

# China Watch

## Market and policy monitoring



**April 2021**

This report offers information on commercial, political and economic developments in China. For comments and further information, please contact:

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Sense China is a business unit under the Confederation of Danish Industry, the largest business association in Denmark with 18,000+ corporate members. Our goal is to improve the competitiveness of Danish companies on the Chinese market.

## Covid-19 Status

### Recent developments

Local authorities reported only a few new Covid-19 cases in March. Most of them in the south-western province of Yunnan, presumably imported from neighboring Myanmar. On March 16<sup>th</sup>, Beijing became the last major city in China to remove test requirements for domestic travelers.

### Domestic travel

Domestic travel is now back to normal as authorities have given the all-clear to medium and high-risk areas. Showing a green health code (i.e. documentaton of health status) at local checkpoints is still a formal requirement but implementation is becoming more lax in many cities.

### International travel

Passengers bound for China are required to pass a nucleic acid test (oral and/or nasal swab) as well as an IgM antibody test. Passengers should also obtain a green health code or a health declaration form before boarding the flight. Please find updates from China's Embassy in Denmark [here](#).

### Vaccination

China's national vaccination campaign is picking up speed. As of March 28<sup>th</sup>, a total of 107 million doses have been distributed across the country. Authorities plan to innoculate 40% of China's 1.4 billion people by June 2021 and achieve herd immunity by early 2022. Some cities have started to offer vaccines to foreign residents although so far only domestically produced versions.

### Quarantine

Regulations are still subject to frequent change and local implementation. But the rule of thump is that incoming travelers from abroad should expect 14 days of quarantine at a designated facility.

### Macroeconomic Development



#### Goodbye to GDP targets – but growth still anticipated

China's government has not set formal growth targets for 2021 and beyond. However, the economy is expected to grow by 6% this year, and by an average of 5-5.7% in the next five years.

GDP result 2020	GDP forecast 2021	GDP forecast 2021-2025
2.3%	6%	5 - 5.7%

#### Service sector regains momentum

China's non-manufacturing PMI, an indicator of the activity level in services and construction, rose to 56.3 in March from a meagre 51.4 in February. Services have been a major catalyst for China's economic growth in the past decade. But the service sector has been more negatively affected by Covid-19 than other industries. The PMI reading for March is hence a positive sign of recovery.

#### Retail sales also picking up again

Retail sales increased 34% y/y in February, up from 4.6% y/y in the previous month. The large jump is largely explained by the relatively late occurrence of Chinese New Year this year, allowing for consumers to stock up for the holidays throughout most of February.

#### Further streamlining of FDI approval process

New measures will simplify the approval procedure for foreign investments in strategically 'encouraged' sectors (see [full list in Chinese](#)). Approvals will not be needed for investments below USD 30 million. For investments between USD 30-300 million, companies will receive confirmation within seven business days.

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### Business Environment

#### **Government ratifies masterplan for next five years**

In early March, China's political leadership convened for the most important annual event under the National People's Congress – referred to as the Two Sessions. The 14<sup>th</sup> Five-Year Plan (2021-2025) was formally ratified during the sessions. Several other long-term objectives were also discussed and approved. Please find DI's summary of the main take-aways [here](#).

#### **Foreign brands facing backlash due to Xinjiang policies**

A months-old statement by Swedish retailer H&M Group stating that it will stop purchasing cotton from suppliers in the Xinjiang province created a stir among Chinese consumers and media. Many called for a boycott of H&M Group and other brands with links to the *Better Cotton Initiative*, an NGO accusing the Chinese government of human rights violations in Xinjiang. Several of H&M's physical and online platform stores were closed, and some of the brand's domestic celebrity partners have terminated their endorsement contracts.

It is far from the first time that China's state-led version of 'cancel culture' has had a negative impact on foreign brands. This time, however, it seems that the involved companies are not willing to bow to pressure. H&M published a statement saying it hoped to regain the trust of its customers and business partners in China but the company has so far not apologized for its stance on Xinjiang. The same goes for other brands such as Nike and Burberry.

The case is the latest illustrating how global brands are finding themselves squeezed between national sentiment inside China, and escalating criticism of China outside the country's borders. Many companies adhere to strict principles for corporate social responsibility that are often incompatible with the reality in China. But these principles are being balanced with the allure of the lucrative Chinese market, which means that occasional conflicts are bound to happen. For that reason, global brands pay much more attention to reputational management strategies in China than elsewhere. DI continues to follow the situation closely.

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### Upcoming Activities



#### Blockchain – The China Way

🕒 April 8<sup>th</sup>, 2021

📍 Online

Get first-hand insights into how Chinese industries are being reinvented by blockchain technology.

Details and registration [here](#).



#### China’s Five-Year Plan

🕒 April 9<sup>th</sup>, 2021

📍 Online

Opportunities and challenges emerging from China’s new Five-Year Plan.

Details and registration [here](#).



#### Business Tutorial about Social Commerce

🕒 April 23<sup>rd</sup>, 2021

📍 Online

One-hour tutorial about how Chinese companies are setting new standards for integrating e-commerce with social media.

Details and registration [here](#).

Find all activities on [SenseChina.dk](https://sensechina.dk)