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China Coronavirus Update

Weekly Report – February 25th 2021



CHINA CORONAVIRUS UPDATE

CORONAVIRUS UPDATE: only 1 local case was reported across China in the last 21 days, and this case was reported from a quarantined area in Hebei province. The outbreak in China is fully contained, and all medium and high COVID-19 risk areas in China have been cleared since February 22th.

VACCINATION PROGRESS: with 2 homegrown Chinese vaccines approved for public use, more than 40.52 million doses have been administered in China to date. Convicidia, another single dose application vaccine developed domestically completed phase III trial with 74.8% overall protection and 100% protection from severe conditions. It is expected to be the third vaccine approved in China for public use. Chinese health regulators have approved clinical trials for 16 other Chinese vaccine candidates, six out of the total 16 are already in the third or final phase of trials.

MARKET SENTIMENT

BILATERAL US-CHINA RELATIONS: the fact that President Biden's first call with President Xi since the inauguration lasted for two hours on the eve of Chinese New Year has received extensive coverage in China as an excellent sign of "in-depth communication", evidence of a long-standing working relationship between the two, and a clear indication that this was more than a courtesy call, and instead was designed to re-open clear and constructive lines of communication between the two nations.

Earlier this week, the senior Chinese diplomat in the US called for cooperation in restoring travel and trade between the two countries disrupted by the COVID-19 pandemic.

CHINA ECONOMIC UPDATE

CHINESE NEW YEAR CONSUMPTION: China's consumer spending saw a significant rebound during the holiday, with retail and catering sales hitting 821 billion yuan or \$127.3 billion, an increase of 28.7% year-on-year and a 4.9% increase compared to the same period in 2019 pre-pandemic.

- China's box office during the holiday exceeded 7.5 billion yuan or \$1.16 billion as of Feb 17, setting a record for any Chinese New Year Box office.
- NetsUnion processed \$156.25 billion in online payment transactions representing a 66.61% surge in average daily transactions. Total transaction value of China UnionPay reached a new record of \$213.40 billion during the Lunar New Year holiday, up 4.8% on a yearly basis.
- The sales revenue of China's catering sector during the holiday was 5.4% higher than it was during the Spring Festival in 2019 pre-pandemic.
- In the wholesale and retail sectors, sales revenue rose by 27.9% during the holiday from the previous Spring Festival break. In the culture, sports and entertainment sectors, the sales revenue rose by 117.1% as these were already facing pandemic limitations in Wuhan last year.
- China's express delivery sector processed 660 million parcels during the week-long Spring Festival holiday starting Feb 11, surging 260% over the same period last year.
- China's civil aviation sector handled a total of 2,553 overseas cargo flights during the seven-day holiday between Feb 11 and Feb 17. The number rose by 212.48% year on year from that for the Spring Festival holiday in 2020, and by 258.57% compared with that for the same period in 2019 pre-pandemic.
- The holiday saw railways transport 72.99 million tons of cargo, up 23.7% from the same holiday in 2020.



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- The flow of highway traffic amounted to 219.65 million vehicles, up by 118.26% compared with that in the 2020 Spring Festival holiday.
- Chinese consumers spent \$140.16 billion on a month-long online Spring Festival shopping spree. The 30-day period of online shopping, which ran from Jan 20 to Feb 18, saw online sales skyrocket by 48.5% compared with the same period in 2020, products and services related to Lunar New Year's Eve dinner surged 78.8% from the Spring Festival holiday in 2020, while online sales of movie tickets spiked 41.2.7% on yearly basis.
- Chinese consumers continue to splurge on luxuries, gold and expensive hotel bookings, China saw a boom in spending by consumers with deep pockets during the weeklong Spring Festival holiday. According to the China Gold Association, China's gold consumption during the seven-day Spring Festival holiday grew 80% compared to the same period last year. Bookings for high-end hotels rose more than 160% year-on-year during the Spring Festival.

CHINA – EU TRADE: China became the main trading partner of the European Union in 2020, with exports and imports both increasing despite the COVID-19 pandemic. According to the EU's statistical service, imports from China throughout 2020 grew by 5.6% year-on-year to EUR 383.5 billion euros, and exports grew by 2.2% to EUR 202.5 billion euros.

FACTORY GATE PRICE: China's factory gate prices rose in annual terms in January for the first time in 12 months and at the fastest rate since May 2019, suggesting gathering growth momentum for the world's second-largest economy.

AUTOMOBILE: China has become the most important single market for Germany's automotive industry. While most global markets declined in 2020, car sales of BMW and Daimler in China increased by 7.4% and 11.7% respectively, both marking historic sales records during the crisis-ridden year.

LIVESTREAMING SALES: China witnessed a rapid expansion of livestreaming user base in 2020, hitting 617 million people in December 2020, or 62.4% of all internet users in China. Of the 388 million internet users who watched live-streamers promote and sell goods online, 66.2% of them placed orders at least once.

TRAVEL INDUSTRY UPDATE

INTERNATIONAL FLIGHT DEPARTURE RECOVERY: Swiss research agency mind-set believes there is 'every reason to be confident' about 2021 travel retail growth prospects in China. International flight departures from China is expected to grow 202.9% in 2021, and reach beyond pre-pandemic levels by 2023.

CHINA AIR TRAFFIC INSIGHTS mind-set expert in travel market research

International departures from China
PAX in millions of passengers and Y.O.Y Growth





OUTBOUND TOURISM IS EXPECTED TO RESUME IN THE SECOND HALF OF 2021: The China Tourism Academy gave its positive estimation in a report released on Monday that said the domestic tourism market will see 4.1 billion trips this year – 42% more than last year – generating revenue of \$510 billion, up 48% year-on-year. With vaccinations, the inbound and outbound tourism market is expected to start to resume in the second half of the year and return to about 30% of levels seen before the pandemic.

SPRING FESTIVAL LOCAL TOURISM: tourists were swarming back to Beijing's major attractions, with visitor numbers during the first three days of the Spring Festival holiday bouncing back to 91% of pre-pandemic 2019 levels despite stringent anti-epidemic measures in place. The city's 147 key tourist spots received about 2.76 million visits between Feb 11 and 13, and revenues of these spots increased 1.6 times from the same pre-pandemic period in 2019. Other key destinations across China saw similar results.

- According to Fliggy, bookings for local travel or in-province travel surged 660% year on year.
- According to Ctrip, 60% of all hotel bookings are for premium hotels, with average room rate of \$500 per night. Local car rentals increased by 82% with average use for 5 days.

KEY STRATEGIC TAKEAWAY: Demand for travel remains high in China. Even with the government discouraging travel during Chinese New Year, Chinese consumers still traveled within their province for road trips with premium accommodations and experiences. AVIAREPS would like to emphasize once again, that premium experiences and packages will be a key consideration for product development and distribution during recovery in 2021.