

China COVID-19 tracker

Further easing of restrictions

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Economics - China

- ◆ Nationwide local daily new cases dropped to below 50; Shanghai will start to gradually resume dine-in services while Beijing welcomes students back to school this week
- ◆ A number of cities/provinces have eased COVID-19 testing mandates or restrictions on inter-regional travelling
- ◆ Local support policies continue, but more is needed especially for the harder hit SMEs and services sectors

Shanghai and Beijing reported single numbers of daily new cases in the past week, while sporadic cases were seen in cities in Guangdong and Liaoning provinces. Shanghai declared victory against the COVID-19 wave after it reported zero new cases on Friday and Saturday, but four new infections were found on Sunday, two of which were community cases. The city will gradually resume dine-in services in low-risk areas and areas that saw no new community cases in the previous week, starting from 29 June. The city of Beijing welcomes all students in primary and secondary schools back on campus from Monday (Reuters, 26 and 25 June). Sporadic cases were reported in cities such as Shenzhen and Dandong, a city in China's north-eastern Liaoning province that borders North Korea, but we don't see city-wide static management to be in place. **Several cities, mostly in the Yangtze River Delta, have relaxed COVID-19 testing mandates in the past week.** Ningbo and Hangzhou, cities in Zhejiang province and close to Shanghai, for instance, now require citizens to take the test once a week, rather than the previous once every three days. A few cities in Zhejiang and Anhui provinces that reported zero new cases in June have halted regular testing (Reuters, 24 June).

Easing of restriction measures will likely benefit travel and consumption activities. Inner-city traffic in Shanghai and Beijing continued to resume as recent clusters were under control. A relaxation of restrictions on inter-regional travel was seen in a number of provinces such as Jiangsu and Hainan in the past week, which will likely benefit travel activities in the coming summer vacation season. Auto sales continued to recover; the China Passenger Car Association estimated that the retail sales volume of passenger cars would reach 15.5% y-o-y growth in June, up from the double-digit contractions in previous months. On the downside, however, steel manufacturers cut production further, as sluggish demand has led to an accumulation of inventories and a slump in prices.

Local level policy support continued. Guangzhou issued a basket of 152 measures covering six aspects to help stabilize the economy on 23 June, including offering subsidies for new energy vehicle purchasing, allowing deferral of loan repayment for SMEs, and subsidizing SMEs that offer jobs for fresh graduates, etc. Shanghai established a working mechanism to step up support for SMEs, offering "bailout financing" of no more than RMB10m and RMB50m for small and medium-sized enterprises, respectively. Hainan will run the Offshore Duty Free Shopping Festival from 28 June to year-end, featuring over 50 promotions with the issuance of RMB20m of consumption coupons.

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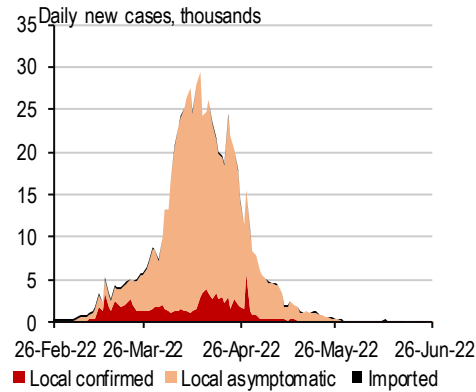
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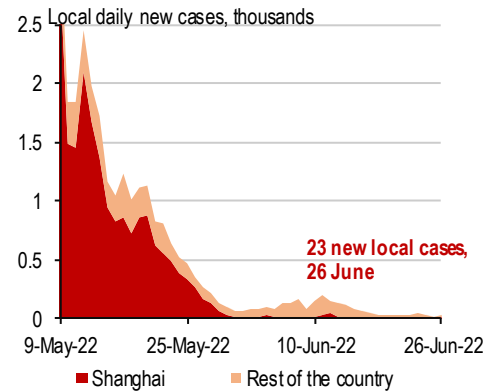
COVID-19 cases and vaccinations

Chart 1: The pandemic seems to be under control ...



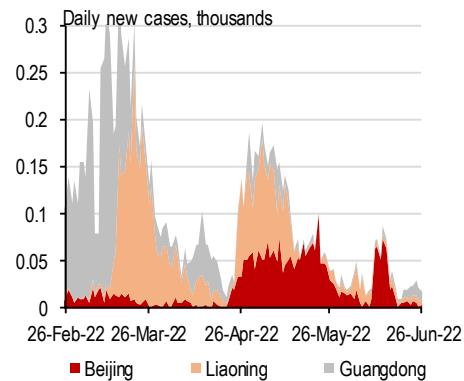
Source: CEIC, HSBC

Chart 2: ...with local daily new cases dropping to below 50



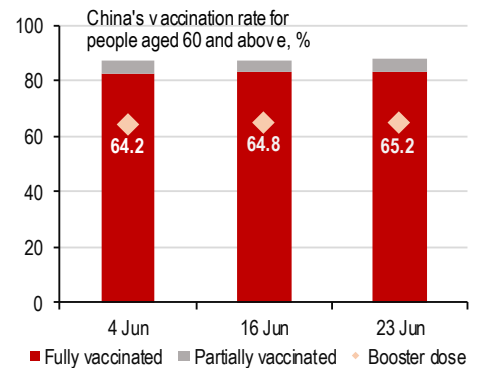
Source: CEIC, HSBC

Chart 3: Sporadic cases were seen in cities in Liaoning and Guangdong provinces



Source: CEIC, HSBC

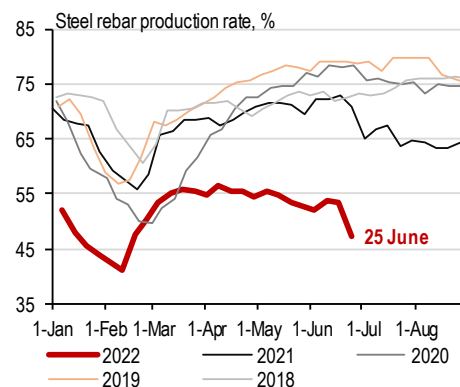
Chart 4: Vaccination rates for the elderly continued to improve



Source: National Health Commission, HSBC

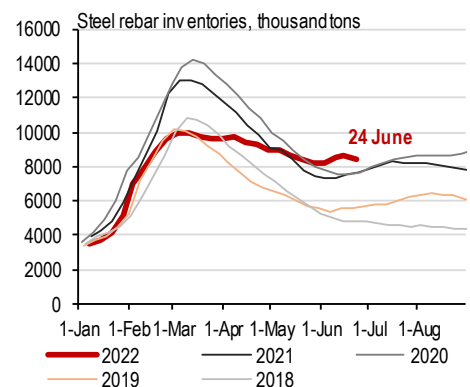
Economic activity

Chart 5: Steel rebar production rate fell significantly...



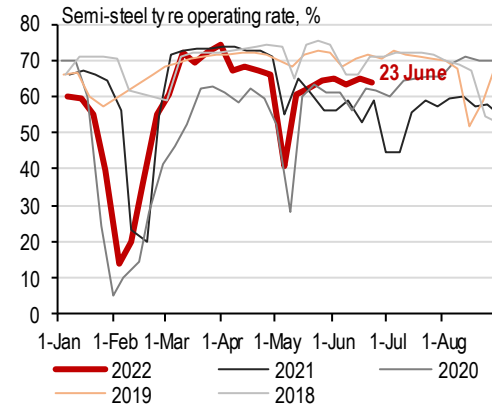
Source: Wind, HSBC

Chart 6: ... while inventories have accumulated to higher year-over-year levels



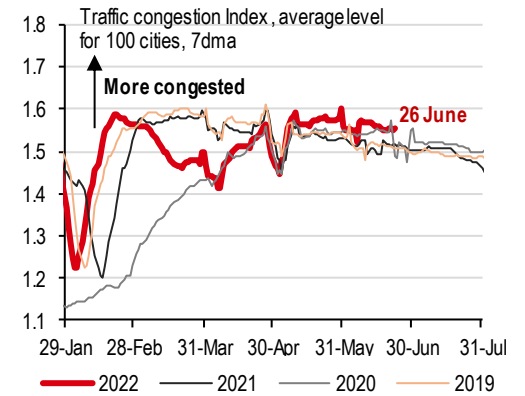
Source: Wind, HSBC

Chart 7: Semi-steel tyre operating rate edged down slightly



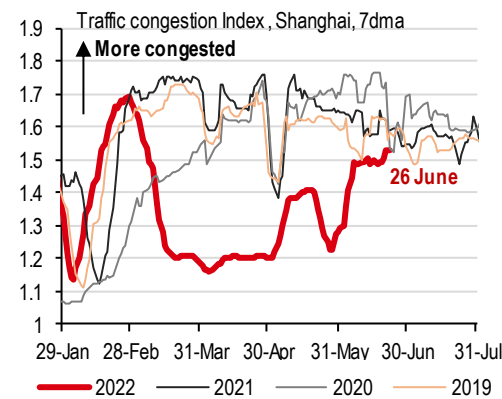
Note: Semi-steel tyres are key components for the production of automobiles
Source: Wind, HSBC

Chart 8: National average level of traffic remained stable



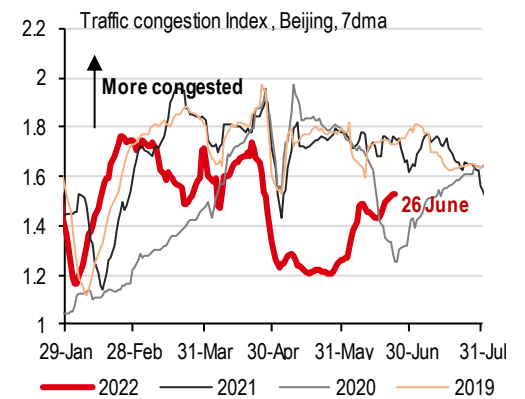
Source: Wind, HSBC

Chart 9: Both Shanghai...



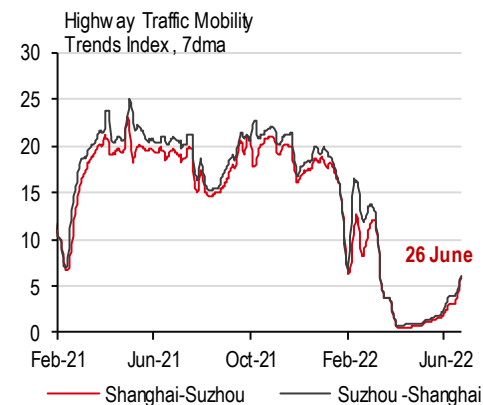
Source: Wind, HSBC

Chart 10: ...and Beijing traffic levels trended up again



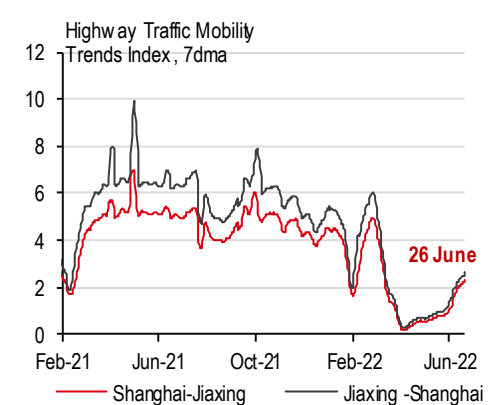
Source: Wind, HSBC

Chart 11: Inter-regional travel to Shanghai from Jiangsu ...



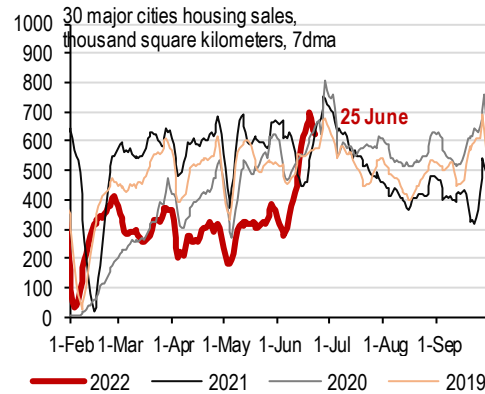
Source: Wind, HSBC

Chart 12: ...and Zhejiang has further picked up



Source: Wind, HSBC

Chart 13: Housing sales in the 30 major cities have softened from the peak ...



Source: Wind, HSBC

Chart 14: ...especially in first tier cities



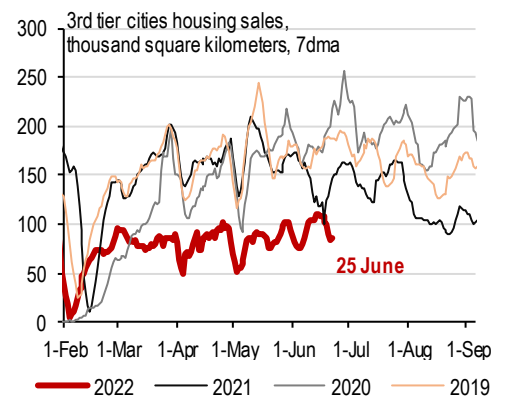
Source: Wind, HSBC

Chart 15: Housing sales in second tier cities remained higher than previous years' levels



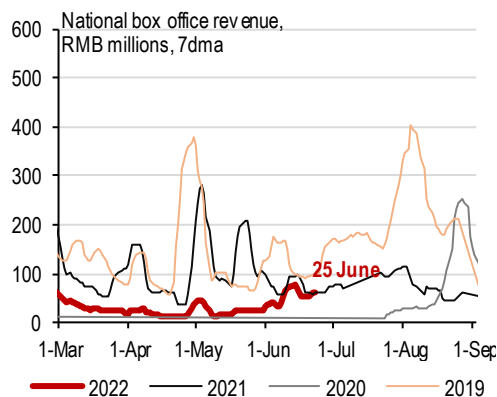
Source: Wind, HSBC

Chart 16: Housing sales in third tier cities remained lower than previous years' levels and fell further



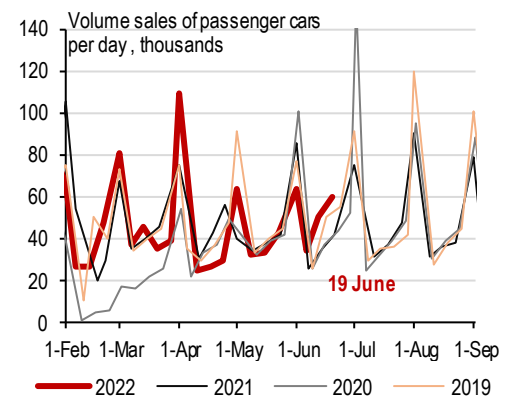
Source: Wind, HSBC

Chart 17: Box office revenues picked up moderately



Source: Wind, HSBC

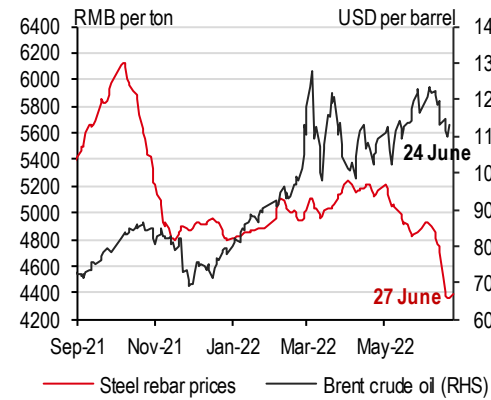
Chart 18: Car sales further increased in the third week of June



Source: Wind, HSBC

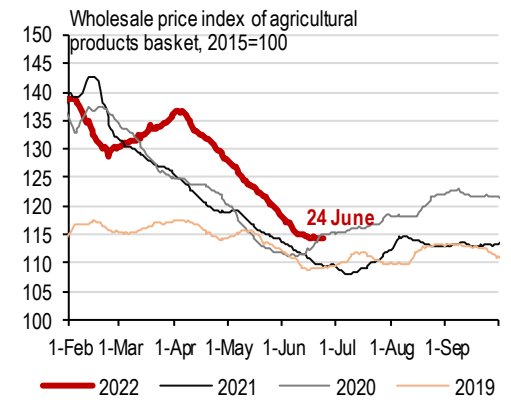
Inflation and policies

Chart 19: Both steel and oil prices fell



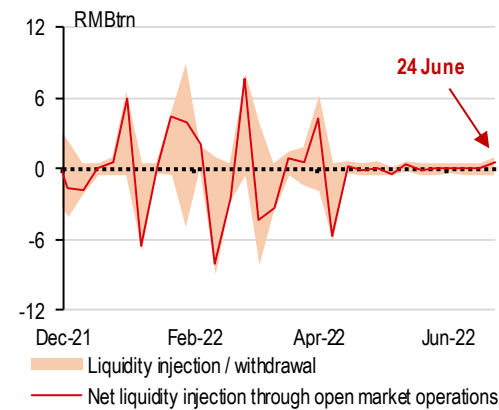
Source: Wind, HSBC

Chart 20: Agricultural products' prices were still declining, but at a more moderate pace



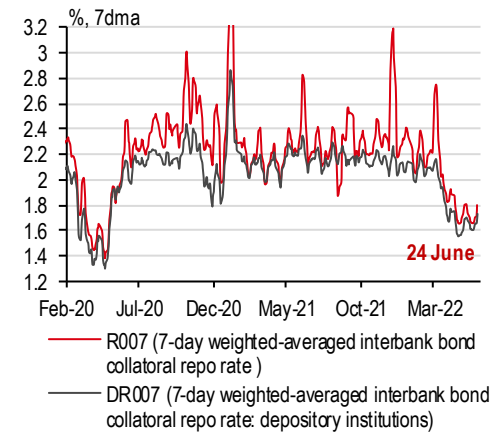
Source: Wind, HSBC

Chart 21: Small amount of net liquidity injection was seen in the past week...



Source: Wind, HSBC

Chart 22: ...while interbank rates moved up



Source: Wind, HSBC

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