



ASIA PERSPECTIVE

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China Economic Update Report

This Issue:

China's Economic Performance in Q3

China recorded 640 million domestic travelers during Golden Week

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China's economic recovery gains more momentum in Q3 as it grows 4.9%

China is striving to make its way out of the economic recession caused by the global Corona pandemic. For the second consecutive quarter, China's economy shows strengthening signs.

China's GDP grew by 4.9% (YoY) during July – September, exceeding the 3.2% growth of the previous quarter. As the pandemic has been brought under control in China, more people are willing to go out and spend more on shopping, resulting in growing consumer spending. Retail sales were up by 3.3% in September alone. After the historically low economic expansion in Q1 2020, China's GDP is now recording a positive growth for the first 9 months of 2021. In total, the GDP of 2020 is expected to grow by around 2%.

China's service sector continued to increase in Q3 and grew by 4.3% (YoY) as lockdowns and social distancing policies were eased further. Parallely, other sectors continued to grow as well. Industrial production experienced a 5.8% growth in Q3, which is even stronger than the 4.4% growth in Q2.

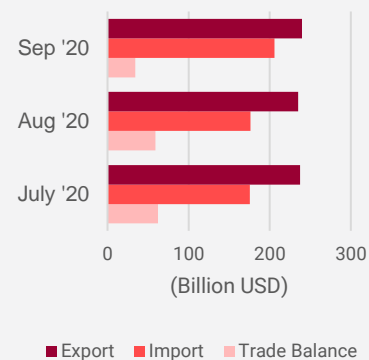
China will work on keeping the recovery on track by focusing on domestic market and domestic demands. However, China's economy is now facing many other threats as a result of the pandemic. As the outbreak hit earlier this year, Beijing relaxed the requirements for companies to acquire bank loans, leading to an uptick of bad loans that might turn problematic in the longer run.

China's export and import reached record values in Q3

China's foreign trade increased by 7.5% in the third quarter. Exports surged by 10.2% (YoY) while imports climbed up to 4.3% (YoY).

The Association of Southeast Asian Nations (ASEAN) remained the biggest trading partner with China in Q3, followed by the European Union and the United States. Further, trade with the countries along the Belt and Road initiative grew by 1.5%.

China has seen a strong rebound in exports during July – September, mainly driven by products related to pandemic control (face mask, health care gear, sanitizer, etc.) as well as electronic gadgets, which can be linked to an increase in the number of people working from home.



China recorded 640 million domestic travelers during Golden Week

This year, two big holidays of China (the National Day, celebrating the founding of the People's Republic of China, on the 1st of October and the Mid-Autumn Festival) converged, giving Chinese workers an eight-day Golden Week-holiday.



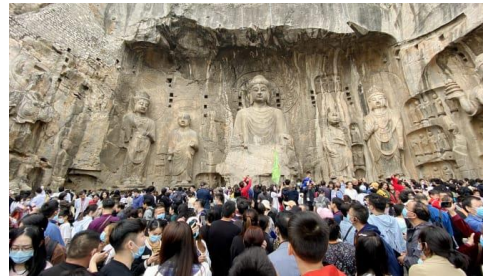
The great wall of China, outside Beijing

During the Golden Week, around 640 million Chinese residents (more than 45% of the total population) traveled domestically. The number is a decrease from 2019, which recorded 782 million travelers. However, it is a great social and economic sign for both China and the rest of the world, as it is a clear example that normal life and economic recovery can be accomplished as soon as the pandemic is under control.

During the five-day Labor Day holiday last May, when travel restrictions were just lifted, China recorded a 60% decrease in domestic traveling (YoY). However, the gap has now been reduced, highlighting that the country is returning back at a fast pace.

According to China's Ministry of Culture and Tourism, the travelers spent roughly 70 billion USD during the holiday, a decrease by 30% from last year. Nevertheless, this number is still a positive sign as it shows how consumption is beginning to bounce back after the gloomy first quarter.

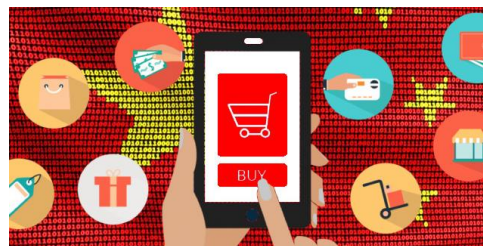
As global uncertainties still applies, many Chinese tourists who usually travels to Hong Kong and South Korea for duty-free shopping during Golden Week turned to the southern Chinese island of Hainan. The island raised its duty-free shopping limits on 1st of July, hoping to attract domestic tourists and compete with other European and Asian destinations. Consequently, during the eight-day holiday, spending in Hainan reached 155 million USD.



Longmen Grottoes in the Henan province

To boost domestic tourism, both local governments and online travel platforms like Ctrip and Fliggy offered huge discount on air tickets, hotels, and tour packages. As a result, Ctrip reported a 100% increase (YoY) of flight bookings, private tours and attraction tickets on its platform.

Ctrip further reported that more than half of all hotel reservations was made at four-star or five-star hotels, indicating the rising purchasing power of the Chinese people. More people also chose longer vacations, as the number of hotel guests staying for seven straight days rose by 70% compared to last month.



Alibaba, the Chinese e-commerce giant, reported a sales growth of 79% (YoY) on its site Tmall Global during the first seven days of the month. Tmall Global is Alibaba's primary platform for overseas brands wanting to reach Chinese consumers.

JD.com reported a 230% increase (YoY) in sales of baby strollers as well as a 200% increase (YoY) in baby snacks during the holiday. This is due to the increasing number of domestic travelers within China. Normally, young children are left with relatives or grandparents during the holiday, but not this year. Many families decided to travel with young children this year, resulting in a surge in sales volume of baby-related products.

Foreign Direct Investments in China Grows



In the third quarter of the year, foreign direct investments (FDI) rose for the first time since the pandemic broke out. In September, FDI in China rose by an astonishing 25.1% (YoY), to 14.81 billion USD.

On a yearly basis, China's FDI has increased 5.2%, to reach 107.2 billion USD in January – September compared to the same time period last year.

The reason for the strong increase seems to be China's quick recovery from the pandemic, updated business models, and growing domestic market. International enterprises, therefore, continue to invest in China for long-term success.

During the first three quarters of 2020, China's outbound investments in countries involving in the Belt and Road Initiative surged 29.7% (YoY) to 1.95 billion USD, helping to sustain the confidence in the markets and support long-term growth.



In September, China Railway Construction Corp signed an agreement to build a 107-kilometer section of the Russian 729-kilometer highway between Moscow and Kazan. The project, valued around 763 million USD, is the first construction in Russia contracted by a Chinese corporation. When the highway becomes operational, transportation time between China and Europe will be greatly shortened.



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