

China COVID-19 tracker

Numbers up, but good news from Hong Kong

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Economics - China

- ◆ Daily case numbers edged up this week; travellers encouraged to stay put for the holidays
- ◆ The number of high and medium risk areas fell; encouraging news from Hong Kong and Macau
- ◆ No major macro policies expected in the near term as mainland China is preparing for the important Party congress in mid-October

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Daily case numbers. China recorded 809 new cases on 27 September (local confirmed cases and local asymptomatic cases), up from about 600 cases a week ago, but much lower than the August peak of 3,000. Ningxia (236), Heilongjiang (136), Guizhou (125), Tibet (104) Sichuan (79), Tianjin (42) and Yunan (29) had the highest numbers of cases, dominated by asymptomatic carriers. As of 27 September, 826 areas nationwide were labelled “high risk”, an increase from a week earlier, but the number of “medium risk” areas fell to 712. “High risk” areas are subject to more stringent restrictions. As of 27 September, among Tier-1 cities, Shenzhen recorded 12 “high risk” areas, Shanghai had one, and Beijing and Guangzhou had zero.

Chengdu resumes normalcy. On 26 September, Chengdu reported only one new asymptomatic case. The city’s Epidemic Prevention and Control Headquarters said on Sunday that the city would resume normalcy on Monday. Like many cities exiting lockdowns, Chengdu will continue to carry out regular testing and all residents need to take at least one NAT test (e.g. PCR, which is one type of nucleic acid amplification test) every week (China Daily, 19 Sept). Shenzhen reported 10 new cases on 26 September, just a few days before the national holiday. Several streets in Futian and Luohu were locked down. The Shenzhen government said that, as the new cases were identified at an early stage, the potential risk of an outbreak was low (sz.gov.cn, 26 Sept). In Ningxia, three rounds of mass testing have been completed since the latest outbreak which originated at a local market in Zhongning county on 20 September. The county is now under lockdown (China Securities, 25 Sept).

NHC encourages people to stay put during the National Day holiday: The National Health Commission (NHC) has encouraged people to stay put for the week-long National Day holiday (就地过节). For those who travel, a 48-hour negative NAT result is needed to board planes, trains and buses. Upon arrival, they will also be required to take on-site COVID-19 tests in many provinces (Global Times, 25 Sept). Despite this, several travel agencies showed that tourist reservations have seen steadily rising momentum since the mid-Autumn Festival, though not comparable to past years.

Quarantine dropped in Hong Kong. Last Friday, Hong Kong announced that it would scrap its mandatory hotel quarantine policy for all arrivals and start the “0+3” policy (which allows arrivals to return home or stay in hotels of their own choice while undergoing three days of medical surveillance) from 26 September. Other Asian economies also announced the relaxation of entry policies, including Japan and Taiwan (BBC, 23 Sept). Although the quarantine measures between Hong Kong and mainland China remain the same, the re-opening of Hong Kong is going to increase flights between other countries and the mainland via Hong Kong. Cathay Pacific and BA both announced they would add Hong Kong flights in the coming months (Airline Weekly, 23 Sept).

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More good news for Macau. Although Macau is keeping the same "7+3" quarantine measures as mainland China, Air Macau announced that it is planning to resume weekly flights to Vietnam and Japan in October. This is the first time the local carrier has resumed international flights since the outbreak of the pandemic, and it is considered as a "breakthrough" by the company (TDM, 25 Sept). Macau also plans to resume mainland group tourism, which has been halted for three years. Preparations are expected to take one month. The first groups will be from Guangdong, Zhejiang, Jiangsu, Fujian and Shanghai (zaobao.com.sg, 25 Sept).

Government collects feedback on reopening some border areas to foreign tourists: On 16 September, the Ministry of Culture and Tourism released a draft of Measures for Border Tourism Administration ("边境旅游管理办法 (修订征求意见稿)"), which is available for public comment until 29 September. China will encourage its border areas to create distinctive border tourism destinations for foreign tourism groups, and to relax some preconditions such as paperwork on entry and exit. Although the document did not reveal any details of quarantine requirements, we think it's still a positive sign that the government is paving the way for a gradual re-opening.

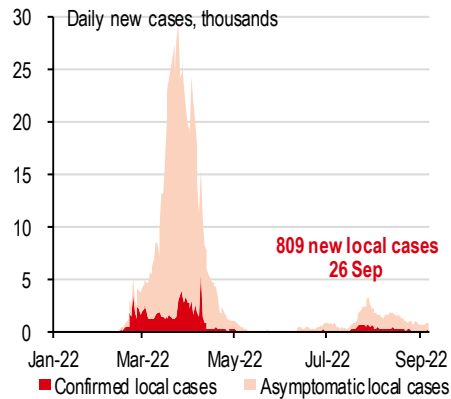
Macro update

At a State Council executive meeting held last Wednesday, Premier Li Keqiang called for greater efforts in policy implementation to bolster the recovery and growth of the economy. Meanwhile, the premier emphasized that transportation and logistics are the lifeline of a market economy, and there's a great need to keep them functioning smoothly. Targeted measures will include cutting highway tolls for trucks by 10% and lowering government-priced harbour dues on cargos by 20% in Q4 (Xinhua, 22 Sept).

Although many have been hoping for a centrally-initiated support package for the property sector, we do not expect to see major policies announced in the near term, as preparations for the 20th Party Congress are entering the final stage. That said, local governments have stepped up efforts to remove home purchase restrictions, while new funding from policy banks and commercial banks should help finish stalled housing projects (*Daily dose of HK & mainland China Real Estate*, 26 Sep 2022; Reuters, 25 Sep 2022). There's a possibility of another RRR cut in 4Q amid a large amount of MLFs coming due in November. In recent weeks, the PBOC has taken steps to rein in currency weakness. On Monday, it raised the FX risk reserves for financial institutions when purchasing FX through currency forwards to 20% from zero, from 28 September. So far this year, the USD/CNY has depreciated by 12% to reach 7.15, the lowest level in three years.

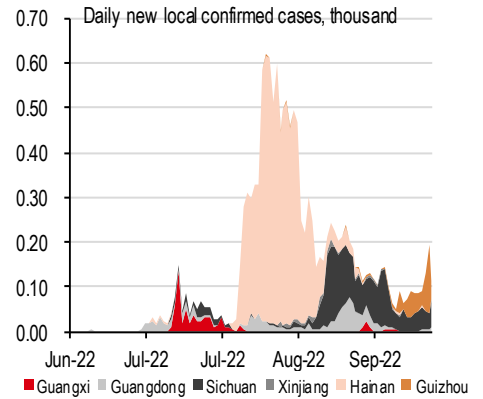
COVID-19 cases and vaccinations

Chart 1: Daily new cases have fallen from their latest peak in mid-Aug



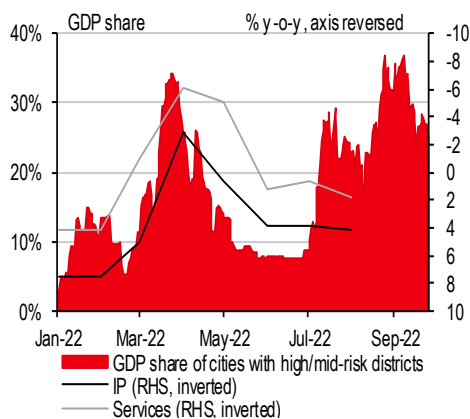
Source: Wind, HSBC

Chart 2: New local confirmed cases ticked up in Guizhou



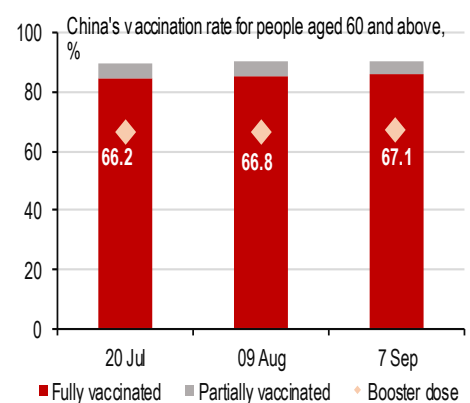
Source: Wind, HSBC

Chart 3: COVID-19 restrictions eased



Note: data ends by 25 Sep.
Source: Wind, CEIC, HSBC estimate

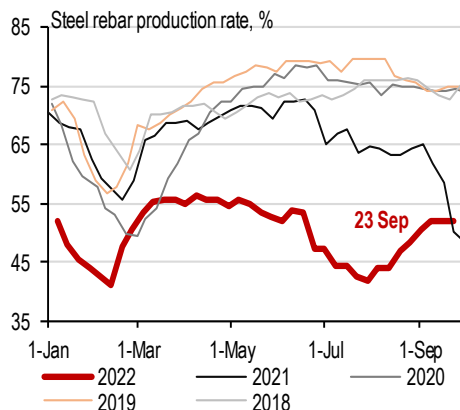
Chart 4: Vaccination rates for the elderly



Source: National Health Commission, HSBC

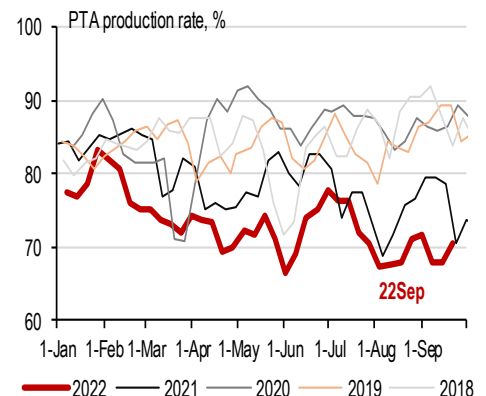
Economic activity

Chart 5: The steel rebar production rate has increased and gradually stabilized...



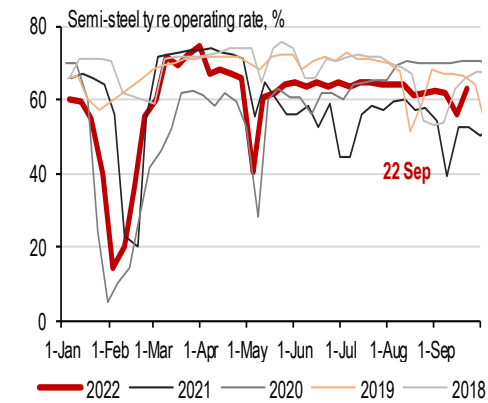
Source: Wind, HSBC

Chart 6: ...while the production rate in the chemical sector has also picked up



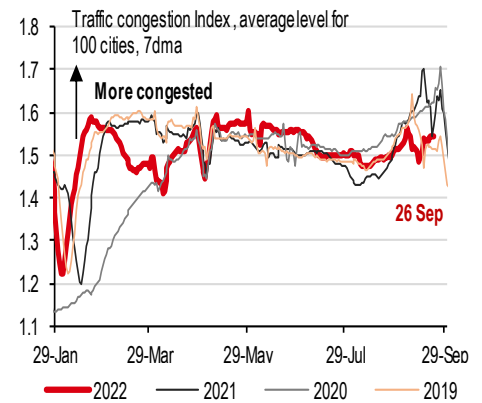
Note: PTA = Pure Terephthalic Acid, a key chemical product
Source: Wind, HSBC

Chart 7: The semi-steel operating rate edged up



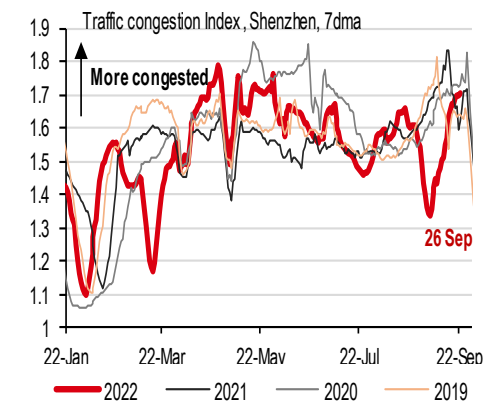
Note: Semi-steel tyres are key components for the production of automobiles
Source: Wind, HSBC

Chart 8: The national average level of traffic eased moderately



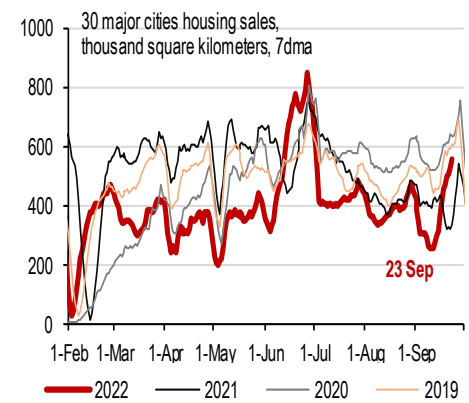
Source: Wind, HSBC

Chart 9: Shenzhen's traffic level recovered amid the relaxation of restrictive measures



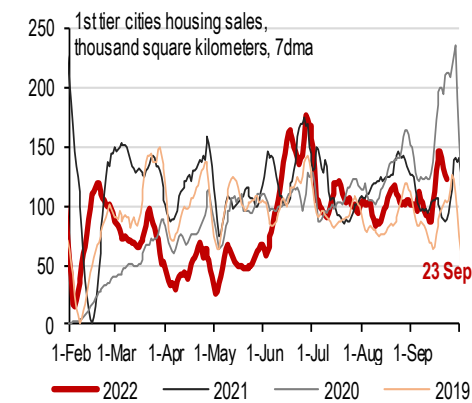
Source: Wind, HSBC

Chart 10: Housing sales in 30 major cities picked up further



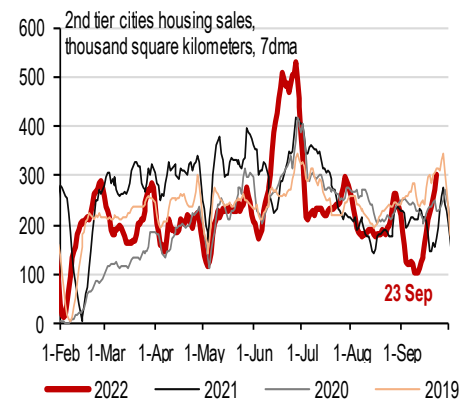
Source: Wind, HSBC

Chart 11: Housing sales in first-tier cities eased moderately

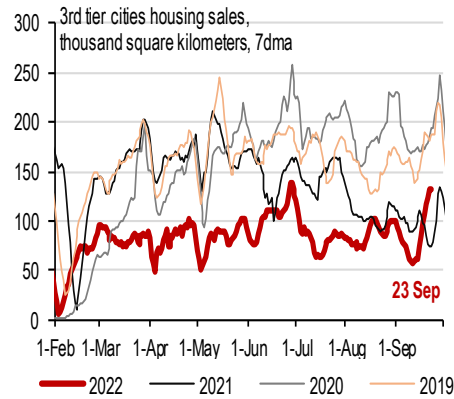


Source: Wind, HSBC

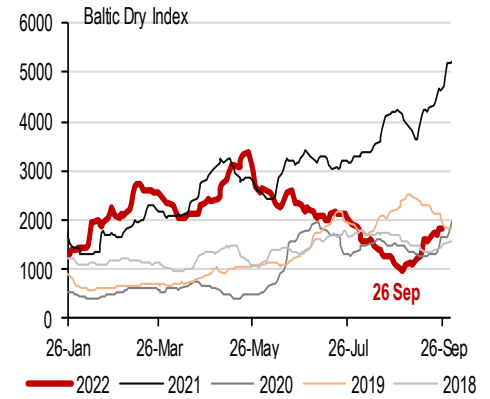
Chart 12: Second-tier cities' housing sales rebounded rather strongly



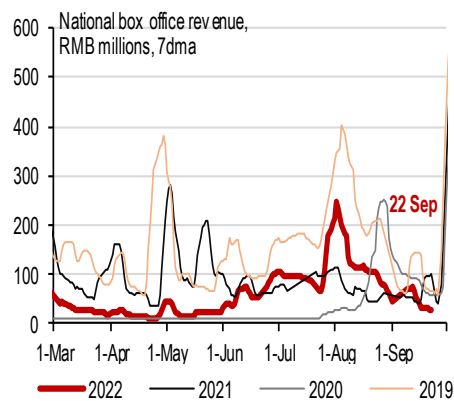
Source: Wind, HSBC

Chart 13: Third-tier cities' home sales also picked up in the past week


Source: Wind, HSBC

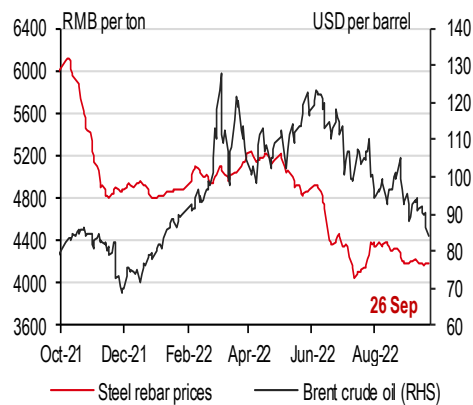
Chart 14: The Baltic Dry Index picked up recently


Source: Wind, HSBC

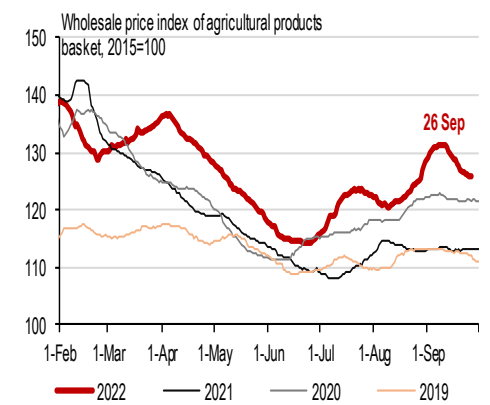
Chart 15: Box office revenue remained soft


Source: Wind, HSBC

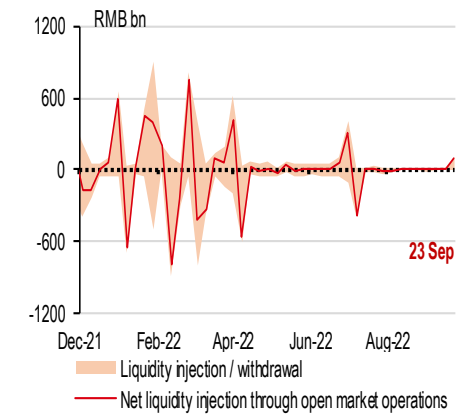
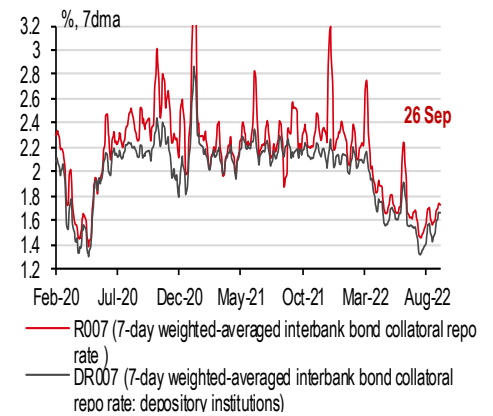
Inflation and policies

Chart 16: Oil prices eased, steel prices were stable


Source: Wind, HSBC

Chart 17: Agricultural product prices eased further


Source: Wind, HSBC

Chart 18: The PBOC injected net RMB92bn of liquidity through OMOs last week

Chart 19: Interbank rates edged up towards the end of quarter


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