



This Issue

China's Economic Growth in Q1 P.1
5G Development in China P.2
VAT Cut P.3

China's Economic Growth in 2019 Q1 Beat Expectation

The Chinese economy continued to show no signs of a slowdown, despite of the ongoing trade war with the United States. GDP expanded 6.4% in annual terms in Q1 2019. Moreover, Q1's print was within the government's economic growth target range of between 6.0% and 6.5% for 2019.

The tertiary sector reported the strongest growth in added value by expanding 7% to reach 12.2 trillion CNY, which accounted for 57.3% of the total Q1 GDP, picking up by 0.6% points compared with Q1 2018.

Q1 industrial output expanded 6.5% YoY, picking up from the 5.3% growth in the January-February period, while growth of retail sales of consumer goods also quickened compared to the first two months by growing 8.3% YoY, consolidating consumption's prominent role in driving growth, which contributed 65.1% of the GDP in the first quarter.

Consumer confidence rising

Consumer confidence seemed to rise as retail sales were up by 8.7% YoY in March, beating the estimate of 8.4% and led by stronger demand for building materials, furniture, and home appliances.

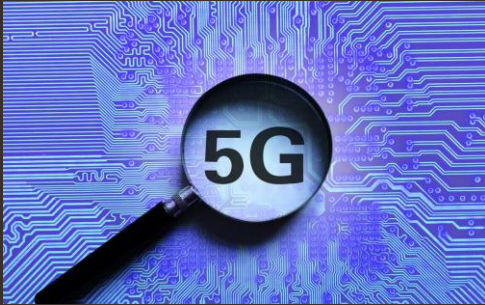
Signs of optimizing fixed-assets investment structure

Fixed-assets investment, property investment and trade in Q1 all grew faster than the January-February period, with signs of optimizing structure such as robust investment in high-tech manufacturing and services.

More money in the market

While Beijing has announced billions of dollars in additional tax cuts and infrastructure spending, the bank loan of local currency in the country reached a record of CNY 5.8 trillion (USD 865 billion) in Q1.

China's 5G commercial use to launch in 2019, 10,000 base stations expected by 2020



Shanghai University of Engineering and Technology has become China's first university to have full 5G coverage on its campus. It is also home to an innovation laboratory the university developed with the Shanghai Branch of China Unicom.

The lab, which was unveiled in March, will offer research and development support for 5G networks with respect to video transmission, digital copyrights, artificial intelligence and other areas, China Unicom said in a news release.

In addition to the stations, the campus is also equipped with the country's first regional internal edge cloud computing node, allowing the use of cloud games, video acceleration and other 5G applications.

China Unicom said the installations, and the research based on them, will lay a solid foundation for the commercial use of 5G throughout the city.

The research will cover various industries, such as new media, intelligent network vehicles and smart manufacturing.

The Shanghai Branch of China Unicom

said its cooperation with the university is only a start. The company said it expects to complete full 5G-network coverage by April in Songjiang University Town - an education hub located in Shanghai's Songjiang District where Shanghai University of Engineering and Technology, and six other universities are located - making it the country's first 5G university town.



An intelligent factory using 5G technology was also unveiled in Shanghai in March by Commercial Aircraft Corp of China and China Unicom.

According to the Shanghai City's three-year plan (2018-2020), the local government aims to become a world-leading information infrastructure city by 2020, deploying 10,000 5G base stations and taking the national lead in the commercial use of 5G technology.

Shanghai is striving to realize the full coverage of 5G network in the city center by the end of this year.

In late January, the Guangzhou Baiyun International Airport in South China's Guangdong province launched a 5G base station.



Shenzhen to pilot 5G commercial use in 2019

SHENZHEN - South China's technological powerhouse Shenzhen will launch a pilot project for 5G commercial use in 2019, local authorities have said.

Shenzhen will install 1,955 5G base stations this year, according to the city's Bureau of Industry and Information Technology.

The city is speeding up the construction of next-generation information infrastructure and the deployment of the Internet of Things, as well as smart and connected vehicles.



China gets the world's first 5G-powered railway station in Shanghai

By installing a 5G Digital Indoor System (DIS) provided by Huawei, Hongqiao Station became the world's first 5G-powered railway station, with the aim of achieving full indoor 5G coverage within the whole station by the end of 2019.

The peak speed could reach 1.2 gigabits per second, representing super-fast speed.

More money injection to the market through lowered tax rates in China



China plans to reduce the tax burden and social insurance contributions of enterprises by nearly 2 trillion CNY (US\$298.3 billion) this year, as the government seeks to reduce costs for businesses amid a slowing economy and tariff dispute with the US.

The announcement was made by Premier Li Keqiang on March 5 in his annual Work Report delivered at the Two Sessions, where China's policy agenda for 2019 was announced.

According to Li, China's VAT rates will change as follows:

The 16% VAT rate, which applies to the manufacturing sector, will be lowered to 13%;

The 10% VAT rate, which applies to construction and transport, will be lowered to 9 percent; and

The 6% VAT rate, which applies to services, will remain the same, but more deductions for the bracket will be introduced.

The new VAT rates will come into force from April 1, 2019.

On May 1, 2018, the VAT rate was lowered from 17% to 16% for manufacturing and some other industries, and from 11% to 10% for transportation, construction, basic telecommunication services and farm products. This round of reduction of

VAT rates has made the real economy such as manufacturing and construction industry benefit most.

Research institutes predicted the new round of VAT reform would benefit several sectors. A researcher from TF Securities said the reduction of VAT rates would have positive influence on machinery equipment and chemical industry.

The sectors with low profit margin will have more obvious upside potential, another researcher from China Development Bank Securities added. For example, the profit growth of beer companies is expected to be 15-90 percent.

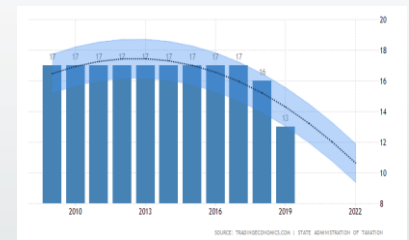
Moreover, from April 1, 2019 to December 31, 2021, taxpayers in the service sector – which is the 6 percent VAT bracket – will be able to enjoy an addition input VAT deduction of 10 percent.

In addition to lowering VAT rates, Li said that tax authorities would continue to explore the possibility of further streamlining the VAT system by reducing the number of VAT brackets from three to two. China also reduced its VAT rates last year as part of a similar tax cut package.

Government officials have repeatedly stressed that tax cuts and administrative streamlining will be used to boost the economy in the place of broader stimulus spending, as the government seeks to reduce the country's debt exposure.



Foreign brands cut prices in China as VAT rates going down



World famous consumer brands including Apple, Louis Vuitton and Gucci have announced their decisions to cut their suggested retail prices to give the gains from China's value-added tax (VAT) cut to consumers.

Apple's online store in China lowered the price of iPhone XS and iPhone XS MAX by CNY 500 (USD 74.6), while that of iPhone XR dropped CNY 300. Its newly launched iPad Air, iPad mini and Air Pods are also on the price-cut list.

Luxury brands Louis Vuitton and Gucci have also announced a drop of 3% for their whole product lineup.

Car manufacturers including Mercedes-Benz, BMW, Audi, Lincoln and Volvo have already cut the suggested retail prices of cars as much as CNY 80,000 over the weeks after China announced VAT rate cut.



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