



ASIA PERSPECTIVE

Insights: Quarter 1, 2021

China Economic Update Report

This Issue:

China's Economic Performance in Q1
China's consumption surges during
2021 Spring Festival

www.asiaperspective.net





China's economy grew 18.3% in the first quarter of 2021, slightly below expectations.

In a successful attempt to recover from previous year's battle with COVID-19, China's investments in economic activities resulted in a staggering 18.3% GDP growth in the first three months of 2021 (YoY).

The huge 18.3% GDP growth during Q1 2021 was affected by some incomparable factors, such as the low base figure of last year's Q1 numbers, which was heavily affected by the outbreak of COVID-19. This is the fourth consecutive quarter China's economy has grown since the outbreak of the virus, and it is now observed as the initial burst of growth following the pandemic is surpassed. The record number, which is considered as the strongest pace of expansion since China first published GDP data in 1992, demonstrated a robust start for China's economy aiming for over 6% GDP growth in 2021.

China's industrial production rebounded steadily at the rate of 14.1% (YoY), going back to pre-COVID growth. On top of that, raw materials manufacturing and processing industries, manufacturing of electric vehicles drove overall industrial production growth as demand picked up. Retail consumption climbed 33.9% due to higher spending in food catering and consumer goods. However, the services sector and smaller firms still faced challenges despite improving significantly. Therefore, a large-scale distribution of vaccines is highly expected to pave the way for more substantial economic recovery.

China's import and export in Q1 2020 beat expectations

China's export logged a 30.6% growth in Q1 2021 (YoY). Soaring global demands for medical goods and work-from-home equipment during the pandemic benefited China's export as the world's major economies, such as the US, have not recovered as fast as China. However, the export growth pace is questionable once we see a global normalization again.

During this same period, import outperformed expectations with 38.1% growth (YoY). It reflects higher domestic demand and rising commodity prices of goods.

China recorded a trade surplus of 13.8 billion USD in Q1 2021.



Source: China General Administration of Customs

China's consumption surges during 2021 Spring Festival

Despite the Chinese Government's effort to encourage people to stay home during the Spring Festival to prevent another outbreak of the pandemic, China witnessed a consumption boom that is beyond the expectations of many. The trend is predicted to continue even after the holiday as vaccine rollouts around the world pick up pace.



The number of tourists in certain cities surged compared to last year's Spring Festival Holiday, almost going back to the level of 2019 in Shanghai, indicating a trend of significant improvement after China's tourism market slumped because of COVID-19. The booming tourism business greatly boosted hotel room bookings and other related service sectors. Industry data showed that the accommodation consumption in the suburbs of Beijing including Yanqing, Miyun and Huairou tripled YoY, while that in the suburbs of Shanghai such as Chongming, Qingpu and Jiading almost doubled.

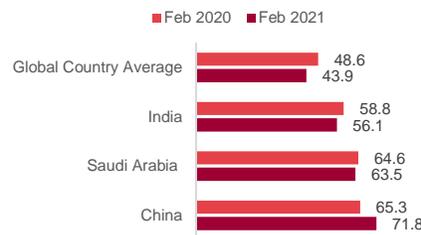


A clear trend of consumption structural upgrading is expected in the country that has around 400 million people within the middle- or high-class-income levels. The latest statistics from the Ministry of Commerce presented a noticeable surge in China's consumer spending during the Spring Festival golden week, with the combined sales of retail and catering

enterprises rising 28.7% (YoY) to 127 billion USD. China's rising consumption in dining during the Spring Festival was a direct result of the Government's stay-put order, which resulted in many travel plans being cancelled, making dining a comparable compensation. In addition, online catering sales rose 135% compared to the 2020 Spring Festival while online payments kept hitting a record high, indicating a promising future for the e-commerce sector in China.

According to Ipsos' February index of global consumer confidence, China's consumer index surged 6.5 points (YoY) to 71.8 in February 2021, the largest growth among monitored economies. In comparison, the US index decreased 12.6 points, the largest drop among all countries.

Top 3 countries on consumer confidence



Source: Ipsos

China's major coastal ports were busy during the holiday, with the container throughput of major hub ports growing rapidly, according to the latest data from the China Ports and Harbours Association. Indicatively, the container throughput at Shanghai Port increased by more than 20% compared with the figure from 2020, while the container throughput at Ningbo Zhoushan Port rose by 28.85%. These figures are well-aligned with the robust start of China's trading activities.

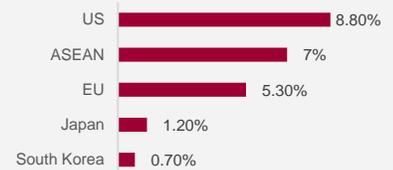
Looking ahead to the next three months, with the development of vaccines and strict prevention and control measures, more major industries are expected to recover for the coming Qingming Festival holiday. However, realistic approaches are needed to drive growth in the second quarter due to challenges posed by last year's high base.

Overseas warehouse demand surged as more Chinese e-commerce key players took advantage of the trend



China's e-commerce industry, which was already a growing industry before the emergence of the COVID-19 pandemic, are continuously accelerating. Cross-border online sales between China and European countries are in high demand, primarily for exports, as Europe is one of China's top trading partners.

Growth of China's top 5 trading partners in 2020



Source: China Internet Watch

However, limitations of Chinese sellers' trade ability remain a big concern. Companies that once relied on supply chains spread around the world face a shortage of shipping containers, leading to high delivery costs and long lead times. As a result, the demand to fulfill orders quickly through overseas warehouses arose. The number of overseas warehouses that help sellers to stock products ahead of time and deliver them to customers in few days, grew by 80% in 2020.

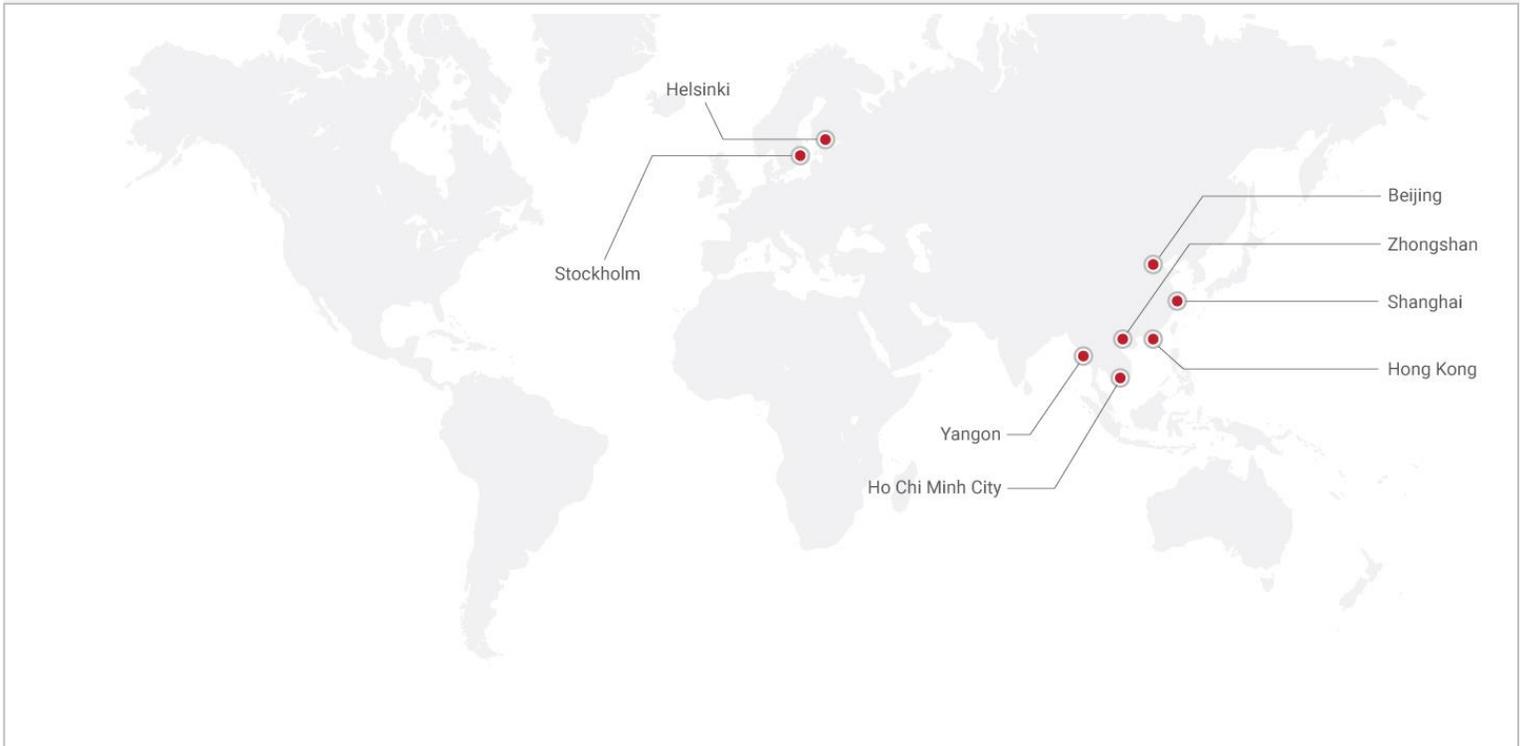
As a result, more Chinese e-commerce players have entered the market to meet the rising demand. A big player, Alibaba, has been expanding its cross-border e-commerce business, resulting in 53% growth to 577 million USD in the last quarter of 2020. It demonstrated the potential of additional investment in warehouses and technology for tracking order and delivery as more consumers get used to cross-border shopping.



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 purchasing, market entry, commodity strategy and financial advisory. This includes market research and forecasts, sourcing and pricing strategy, M&A advisory, risk assessment studies etc.



Shanghai Office

Address: Room 605, Bund Center,
No.222 East Yan'an Road, Huangpu Dis-
trict,
Shanghai 200002, China
中国上海市黄浦区延安东路222号外滩中心
605室,
邮编: 200002

Tel: +86-(0)-21-340-106-10

Email: shinfo@asiaperspective.net

Zhongshan Office

Address: No. 23, Tongji West Road, Nantou
Town, Zhongshan City, Guangdong Province,
China 528427

Tel: +86 760 2251 8150

Email: zsinfo@asiaperspective.net

Beijing Office

Address: 6 Jiuxianqiao Lu, Chaoyang District,
Beijing 100096, China

Tel: +86-(0)-185 0048 6766

Email: beijinginfo@asiaperspective.net

Yangon Office

Address: 2nd Floor, Urban Asia Center,
(10/H) Mahabandoola Rd, Botahtaung
Township, Yangon, Myanmar

Tel: +95-(0)-1243-33-77

Email: yginfo@asiaperspective.net

Hong Kong Office

Address: Room 1002, 10/F., Golden Gate
Commercial Building, 136-138 Austin
Road, Tsimshatsui, Kowloon, Hong Kong

Tel: +85-(0)-227-399-698

Email: hkinfo@asiaperspective.net

Stockholm Office

Address: Malmkillnadsgatan 32
Stockholm, AB 111 51, Sweden

Tel: +46-(0)-70-769-92-07

Email: stockholminfo@asiaperspective.net

Ho Chi Minh City Office

Address: Dreamplex, 62 Tran Quang Khai,
Tan Dinh Ward, District 1,
Ho Chi Minh City, Vietnam

Tel: +84-28-7301-3900

Email: vninfo@asiaperspective.net

Helsinki Representatives

Johan Hackman:
Tel: +358 400607378
Email: johan.hackman@asiaperspective.net

Sami Lindstrom:
Tel: +358 405774344
Email: sami.lindstrom@asiaperspective.net