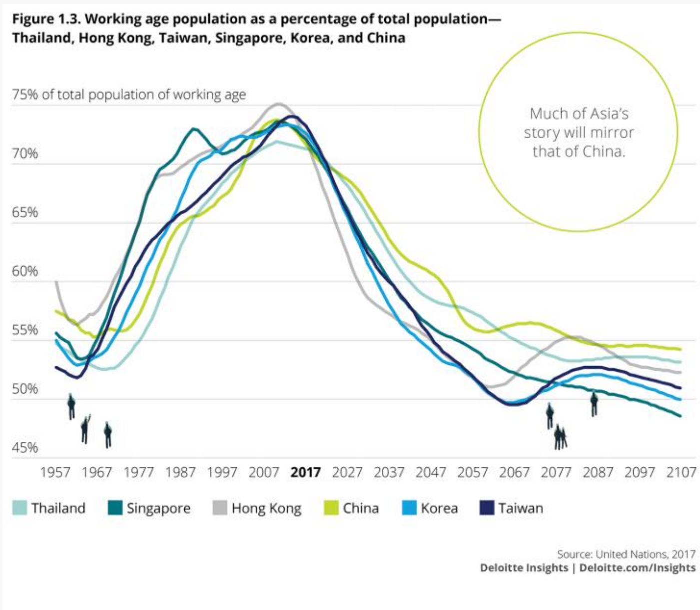


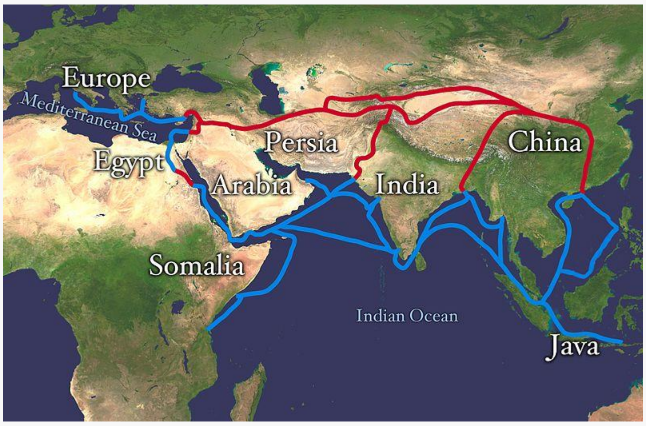
Figure 1.3. Working age population as a percentage of total population—Thailand, Hong Kong, Taiwan, Singapore, Korea, and China

The development of a quickly aging Chinese population opens up opportunities for foreign healthcare firms providing elderly care services and products to enter the Chinese market.

Asia Perspective can help you company with market entry and market research services regarding China's elderly care and healthcare sector today.

The new Silk Road

The Silk Road was an ancient network of trade routes through Asia, Africa and Europe established both by land and by sea, connecting the East with the West. The current “One Belt One Road” initiative by the Chinese government builds on the history of the ancient Silk Road to create the world’s largest economic platform.



As part of China’s global strategy to take on a larger role in global affairs, the “One Belt One Road” initiative is aimed to connect the world with China based on trade and technological advancements by the Fourth Industrial Revolution.

China aims to create sites of energy and industrial clusters along the networks of railway, roads, waterways, air, pipelines, and information highways.

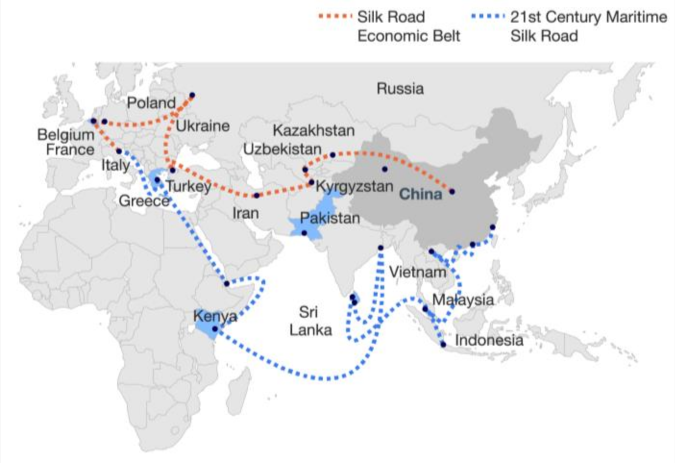
As the domestic demand for new infrastructure projects has slowed in recent years, the overcapacity in China’s heavy industries can be used for new infrastrucure projects abroad.

The ambition of the project “One Belt One Road” is high by spanning more than 68 countries in total, including around 4.4 billion people covering nearly 40 % of the global GDP.

New development institutions have also been created to support the expansion and growth connected to the infrastructure and growing business. One of the new institutions is the Asian Infrastructure Investment Bank (AIIB), which was founded to help with investments in infrastructure and development projects to enhance regional integration in Asia. Another newly created institution is the Silk Road Development Fund, which is set up to support and invest in businesses rather than infrastructure projects.

As the project “One Belt One Road” is expanding and growing fast, the new Silk Road will create opportunities for trade and integration through enhanced infrastructure and information networks throughout Asia, Europe and Africa. As a result, the initiative will also work to shift the economic power and political influence in the world by putting Beijing at the center of economic development and trade in Asia.

At the 19th Chinese Communist Party Congress on October 18th, president Xi showcased the government’s coming plans for infrastructure spending in Asia.



Source: McKinsey & Company

About Asia Perspective

Asia Perspective is an Independent Management Consultancy with global presence and local knowledge. We assist our clients with business advisory regarding Analysis, Strategy and Implementation. Our mission is to turn our clients' Asia business vision into reality and add significant value to your business.

We offer specialist services covering Supply Chain Management, Purchasing, Market Entry, and Financial Advisory. This includes market entry research and strategy sourcing and pricing strategy, M&A advisory, risk management, operational improvements etc.

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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