

China COVID-19 tracker

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Economics - China

Shenzhen moves proactively to curb cases

- ◆ Daily new local cases averaged over 800 in the last week, with Gansu and Guangxi remaining key hotspots
- ◆ Shenzhen is using more aggressive containment measures, including closed-loop management for its 100 largest companies for 7 days, to tame the spread of COVID-19
- ◆ Economic activity saw a further dip due in part to the rise in cases as well as weakened consumer and business sentiment from ongoing uncertainty in the property sector

New local COVID-19 cases in China rose to a daily average of c800 in the last week

China is still not out of the woods as Gansu and Guangxi remained key hotspots, with each province seeing hundreds of new daily cases in the past week. But some areas saw a drop in cases, like Anhui which fell to 5 new daily cases on 24 July. Meanwhile, Shanghai looks to have averted another big wave of COVID-19 for now, reporting fewer than 25 daily new cases in the last week. But the city will conduct another two rounds of mass testing in 9 districts on 26 and 28 July (Bloomberg, 25 July 2022).

The Shenzhen model: faster and more aggressive measures to tame COVID-19

On 21 July, Shenzhen's Party Chief announced that Shenzhen would 'adopt the fastest and most stringent measures to stamp out the latest wave' (Shenzhen Daily, 21 July 2022). It looks like they are following through on a more proactive and aggressive approach reminiscent of the actions taken in mid-March when the whole city was under strict control for 7 days. While total new daily cases in Shenzhen are still relatively low (21 cases on 24 July), Bloomberg has reported that the government asked its 100 largest companies to operate on a closed-loop basis for 7 days (starting from 24 July), affecting production factories for key consumer products like electronics (e.g. smartphones and drones) and automobiles (Bloomberg, 25 July 2022). The swift and targeted model, combined with a younger population – it's the youngest city in China with only 5.36% of its population aged 60 or above – would likely help to control cases soon.

Vaccination rates continued to improve, new medicine approved

Zeng Yixin, Deputy Director of the National Health Commission, announced that all of China's leaders were fully vaccinated with domestically developed vaccines (Xinhua, 23 July 2022). Meanwhile, vaccination levels among the elderly have continued to rise to 67.3% for booster shots for those over age 60. Also, China approved its first domestically produced treatment for COVID-19, Azudine, which adds to the toolkit (on top of the already approved Pfizer Paxlovid treatment) (Bloomberg, 25 July 2022), but is unlikely to be a game-changer on its own for a relaxation in COVID-19 policies.

Mortgage risk continues to weigh on sentiment

The combination of an increase in cases as well as ongoing uncertainty around the property sector has kept housing sales muted. Related industries like steel have shown a further dip in production levels. With a possible Politburo meeting in the coming days, we think policymakers will focus on better implementation of announced measures and further comprehensive easing to help stabilize growth.

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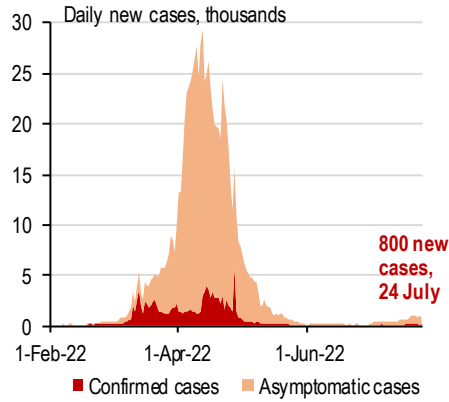
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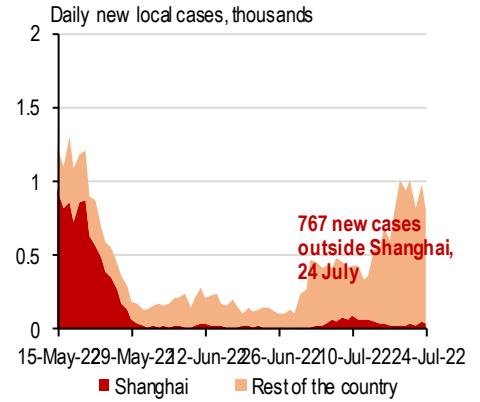
COVID-19 cases and vaccinations

Chart 1: Daily new cases increased in the past week ...



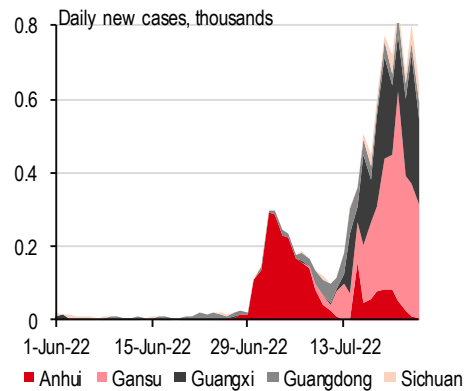
Source: CEIC, HSBC

Chart 2: ...but the risk of another big wave in Shanghai looks to be averted for now



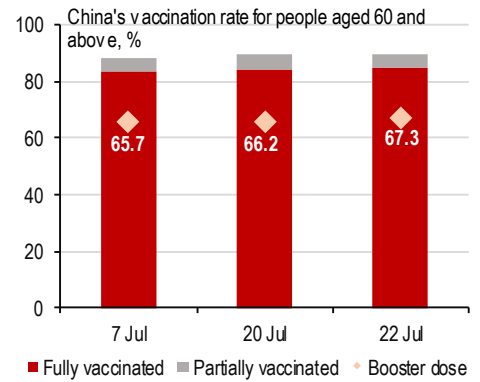
Source: CEIC, HSBC

Chart 3: New cases in Anhui declined, but they stayed high in Gansu and Guangxi



Source: CEIC, HSBC

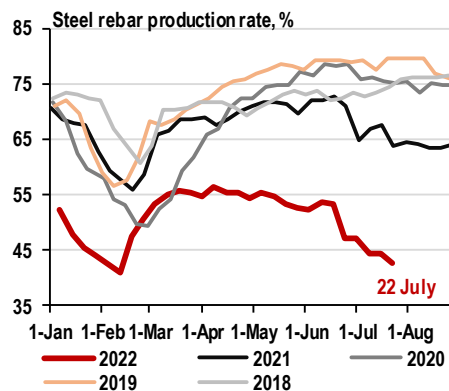
Chart 4: Vaccination rates for the elderly continued to climb higher



Source: National Health Commission, HSBC

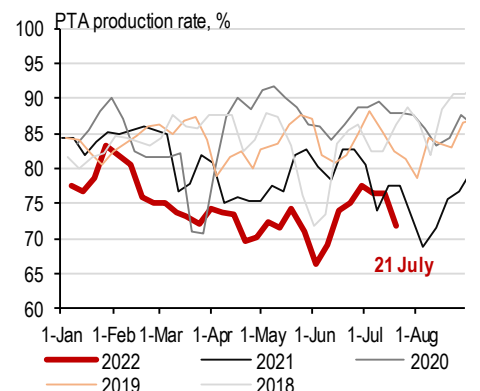
Economic activity

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



Source: Wind, HSBC

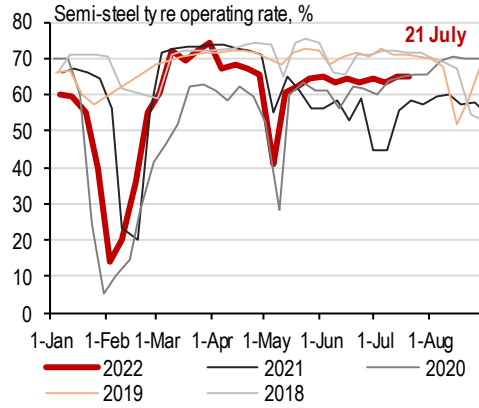
Chart 6: ... and so did the production rate in the chemical sector



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

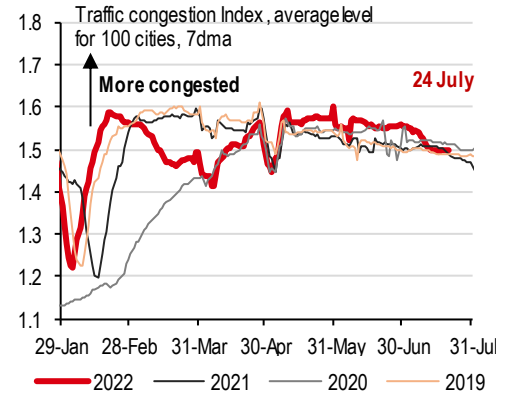
Source: Wind, HSBC

Chart 7: Semi-steel operating rate stayed stable



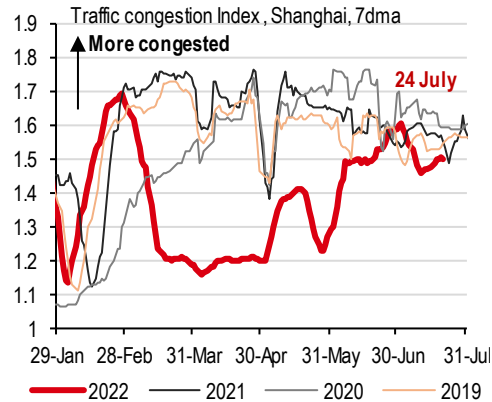
Note: Semi-steel tyres are key components for the production of automobiles
Source: Wind, HSBC

Chart 8: National average level of traffic is stabilizing



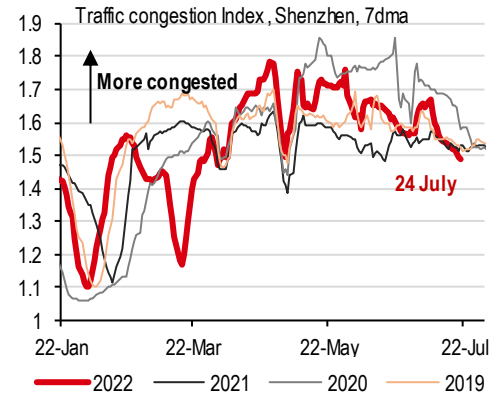
Source: Wind, HSBC

Chart 9: Traffic in Shanghai has seen a modest recovery



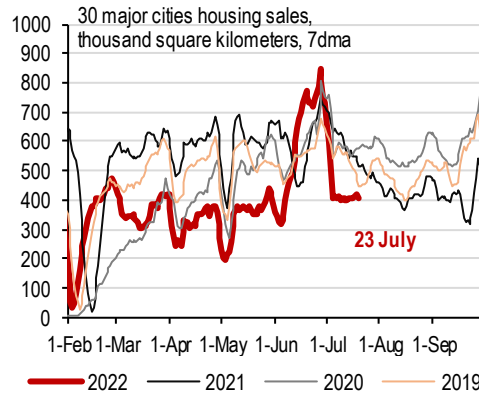
Source: Wind, HSBC

Chart 10: But Shenzhen's traffic levels have dipped due to increased cases



Source: Wind, HSBC

Chart 11: Housing sales in 30 major cities continued to stabilize, though at a lower level than previous years



Source: Wind, HSBC

Chart 12: First-tier cities' housing sales saw another drop



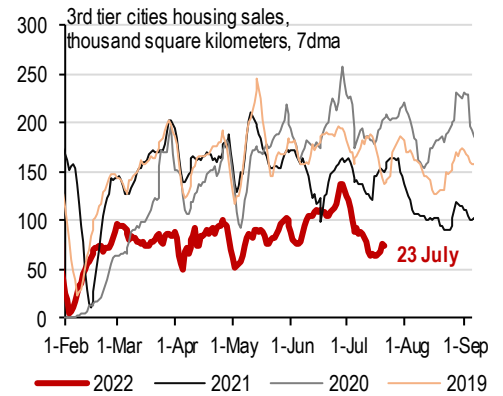
Source: Wind, HSBC

Chart 13: Second-tier cities' housing sales continued to stabilize...



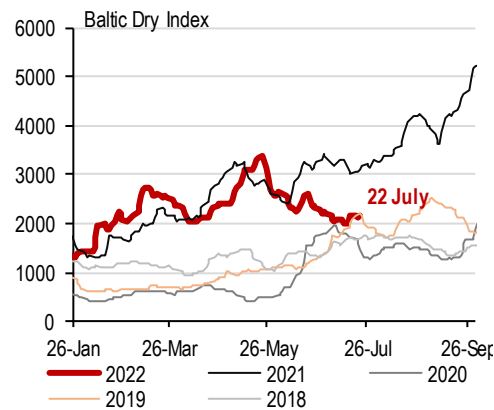
Source: Wind, HSBC

Chart 14: ...while those in third-tier cities saw a mild rebound



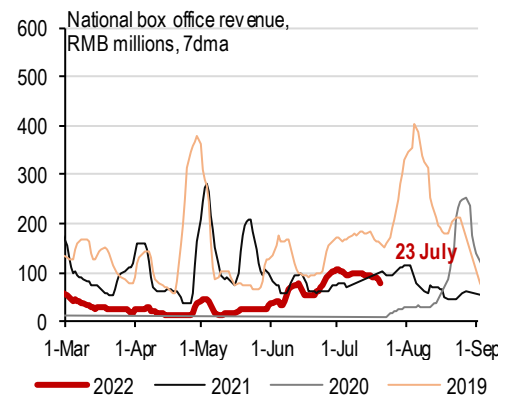
Source: Wind, HSBC

Chart 15: The Baltic Dry Index trended sideways in the recent week



Source: Wind, HSBC

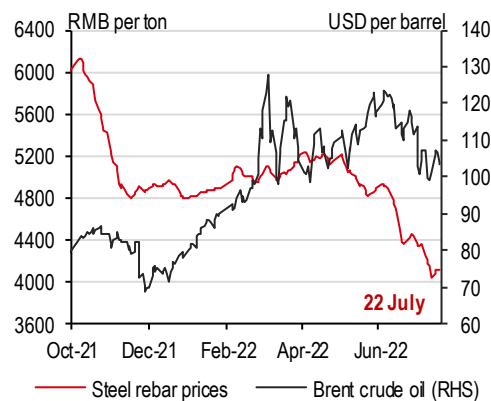
Chart 16: Box office revenues dipped again in light of rising COVID-19 cases



Source: Wind, HSBC

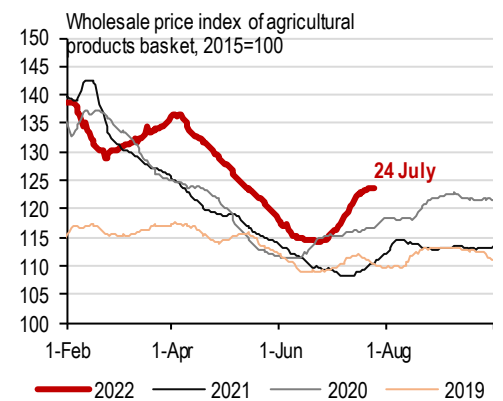
Inflation and policies

Chart 17: Oil and steel prices showed some signs of stabilization...



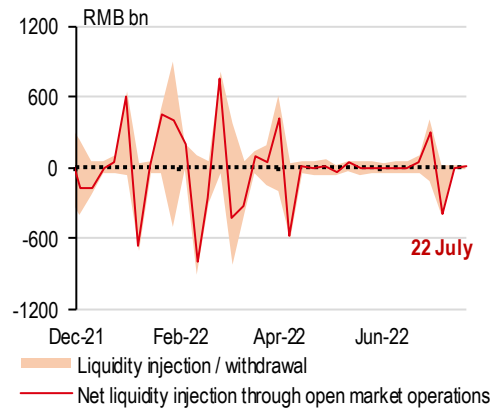
Source: Wind, HSBC

Chart 18: ... as did agricultural product prices



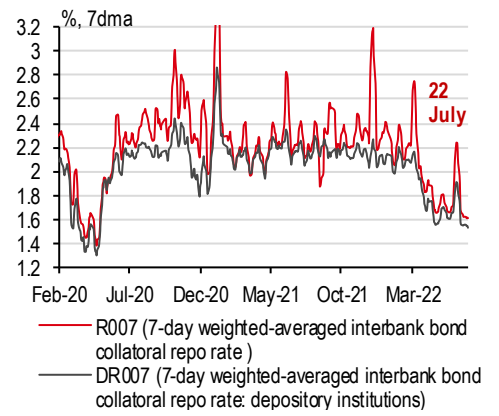
Source: Wind, HSBC

Chart 19: Last week, net liquidity saw a modest boost in the inter-bank market...



Source: Wind, HSBC

Chart 20: ...while interbank rates edged down slightly



Source: Wind, HSBC

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