

China COVID-19 Tracker

Things are changing

Free to View
Economics - China

- ◆ Daily cases exceeded 17,000, the highest level since late April; Guangzhou and Chongqing are battling large outbreaks
- ◆ The central government announced 20 measures for better calibration of COVID-19; cities are following the guidelines
- ◆ A strong property rescue plan has also been unveiled; sentiment is improving

Daily new cases increased beyond 17,000. China recorded 17,772 new local cases on 14 November (local confirmed cases and local asymptomatic cases), bouncing back to a level last seen in 25 April. Guangdong (5,633), Chongqing (2,951), Henan (2,287), Inner Mongolia (1,331) and Gansu (825) had the highest number of infections, dominated by asymptomatic cases. As of 15 November, 8,686 areas nationwide were labelled “high risk” and 770 “low risk”. On 15 November, the medium risk areas were cancelled and cleared. High risk areas, which are subject to more stringent restrictions, almost tripled from a week earlier. As of 15 November, among Tier-1 cities, Guangzhou had 98 high risk areas while Beijing had 218 high risk areas. Shanghai and Shenzhen each had 14 high risk areas.

Local governments are making adjustments based on the calibrated measures.

According to a circular released by the National Health Commission (NHC) on Friday, 11 November 2022, China will ease some of its COVID-19 rules and we expect the relaxation to minimise the direct drag on economic activity and lift sentiment. On the ground, cities are also fine-tuning local containment measures. Beijing’s municipal government said it will improve the epidemic prevention and control policies concerning people returning home from other provinces. Soon after the announcement of NHC’s 20 measures, Guangzhou released 16,527 people in quarantine identified as “secondary contacts”, as the new guidance no longer tracks secondary contacts (21caijing, 12 Nov). Hohhot (Inner Mongolia), Zhengzhou (Henan), Taiyuan (Shanxi) and Daqing (Heilongjiang) have adjusted relevant containment measures, including by more accurately defining control areas and making adjustments to travel policies. Many cities, including Shanghai, Yanji (Jilin) and Sanya (Hainan), terminated mass PCR testing except for those areas with unclear sources of infections (Sina, 14 Nov), in accordance with the new guidelines. Alongside the gradual relaxation, more public education is likely needed to facilitate the change.

Jing Liu
Chief Economist Greater China
The Hongkong and Shanghai Banking Corporation Limited

This is a Free to View version of a report with the same title published on 16-Nov-22. Please contact your HSBC representative or email AskResearch@hsbc.com for more information.

Disclosures & Disclaimer

This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it.

Issuer of report: The Hongkong and Shanghai Banking Corporation Limited

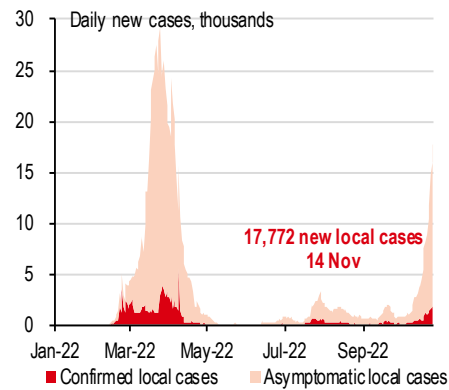
View HSBC Global Research at:
<https://www.research.hsbc.com>

Some cities are experiencing the largest outbreaks in three years. Guangzhou remains the battlefield for this round of outbreaks. Since 22 October, Haizhu district reported has more than 10,000 accumulated cases, with multiple sporadic cases found across the city. Guangzhou's local government extended the containment measures for Haizhu and several other districts until 16-18 November. In Chongqing, senior officials said in a news conference on Saturday, that the city is facing a "severe and complicated" epidemic situation and is at a critical point with its number of infections rising rapidly in recent days. Chongqing is home to 32 million people. As of 12 November, the city reported 1,820 new cases including asymptomatic ones. This is the largest COVID-19 outbreak for Chongqing in the past three years. Since Friday, several central urban districts issued notices urging residents to stay at home for seven days. Henan's capital city, Zhengzhou, is another epicentre of the recent outbreaks. It is the host city to Foxconn's largest Apple iPhone assembly plant, which has seen a dip in production due to the epidemic (China Daily, 12 Nov). On Friday, eight urban areas of the city carried out mass testing. Meanwhile, the number of new locally transmitted COVID-19 infections in Beijing has continued to rise over the past few days. Officials of the Center for Disease Prevention and Control urged residents to reduce gatherings. Haidian district also suspended all in-person cultural and art training courses starting on Friday.

China released the strongest property support plan so far. Local media reported the PBoC and CBIRC jointly issued a notice to financial institutions on 12 November, laying out 16 measures to ensure the "stable and healthy development" of the property sector (Caijing, 13 Nov). Unlike the previous steps there were mostly in piecemeal style, the latest notice listed plans tackling supply side issues, particularly developers' liquidity stress as well as boosting demand such as by further reducing down-payments for housing mortgages. This is by far the strongest policy package to date aimed at supporting the property sector, of which both investment and sales indicators remained sluggish for the most part of this year. On 8 November, NAFMII, which regulates China's interbank market, said that it will expand the bond financing scheme to about RMB250bn with support from PBOC. Taking together, we see the recent measures as a game changer, as now policymakers are using various measures to support property developers rather than just ensuring deliveries of unfinished housing projects. The latest housing easing measures and a gradual shift in the zero-COVID policy should support a recovery in growth.

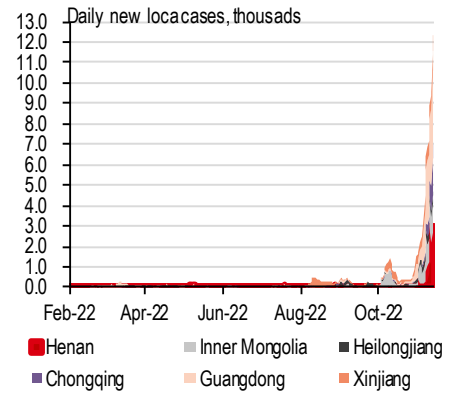
COVID-19 cases and vaccinations

Chart 1: Daily new cases exceeded 17,000



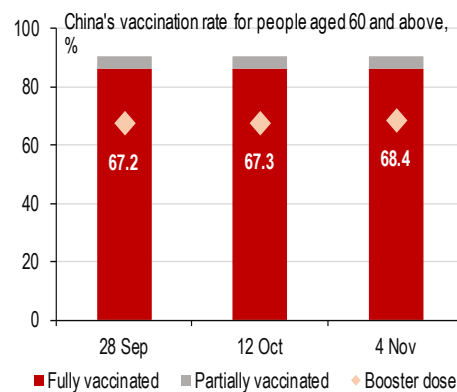
Source: CEIC, HSBC

Chart 2: Guangdong, Henan and Chongqing are the major epicentres



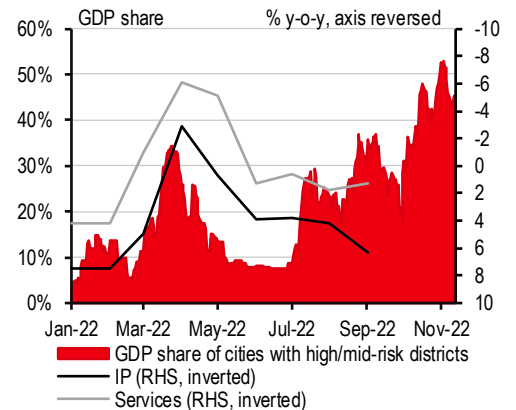
Source: CEIC, HSBC

Chart 3: Vaccination rates for the elderly have increased steadily



Source: National Health Commission, HSBC

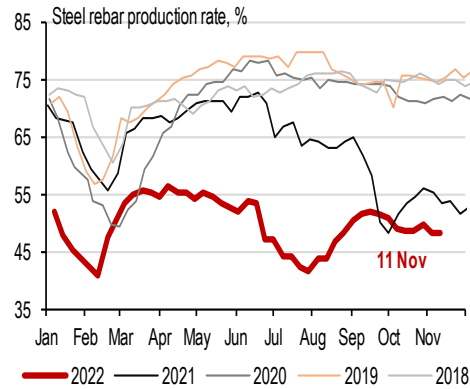
Chart 4: COVID-19 restrictions remained elevated



Note: Data as of 12 November 2022.
Source: Wind, CEIC, HSBC estimate

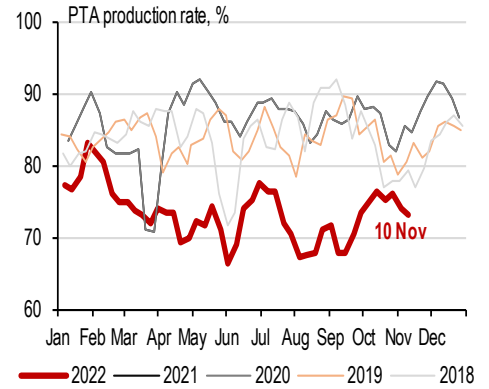
Economic activity

Chart 5: The steel rebar production rate was stable



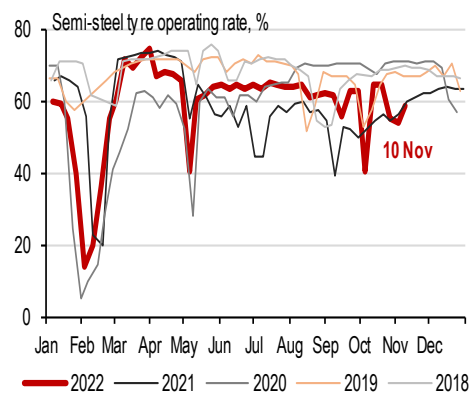
Source: Wind, HSBC

Chart 6: The production rate in the chemical sector dropped



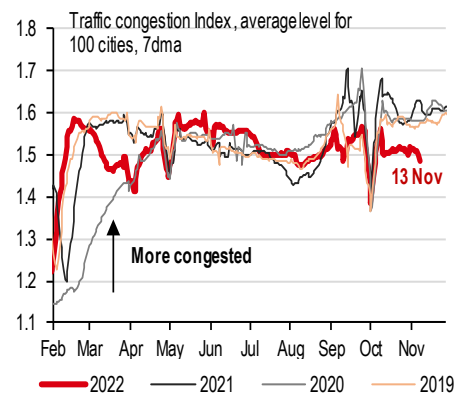
PTA = Pure Terephthalic Acid, a key chemical product.
 Source: Wind, HSBC

Chart 7: The semi-steel operating rate ticked up



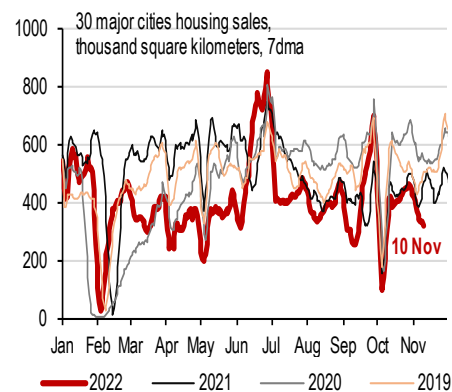
Note: Semi-steel tyres are key components for the production of automobiles.
 Source: Wind, HSBC

Chart 8: The national average level of traffic went down moderately



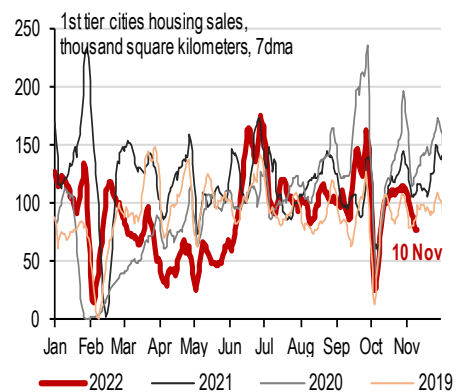
Source: Wind, HSBC

Chart 9: Housing sales in 30 major cities eased in the past week

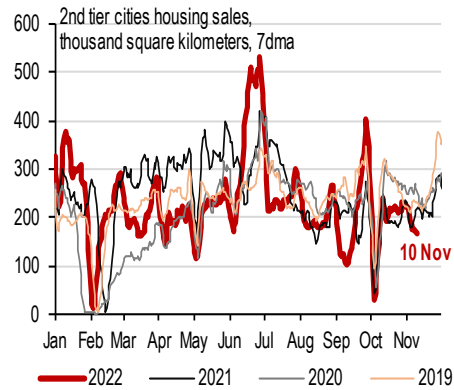


Source: Wind, HSBC

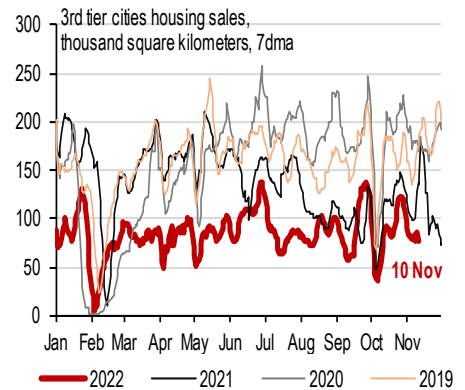
Chart 10: Housing sales in Tier-1 cities slowed rather notably



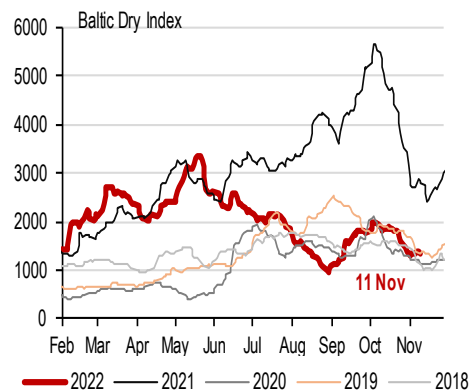
Source: Wind, HSBC

Chart 11: Tier-2 cities' housing sales eased further


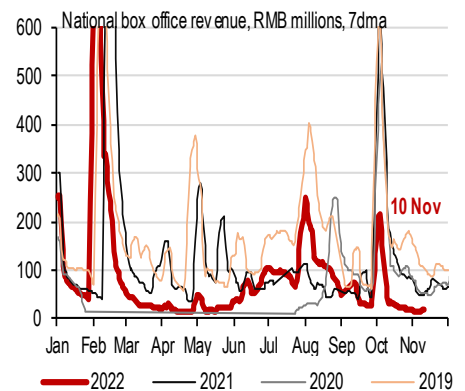
Source: Wind, HSBC

Chart 12: ... Tier-3 cities' housing sales appeared to have stabilised


Source: Wind, HSBC

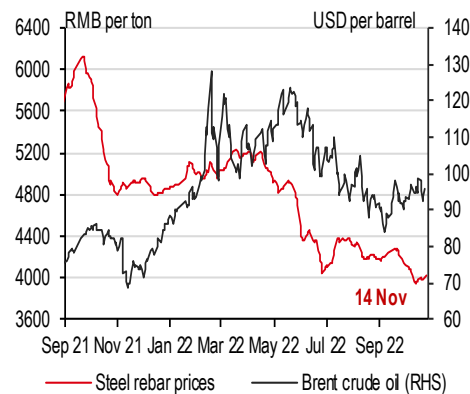
Chart 13: The Baltic Dry Index stabilized


Source: Wind, HSBC

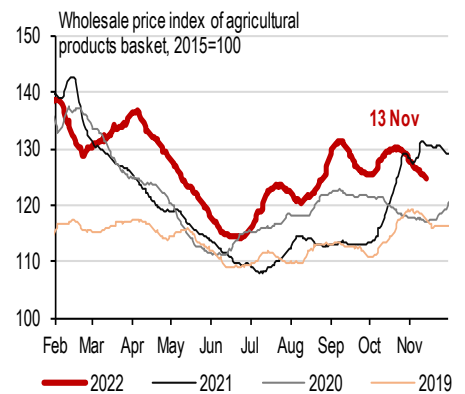
Chart 14: Box office revenue remained weak


Source: Wind, HSBC

Inflation and policies

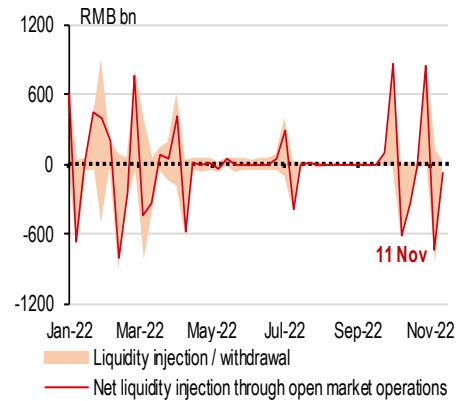
Chart 15: Oil prices and steel rebar prices stayed at similar levels


Source: Wind, HSBC

Chart 16: Agricultural product prices came down


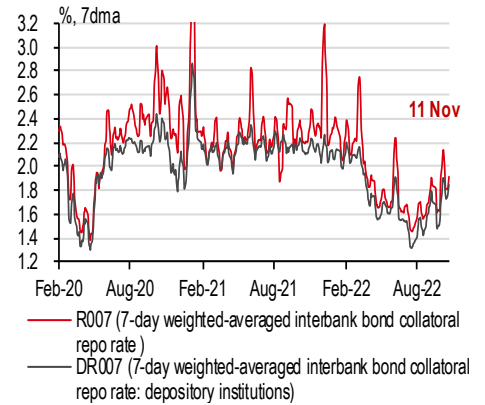
Source: Wind, HSBC

Chart 17: The PBoC withdrew RMB80bn of liquidity through OMOs in the recent week



Source: Wind, HSBC

Chart 18: Interbank rates edged up in the past week



Source: Wind, HSBC

Disclosure appendix

The following analyst(s), who is(are) primarily responsible for this document, certifies(y) that the opinion(s), views or forecasts expressed herein accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Jing Liu

This document has been issued by the Research Department of HSBC.

HSBC and its affiliates will from time to time sell to and buy from customers the securities/instruments, both equity and debt (including derivatives) of companies covered in HSBC Research on a principal or agency basis or act as a market maker or liquidity provider in the securities/instruments mentioned in this report.

Analysts, economists, and strategists are paid in part by reference to the profitability of HSBC which includes investment banking, sales & trading, and principal trading revenues.

Whether, or in what time frame, an update of this analysis will be published is not determined in advance.

For disclosures in respect of any company mentioned in this report, please see the most recently published report on that company available at www.hsbcnet.com/research.

Additional disclosures

- 1 This report is dated as at 16 November 2022.
- 2 All market data included in this report are dated as at close 15 November 2022, unless a different date and/or a specific time of day is indicated in the report.
- 3 HSBC has procedures in place to identify and manage any potential conflicts of interest that arise in connection with its Research business. HSBC's analysts and its other staff who are involved in the preparation and dissemination of Research operate and have a management reporting line independent of HSBC's Investment Banking business. Information Barrier procedures are in place between the Investment Banking, Principal Trading, and Research businesses to ensure that any confidential and/or price sensitive information is handled in an appropriate manner.
- 4 You are not permitted to use, for reference, any data in this document for the purpose of (i) determining the interest payable, or other sums due, under loan agreements or under other financial contracts or instruments, (ii) determining the price at which a financial instrument may be bought or sold or traded or redeemed, or the value of a financial instrument, and/or (iii) measuring the performance of a financial instrument or of an investment fund.

Disclaimer

Issuer of report The Hongkong and Shanghai Banking Corporation Limited

This document has been issued by The Hongkong and Shanghai Banking Corporation Limited, which has based this document on information obtained from sources it believes to be reliable but which it has not independently verified. Neither The Hongkong and Shanghai Banking Corporation Limited nor any member of its group companies ("HSBC") make any guarantee, representation or warranty nor accept any responsibility or liability as to the accuracy or completeness of this document and is not responsible for errors of transmission of factual or analytical data, nor is HSBC liable for damages arising out of any person's reliance on this information. The information and opinions contained within the report are based upon publicly available information at the time of publication, represent the present judgment of HSBC and are subject to change without notice.

This document is not and should not be construed as an offer to sell or solicitation of an offer to purchase or subscribe for any investment or other investment products mentioned in it and/or to participate in any trading strategy. It does not constitute a prospectus or other offering document. Information in this document is general and should not be construed as personal advice, given it has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on it, consider the appropriateness of the information, having regard to their objectives, financial situation and needs. If necessary, seek professional investment and tax advice.

The decision and responsibility on whether or not to purchase, subscribe or sell (as applicable) must be taken by the investor. In no event will any member of the HSBC group be liable to the recipient for any direct or indirect or any other damages of any kind arising from or in connection with reliance on any information and materials herein.

Past performance is not necessarily a guide to future performance. The value of any investment or income may go down as well as up and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may have an adverse effect on the value, price or income of that investment. In case of investments for which there is no recognised market it may be difficult for investors to sell their investments or to obtain reliable information about its value or the extent of the risk to which it is exposed. Some of the statements contained in this document may be considered forward looking statements which provide current expectations or forecasts of future events. Such forward looking statements are not guarantees of future performance or events and involve risks and uncertainties. Actual results may differ materially from those described in such forward-looking statements as a result of various factors.

This document is for information purposes only and may not be redistributed or passed on, directly or indirectly, to any other person, in whole or in part, for any purpose. The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. By accepting this report, you agree to be bound by the foregoing instructions. If this report is received by a customer of an affiliate of HSBC, its provision to the recipient is subject to the terms of business in place between the recipient and such affiliate. The document is intended to be distributed in its entirety. Unless governing law permits otherwise, you must contact a HSBC Group member in your home jurisdiction if you wish to use HSBC Group services in effecting a transaction in any investment mentioned in this document.

Certain investment products mentioned in this document may not be eligible for sale in some states or countries, and they may not be suitable for all types of investors. Investors should consult with their HSBC representative regarding the suitability of the investment products mentioned in this document.

HSBC and/or its officers, directors and employees may have positions in any securities in companies mentioned in this document. HSBC may act as market maker or may have assumed an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell or buy securities and may also perform or seek to perform investment banking or underwriting services for or relating to those companies and may also be represented on the supervisory board or any other committee of those companies.

From time to time research analysts conduct site visits of covered issuers. HSBC policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.

The Hongkong and Shanghai Banking Corporation Limited is regulated by the Hong Kong Monetary Authority.

© Copyright 2022, The Hongkong and Shanghai Banking Corporation Limited, ALL RIGHTS RESERVED. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of insert issuing entity name. MCI (P) 037/01/2022, MCI (P) 027/10/2022

[1203809]