

China COVID-19 policy

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20 measures for better calibration

Economics - China

- ◆ China's National Health Commission announced a calibration of measures to combat COVID-19 on the ground amid the worst outbreak since the spring
- ◆ Quarantine time is cut for close contacts of COVID cases to 5 days at a central facility plus 3 days at home ('5+3'), same for inbound travellers; no further identification of 'secondary close contacts'
- ◆ Mass PCR testing removed in most areas, "excessive" containment measures by local government halted (such as school and work suspension, and patient rejection), and circuit breaker bans for international flights scrapped

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Facts

The Comprehensive Team for Joint Prevention and Control Mechanism for Covid-19 posted "New measures to further optimize China's pandemic control" ("关于进一步优化新冠肺炎疫情防控措施、科学精准做好防控工作的通知") on the National Health Commission (NHC) website today.

The announcement came after the Standing Committee of the Politburo met for the first time yesterday, where it discussed it would research and deploy 20 measures for further optimizing epidemic prevention and control work. Most notably, the new measures (Table 1) will reduce quarantine time for close contacts to '5+3' days from '7+3' days previously. Similar rules will apply for inbound travellers.

In addition, the circuit breaker measures for inbound flights will be cancelled and the pre-departure Covid-19 tests requirement for inbound travellers will be lowered as well.

While the zero-COVID policy still applies, the central government pledged to avoid the 'one-size-for-all' approach or the excessive policy steps that have been taken on the local level. The statement further clarifies that lockdowns must be ended in a timely manner once the low-risk criteria are met.

In terms of vaccines, there will be a promotion drive to accelerate coverage of booster shots of Covid-19 vaccines, particularly for the elderly. Meanwhile, "excessive" campus closures and control measures shall be avoided.

The announcement came at a time when the national daily infections broke 10,000 for the first time since April. Guangdong, China's largest province in economic terms is now the epicentre with daily new cases exceeding 2,000 since 6 November. There hasn't been a full-scale lockdown of Guangzhou city so far, an approach seemingly in line with the calibration of COVID measures.

Link to statement (Chinese): http://www.gov.cn/xinwen/2022-11/11/content_5726144.htm

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Table 1. Key measures and changes in the "Twenty Measures to Further Optimize Prevention and Control Work"

Topic	Key measures and changes
Close contacts and quarantine times	For close contacts, the management measures of "7-day centralized quarantine + 3-day at home health monitoring" are adjusted to "5-day centralized quarantine + 3-day home quarantine" . This is also applied for inbound travellers.
Other quarantine	Timely and accurately determine close contacts, and no longer determine secondary close contacts . The "7-day centralized quarantine" for those travelling from high-risk areas has been adjusted to "7-day home quarantine" . For employees in high-risk areas who have completed closed-loop operations will only need to undergo "5-day home health monitoring" from the previous "7-day centralized quarantine or 7-day home quarantine"
Risk area delineation	Risk area delineations reduced to "high and low" from the previous "high, medium and low" to minimize the number of control personnel. High-risk areas are generally demarcated by units and buildings, and may not be expanded arbitrarily.
Nucleic acid testing	Nucleic acid testing is not to be carried out for all persons in an administrative region arbitrarily , but only when the source of infection and transmission chain are unclear, and the community transmission time is relatively long. Remove twice or thrice daily nucleic acid testing.
Inbound flight	The circuit breaker mechanism for inbound flights will be cancelled , and the requirement of two negative nucleic acid test certificates within 48 hours before boarding will be adjusted to one negative nucleic acid test certificate within 48 hours before boarding .
Inbound personnel	Positive case judgment standard for inbound personnel is a Ct value <35 in nucleic acid detection
Epidemic prevention and control	Rectify the "one-size-fits-all", "layer-by-layer" problem . It is strictly forbidden to close schools and classes, stop work and production, block traffic without approval, arbitrarily adopt "static" management, arbitrarily block and control, not unblock for a long time, and stop clinics at will.
Enterprise production	Make every effort to ensure the smooth flow of logistics, and do not arbitrarily require key enterprises that are related to the overall situation of the industrial chain and related to people's livelihood to suspend production and production, and implement the "white list" system.
Vaccine development	Accelerate the coverage rate of vaccine booster immunization, especially for the elderly. Accelerate the development of monovalent or multivalent (mRNA) vaccines with broad-spectrum protection, and promote approval in accordance with laws and regulations.

Source: National Health Commission; Key changes are **bolded**

Implications

The latest policy announcements suggest that the central government is paving the way for a gradual reopening, which aligns with our expectation that the government will re-focus on economic growth and aim for a better balance going into 2023. Relaxation of COVID-19 measures, together with a further step-up in macro policy support, may help with the domestic demand recovery.

Having said that, the reopening process will be gradual and delicate. The preparation involves public education, a vaccination campaign especially among the elderly, stockpiling medicine and medical equipment to treat COVID etc., which could take months. President Xi also stressed in yesterday's Politburo meeting that the pandemic situation is likely to further escalate during the winter time. Our base case remains that China will see a gradual, further relaxation of COVID-19 policies in 1H next year, helping to stabilize the housing market and support the consumption recovery.

Today's relaxation should help to minimize the direct drag on economic activity and help to lift sentiment. In particular, services and offline retail should see improvement, as well as broader activity as expectations for further easing of restrictions gains traction.

Additionally, the Deputy Governor of mainland China's NHC praised Hong Kong for its management of the COVID-19 situation in a scientific and targeted approach in the Asia Summit on Global Health yesterday (Caixin, 11 November). Hong Kong has taken a gradual approach towards relaxing COVID-19 restrictions, with eventual relaxation of mandatory quarantine for inbound travellers (though 3 days of at-home monitoring remain) over the course of several months.

Easing measures are not limited to the COVID-19 front. The National Association of Financial Market Institutional Investors (NAFMII) recently announced further support for private bond issuance, including property developers, with the PBoC offering RMB250bn in related re-lending facilities. Today, the Chinese property developer, Longfor, received approval from NAFMII to issue RMB20bn via "shelf registration", meaning it could be offered in batches. We expect the economic recovery will further solidify on the back of the gradual relaxation of COVID-19 measures and a stabilizing property market which should help growth to reach over 5% in 2023.

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