



CHINA UPDATES

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General Health Market Summit Kicked Off in Yunnan

A summit on China's health market was launched in Kunming recently, as discussions over health products heat up over years.

Health food industry faces a new development era in which it is easy for companies to get into the market, but punishment towards illegal conducts is getting more serious by the regulators than before.

"The current dual-system of registration and filing system to regulate the health market is better for the status quo of China's health market," said Wang Dahong, chief secretary of health product market committee of China Health Care Association.

Health Industry is developing rapidly in China. At this moment, most foreign health products are entering China via online platforms, without the official health food logo given by the officials. The new registration regulation would help strengthen management over foreign health food in China.

"Yunnan's companies should take more efforts in developing new products if they want to expand their market shares," said Mr. Wang. "They need to explore breakthroughs in ingredient, production procedures, standards and functions."

CFDA Launched Special Campaign Over Aquatic Products

The state food and drug regulators recently kicked off a nationwide campaign to inspect aquatic food sold in 12 major cities, including Beijing, Shanghai and Guangzhou and other smaller cities.



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The inspections will target at wet markets that sell aquatic products, sales companies and restaurants. Spot checks will be applied, with a focus to spot illegal additives in the products.

Regulators would also check the operation approvals of vendors in the one-month-long inspection campaign. (Source: CFDA)

CFDA Strengthens Food and Drug Testing

To better implement the national guidance on strengthening testing system of food and drug, promote the level of testing capability of relevant institutions, the state food and drug regulator recently released a notice to institutions of this kind.

In the notice, the officials made clear of organization, planning, implementation and work result of food and drug testing conducted by relevant institutions, which aims to better coordinate regulations by the state inspectors.

In 2016, The National Institutes of Food and Drug Control has conducted 36 testing projects with over 350 food and drug testing institutions, as well as 250 companies and labs involved. (Source: CFDA)

China Vows Better Environmental Monitoring to Improve Health

China aims to create a comprehensive environmental monitoring system by 2030 in its efforts to boost citizens' health and raise life expectancy, the government has said.

Pollution has been identified as one of the biggest threats to public health in China, with smog in the northern region blamed for higher rates of cancer, respiratory disease and premature death. Widespread soil and water contamination have also caused health hazards.

Air pollution killed more than 1 million people in China in 2012 alone, the World Health Organization said in a study published in September.

The State Council, or cabinet, said it would set up the "strictest environmental protection system" to

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oversee construction, noise and atmospheric pollution, soil and water quality and the rural environment.

The new system would identify high-risk pollution zones and establish a unified disclosure platform for environmental information, the cabinet said in its "Healthy China 2030" plan, published late on Tuesday.

It said China aimed to raise average life expectancy to 79 years by 2030, up from 76.3 years in 2015, and would also work to tackle a gender imbalance by setting up a "complete birth monitoring system".

It aims to strengthen public sanitation and provide clean drinking water, among the rural health issues tackled.

It will also seek to cut infant mortality, traffic deaths, smoking and alcohol abuse, work to improve cancer survival rates, rein in early deaths from chronic diseases and step up intervention for psychological illnesses, it added.

To help reduce health risks, it would also aim to raise the number of active participants in sport to 530 million by 2030, up from 360 million in 2014, besides promoting the "leading role" of Chinese medicine in disease treatment.

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Indonesia's Aceh

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Also on the cards is the creation of "mature" forms of health insurance, with more balanced contributions from government, enterprises and individuals, as part of efforts to cut individual health costs to about a quarter of total spending, versus 29.3 percent in 2015. (Source: Reuters)

Baijiu Helps E-Commerce Gauge Consumer Pulse

Predicting the changing tastes of China's consumers is becoming easier, thanks to the country's e-commerce giants, who monitor sales that can exceed \$17 billion in a single day.

JD.com Inc, the country's second-biggest web-based retail platform, already has dozens of new indexes tracking sales of products from liquor to appliances. Larger rival Alibaba Group Holding Ltd plans to publish its own spending gauges in coming months.

Their data is vital to large global companies like Starbucks Corp and Wal-Mart Stores Inc that are looking for insights into what's hot among China's billion-plus consumers. Online shopping indexes reflect millions of transactions daily, whereas traditional consumer surveys can only test a tiny sample.

"The ability to analyze and understand trends in online consumption has never been more important or more valuable," said James Huang, big-data analytics director for the finance unit of Beijing-based JD.

One bellwether is the pricey Chinese hard liquor baijiu, often given as a gift, which endured a sales funk amid slower economic growth and President Xi Jinping's four-year crackdown on official corruption.

Huang said JD's indicators show prices of the strong spirit began rebounding in May.



E-commerce accounts for 11 percent of total consumption in the country, Huang estimates. China's online retail sales rose 25.7 percent year-on-year last month, compared with a 10 percent increase in all retail transactions, official statistics show.

Jack Ma's Alibaba reported a whopping \$17.8 billion of business during its Singles Day shopping frenzy on Nov 11.

That growth reflects rising wealth. By 2020, about 100 million households will be rich or middle-class and 61 million high-end online consumers will dominate consumption, according to estimates by the Ali Research Institute, a unit of Hangzhou-based Alibaba.

"Everybody's talking about the consumption upgrade," said Xie Zhoupei, director of consumption and macroeconomy research at Ali Research in Beijing. "We want to hear the rhythm of that upgrade. Is it accelerating? Is it decelerating? What forces are driving it?"

Academics are looking for those answers in the expanding universe of e-commerce data.



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Researchers at Tsinghua University in Beijing have created a consumer price index proxy called iCPI, which scrapes data from major e-commerce sites.

It's in the vein of Massachusetts Institute of Technology economist Alberto Cavallo's Billion Prices Project that collects prices from hundreds of online retailers around the world to produce high-frequency price data, such as a daily inflation index for the US. Alibaba also has a CPI gauge based on online purchases.

Tsinghua's CPI is "real-time with no lags", said Liu Taoxiong, director of the Institute of Economics at the School of Social Sciences. "That's more meaningful to policy-making." (Source: Bloomberg)

China Healthcare Costs Forcing Patients into Crippling Debt



As China's medical bills rise steeply, outpacing government insurance provision, patients and their families are increasingly turning to loans to pay for healthcare, adding to the country's growing burden of consumer debt.

While public health insurance reaches nearly all of China's 1.4 billion people, its coverage is basic, leaving patients liable for about half of total healthcare spending, with the proportion rising

further for serious or chronic diseases such as cancer and diabetes.

That is likely to get significantly worse as the personal healthcare bill soars almost fourfold to 12.7 trillion yuan (\$1.9 trillion) by 2025, according to Boston Consulting Group estimates.

For many, like Li Xinjin, a construction materials trader whose son was diagnosed with leukemia in 2009, that means taking on crippling debt.

Li, from Cangzhou in Hebei province, scoured local papers and websites for small lenders to finance his son's costly treatment at a specialist hospital in Beijing, running up debts of more than 1.7 million yuan, about 10 times his typical annual income.

"At that time, borrowing money and having to make repayments, I was very stressed. Every day I worried about this," said Li, 47, adding that he and his wife had at times slept rough on the streets near the hospital.

"But I couldn't let my son down. I had to try to save him," he said.

The debts will weigh him down for a few more years yet.

Medical loans are just part of China's debt mountain - consumer borrowing has tripled since 2010 to nearly 21 trillion yuan, and in eight years household debt relative to the economy has doubled to nearly 40 percent - but they are growing.

That is luring big companies like Ping An Insurance Group (601318.SS)(2318.HK), as well as small loan firms and P2P platforms, as China's traditional savings culture proves inadequate to the challenge of such heavy costs.

The stress is particularly apparent in lower-tier cities and rural areas where insurance has failed to keep



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pace with rising costs, said Andrew Chen, Shanghai-based healthcare head for consultancy Parthenon-EY.

"It's a storm waiting to happen where patients from rural areas will have huge financial burdens they didn't have to face before," he said, adding people would often take second mortgages on their homes or turn to community finance schemes.

China's government has moved to ramp up rural health insurance, boost coverage for major illnesses and put pressure on drug companies to slash prices, but it is an uphill battle.

Official data show up to 44 percent of families pushed into poverty were impoverished by illness.

The Ministry of Health, which did not immediately respond to requests for comment, is currently investigating the impact of these costs on the country's labor force.

"Typically, what happens in China is the whole family contributes when someone gets a severe disease like cancer," Severin Schwan, chief executive of Roche Holding AG (ROG.S), the world's biggest maker of cancer drugs, told Reuters.

"When it comes to innovative medicines, the financial burden is just too much. Families can go broke."

Roche itself has schemes in China to make cancer drugs more affordable, including an insurance scheme developed with Swiss Re.

There are no reliable figures for total healthcare lending, as lenders do not usually advance the money for healthcare-specific purposes.

"If you want to use it for medical bills, cosmetic surgery or plastic surgery that's all fine," says Ping An Puhui, which advertises that its loans can "alleviate the pain of illness" and "bring new hope to sick families".

But there is plenty of anecdotal evidence from online lenders that it is a growing segment.

"Our loan numbers have risen steadily, and no small number of people have used these for medical purposes," said Li Jin, a customer service worker at peer-to-peer (P2P) lender ppdai.com.

"Healthcare costs are high, and lots of people don't have good state cover, so they need a loan."

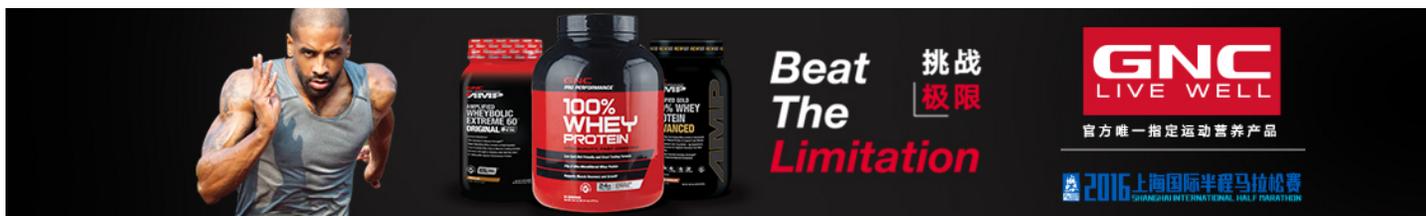


China Minsheng Banking Corp has launched a healthcare loan scheme in the western city of Chengdu, while Shanghai Pharmaceuticals Holding Co Ltd (601607.SS) rolled out a loan scheme in April to help patients access expensive drugs.

Some desperate patients are pawning their personal belongings.

"They use things of various value from jewelry to purses and even cars," said Chen Yi, an office worker at online lender minbaodai.cn.

"Previously the majority of people were looking for extra cash flow for their business, but last year and this we've seen a rise in healthcare loans." (Source: Reuters)



China Updates is published weekly by the U.S. – China Health Products Association, a non-profit organization dedicated to the promotion of dietary supplements and nutritional ingredients. The association’s major focus is the continued development of China’s overall natural health product industry as well as offer business services to its global members.

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