

China COVID-19 tracker

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Economics - China

Recent clusters under control

- ◆ Recent COVID-19 clusters are under control, but mass testing remains in cities like Shanghai, Beijing and Jilin
- ◆ Production in the Yangtze River Delta continued to recover, and housing sales in major cities saw evident improvement...
- ◆ ...but consumption lagged behind, while uncertainty over future COVID-19 waves continues to pose downside risks

The recent COVID-19 clusters were largely under control in the latter half of the week, but mass testing remains in place in cities like Shanghai, Beijing and Jilin.

Beijing's most populous Chaoyang District carried out several rounds of mass testing during the past week following the bar cluster. The city had seen no new community cases for four weekdays, before several more emerged during the weekend. Officials said the city is in the phase-out period of this wave, but will remain highly cautious. Shanghai's daily new cases declined to c.10 on average during the past week. But all districts are required to arrange massive screenings every weekend through the end of July, and local residents are required to take at least one test every week to ensure a proper pass to take public transport or enter public venues (Bloomberg, 15 June). The city of Jilin in China's north-eastern Jilin province, announced the start of a three-day city-wide mass testing from 20 June after it reported one asymptomatic infection the day before.

Production side showed a mixed picture at industry level, while consumption remained sluggish.

The Yangtze River Delta continued to see resuming of production. The work resumption rate of the above-scale industrial enterprises in Shanghai has reached 96.3%. SAIC Motor, one of the largest Chinese automakers based in Shanghai, is reported to have resumed all of its three major plants in Shanghai to pre-epidemic production levels (Global Times, 19 June). But steel production continued to edge down, as well as its price, likely due to still sluggish construction activities. Traffic conditions softened during the past week, especially in Shanghai and Beijing, under the impact of new clusters. The annual "618" online shopping festival, where major online shopping platforms offered big discounts during the period from 1 to 18 June, still points to dampened consumption sentiment. JD.com, one of the major online shopping platforms, reported sales of RMB379.3bn during this year's "618" promotion period, or 10.3% y-o-y growth, a lot lower than the c.30% average growth in the past few years (SCMP, 19 June). This likely indicates that even with the current COVID-19 wave seemingly under control and no city-wide static management in place, uncertainty persists and even small-scare flare-ups at regional level could still dampen consumption.

Recent loosening of housing market restrictions has likely filtered through, as **housing sales for 30 major cities saw a significant improvement in the past week**, registering the first weekly positive y-o-y growth since July 2021 (except for the positive growth in late February 2022 which was mainly the result of a mismatch of the time of the Chinese New Year holiday in 2022 and 2021). But it still takes time for a pickup in housing sales to pass on to property investment, especially when land transactions are still falling.

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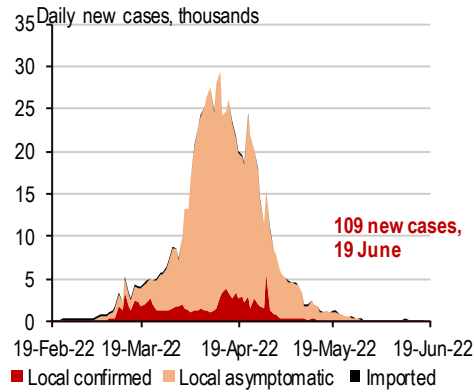
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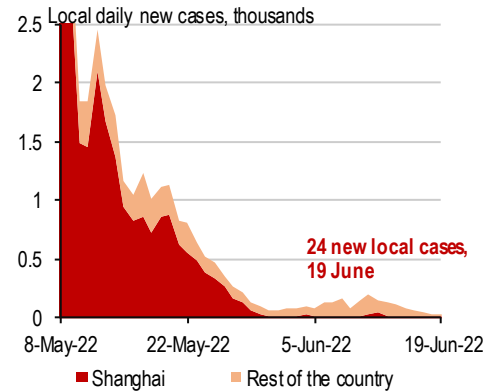
COVID-19 cases and vaccinations

Chart 1: Total daily new cases decreased in the past week ...



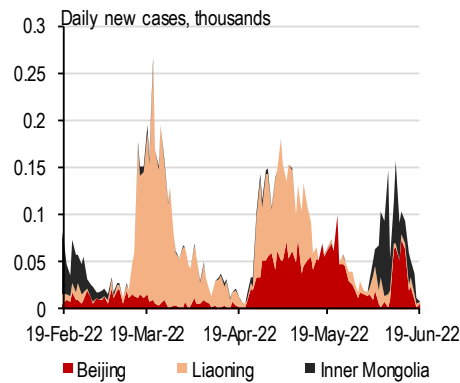
Source: CEIC, HSBC

Chart 2: ...with only a small number of new cases in Shanghai ...



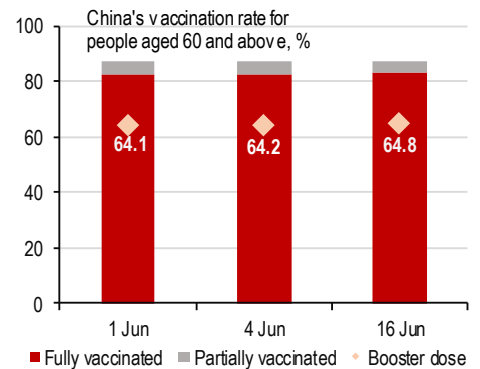
Source: CEIC, HSBC

Chart 3: ... and the number of cases in the rest of the country under control



Source: CEIC, HSBC

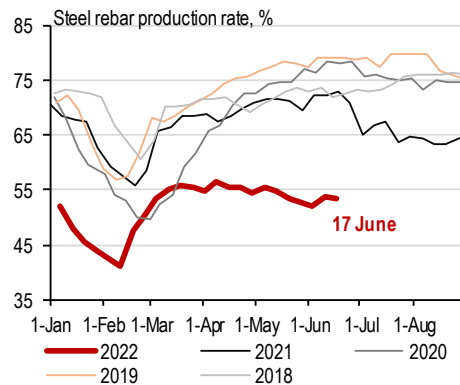
Chart 4: Vaccination rates for the elderly continued to improve



Source: National Health Commission, HSBC

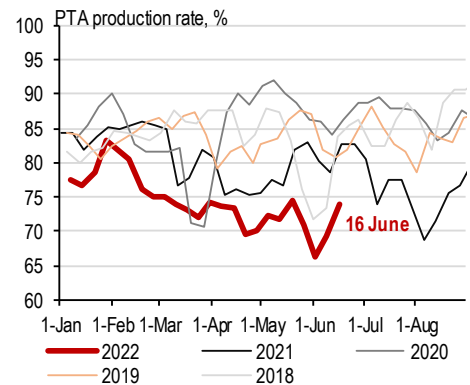
Economic activity

Chart 5: National average production rate of steel rebar edged down ...



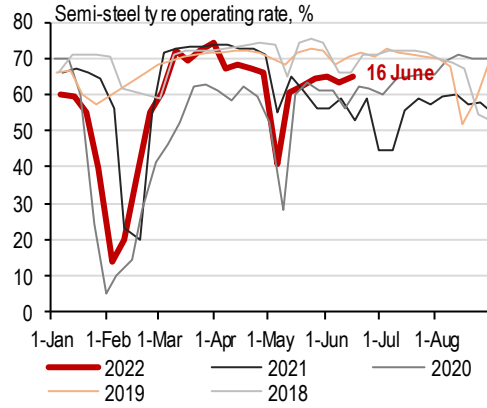
Source: Wind, HSBC

Chart 6: ... while that of PTA, a key chemical product, picked up



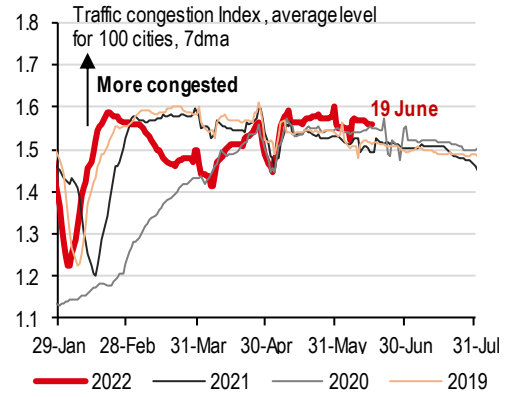
Note: PTA = Pure Terephthalic Acid, a key chemical product
Source: Wind, HSBC

Chart 7: Semi-steel operating rate also improved



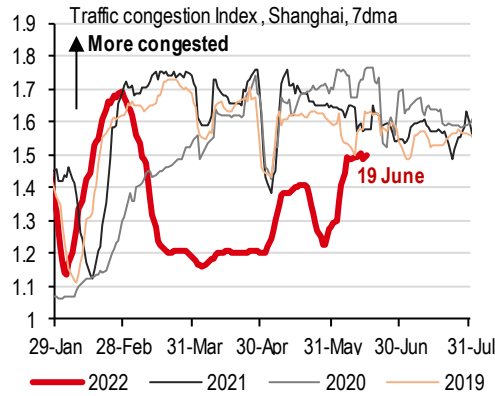
Note: Semi-steel tyres are key components for the production of automobiles
Source: Wind, HSBC

Chart 8: National average level of traffic declined moderately



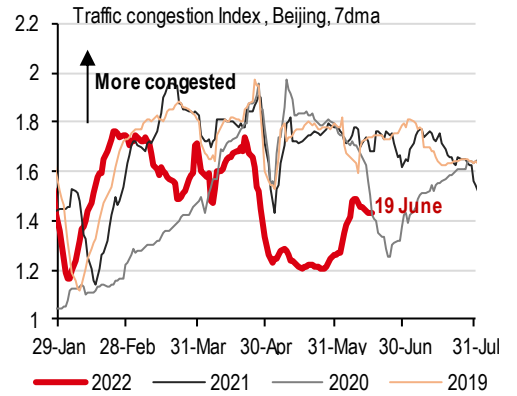
Source: Wind, HSBC

Chart 9: Shanghai traffic remained stable ...



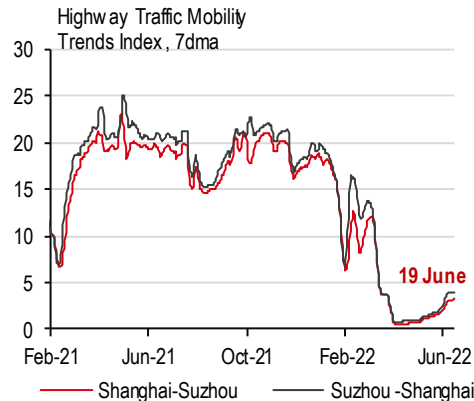
Source: Wind, HSBC

Chart 10: ...while Beijing traffic reversed the upward trend



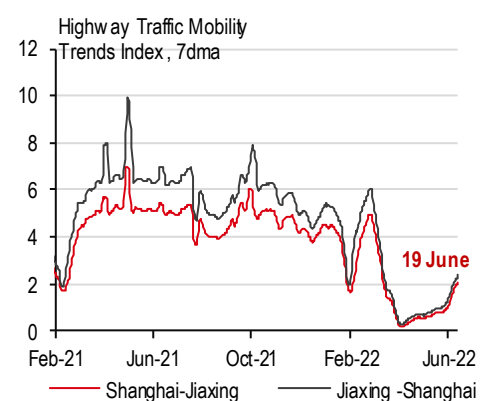
Source: Wind, HSBC

Chart 11: And the improvement of inter-regional travel to Shanghai was still limited whether it was from Jiangsu...



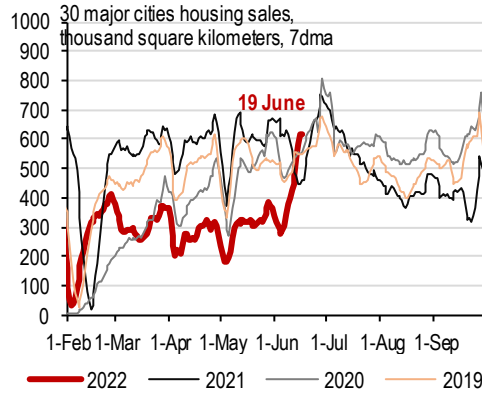
Source: Wind, HSBC

Chart 12: ...or Zhejiang



Source: Wind, HSBC

Chart 13: Housing sales in the 30 major cities saw evident pickup



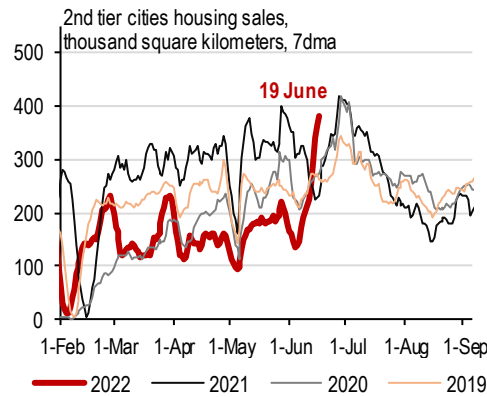
Source: Wind, HSBC

Chart 14: Housing sales improved significantly in first tier cities...



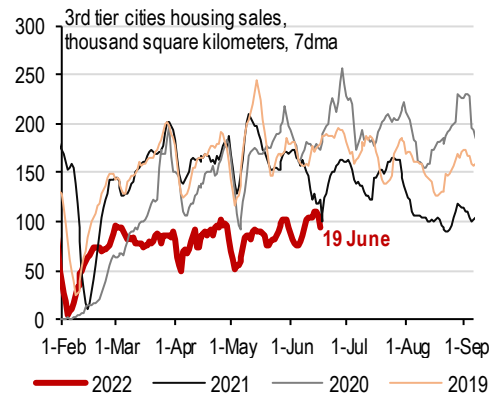
Source: Wind, HSBC

Chart 15: ... as well as in second-tier cities...



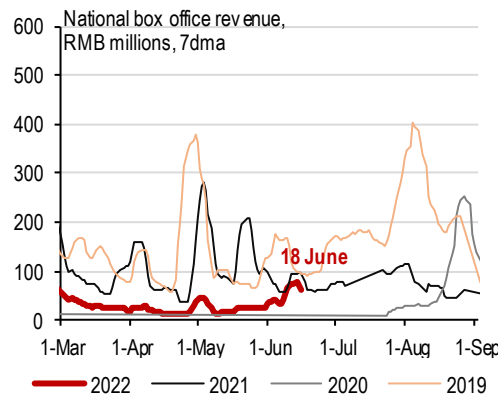
Source: Wind, HSBC

Chart 16: ... but not so much in third-tier cities



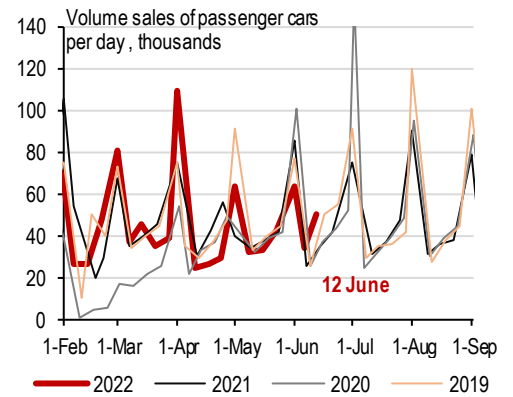
Source: Wind, HSBC

Chart 17: Box office revenues saw some pickup, but remained lower than 2021 level



Source: Wind, HSBC

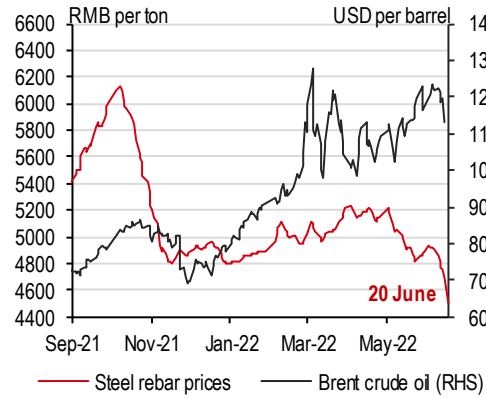
Chart 18: Car sales picked up in the second week of June



Source: Wind, HSBC

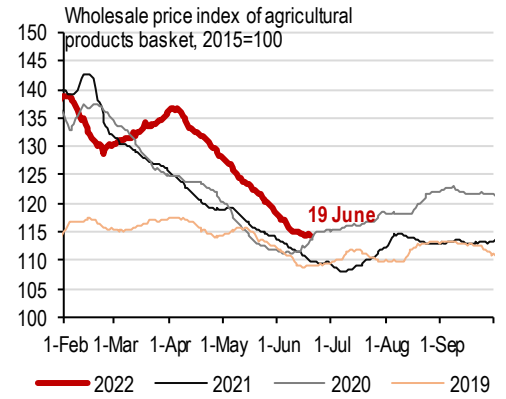
Inflation and policies

Chart 19: Steel prices slumped, while oil prices eased from the recent peak



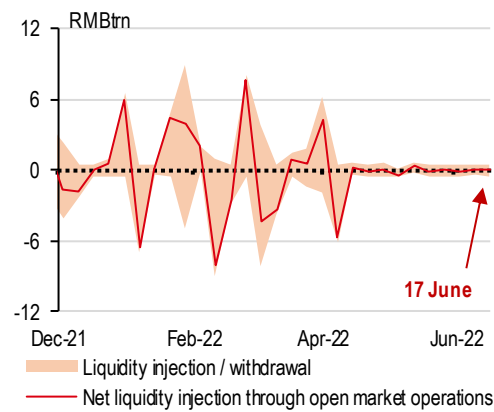
Source: Wind, HSBC

Chart 20: The decline of agricultural products' prices softened in the past week



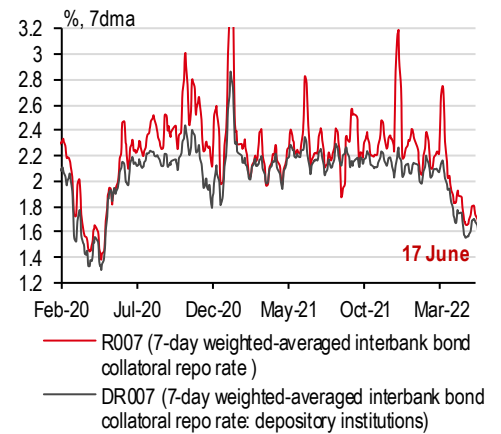
Source: Wind, HSBC

Chart 21: Zero net liquidity injection or withdrawal was seen in the past week...



Source: Wind, HSBC

Chart 22: ...while interbank rates fluctuated



Source: Wind, HSBC

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