

China COVID-19 Tracker

Cases spiked above 5,000, but hopes for relaxation build

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Economics - China

- ◆ Daily cases breached 5,000 for the first time since 4 May; the resurgence was largely led by Guangdong and Inner Mongolia
- ◆ Yet the hope for relaxation is ramping up amid recent positive developments and market speculation
- ◆ Key meetings in December will offer details on economic policies, and maybe some clues on the COVID-19 strategy too

Daily new cases exceeded 5,000. China recorded 5,496 new local cases on 6 November (local confirmed cases and local asymptomatic cases), the highest level since 4 May. Guangdong (2,106), Inner Mongolia (1,033), Xinjiang (615), Henan (306) and Heilongjiang (290) had the highest number of infections, dominated by asymptomatic cases. As of 8 November, 3,339 areas nationwide were labelled “high risk” and 2,419 “medium risk”, both up from a week earlier ([China Covid-19 Tracker](#), 2 Nov). High-risk areas are subject to more stringent restrictions. As of 8 November, among Tier-1 cities, Guangzhou and Shenzhen had 42 and six high risk areas, respectively. Beijing had 47 high risk areas. Shanghai had zero high-risk areas, but put seven areas in the medium-risk category.

Guangzhou continues to battle rebound infections. Guangzhou, the capital city of Guangdong province, reported 1,935 cases on Sunday (Guangzhou Municipal Health Commission, 7 Nov). Of the new infections reported, 1,880 cases were found in Haizhu district. Residents within that district have been required to stay home until 11 November, while all public transportation has been suspended (Sina, 8 Nov). Meanwhile, there were also sporadic cases found in Baiyun, Panyu and Liwan districts, posing risks of further spread of the virus at the community level. In Beijing, case numbers also shot up. On Monday, the capital city reported 64 new cases including local asymptomatic cases. However, more concerns came from the epidemic control measures. Once residents left Beijing, they found it hard to return, as the risk alert on their mobile-based health code may prevent travellers from buying tickets to return (China Daily, 7 Nov).

Hopes are building for a gradual relaxation. Last week, mainland China and Hong Kong stock markets were lifted by speculation about a potential ‘China reopening’, including: i) an unverified social media post, indicating that the central government has formed a “reopening committee” to assess the scenarios on pivoting from the zero-Covid strategy (Bloomberg, Nov 1); and ii) a transcript attributed to the former chief epidemiologist of the Chinese Centre of Disease Control and Prevention, Professor Zeng Guang, saying that China is making “substantial” changes to the zero-Covid policy (SCMP, 4 Nov). However, during the regular press conference, officials from the National Health Commission (NHC) reiterated that China will “unswervingly” stick to its zero-Covid policy. In particular, there could be an overlap of seasonal influenza and COVID-19 outbreak this winter (China Daily, 7 Nov).

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Indeed, we view the change of COVID-19 policy as a gradual process – when conditions are satisfied, progress will be made – rather than a binary event ([Getting back on track](#), 3 Nov 2022). There have been positive developments. First, during the Saturday meeting, the NHC pledged to rectify containment measures that are oversimplified (防控简单化) (NHC, 5 Nov). A number of cities were singled out as having received a relatively large number of malpractice complaints, including Zhengzhou (Henan) and Shenzhen (Guangdong). Second, a series of foreign leaders have visited China over the past month, including German Chancellor Olaf Scholz last week, pointing to more exchange of high-level visits. Third, major commercial events started to make a comeback in large cities. Shanghai is hosting the 5th China International Import Expo (CIIE) between 5 - 10 November, despite targeted lockdowns implemented in parts of the city. The Beijing Marathon also came back after two years, attracting 30,000 runners over the weekend, though only Beijing residents were allowed to compete this time (RFI, 7 Nov).

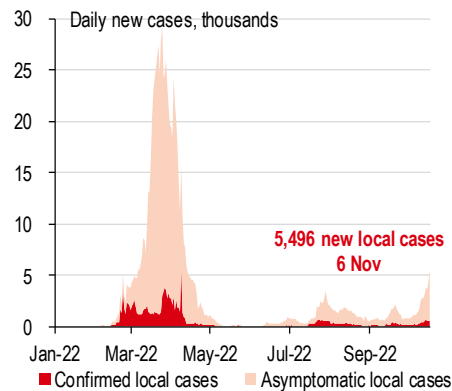
BioNTech mRNA vaccine will be available for expats in China. More progress was made on the day of German Chancellor Olaf Scholz's visit. The Chinese government will allow expats in China to be inoculated with the German company, BioNTech's, COVID-19 vaccine (Bloomberg, 4 Nov). The programme will mark the first foreign vaccine and the first mRNA vaccine to be made available in China. Meanwhile, reportedly China is working on a plan to end COVID-19 flight suspensions (Bloomberg, 4 Nov). China Aviation Supplies also signed an agreement to buy 140 Airbus planes, citing that the purchase is aimed at meeting the demand from China's recovering air transport sector (China Travel News, 4 Nov).

Key meetings in December

In the coming 1-2 months, several key meetings are worth watching out for, which may reveal the government's policy direction for next year. The first one will be an early December meeting where the new 24-member Politburo will meet for the first time, laying out policy priorities for 2023 (Bloomberg, 4 Nov). Followed on that, the Central Economic Work Conference (CEWC) is expected to provide more details on economic policy direction next year. Though both meetings will likely focus on economic policies, they may also offer some clues on policy balance. For example, the July Politburo meeting emphasised coordination of COVID-19 prevention and control with economic and social development, and vowed to "strike for the best possible outcome" without reiterating the 5.5% growth target, suggesting tolerance for a lower than target growth.

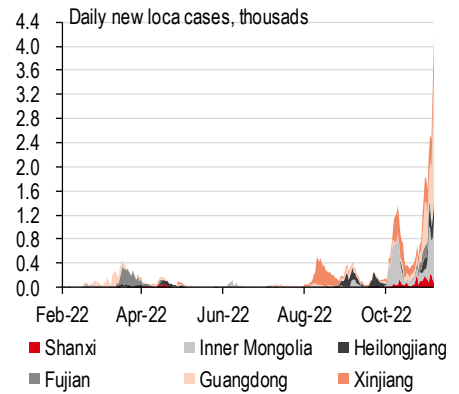
COVID-19 cases and vaccinations

Chart 1: Daily new cases exceeded 5,000



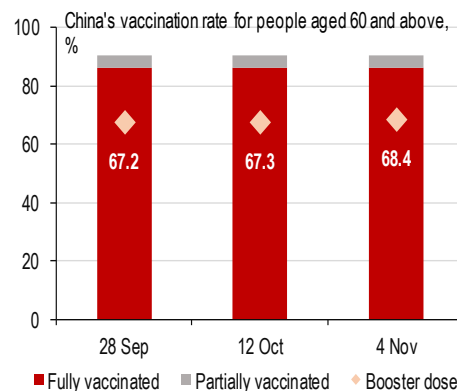
Source: CEIC, HSBC

Chart 2: Guangdong, Inner Mongolia and Xinjiang are the major epicentres



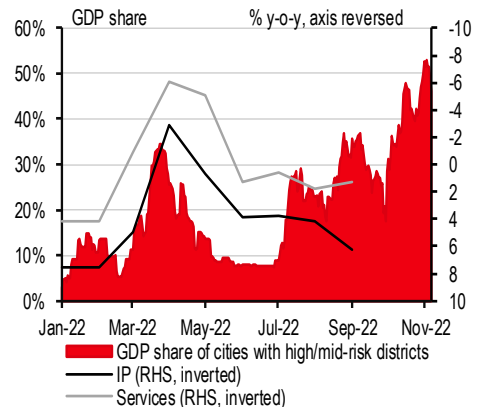
Source: CEIC, HSBC

Chart 3: Vaccination rates for the elderly have increased steadily



Source: National Health Commission, HSBC

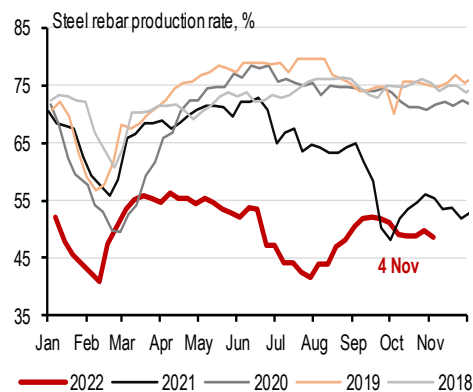
Chart 4: COVID-19 restrictions remained elevated



Note: Data as of 6 November 2022.
Source: Wind, CEIC, HSBC estimate

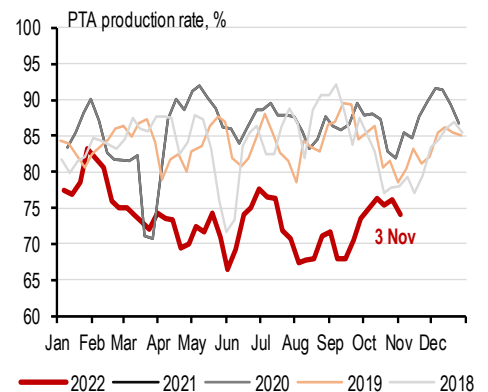
Economic activity

Chart 5: The steel rebar production rate edged down



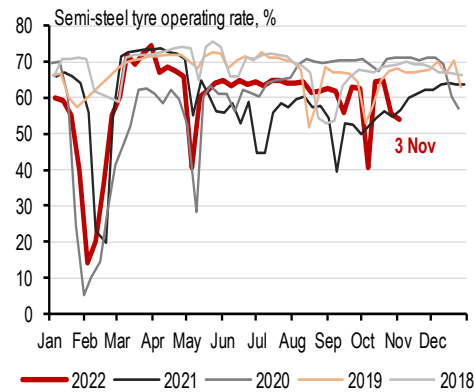
Source: Wind, HSBC

Chart 6: The production rate in the chemical sector also dropped



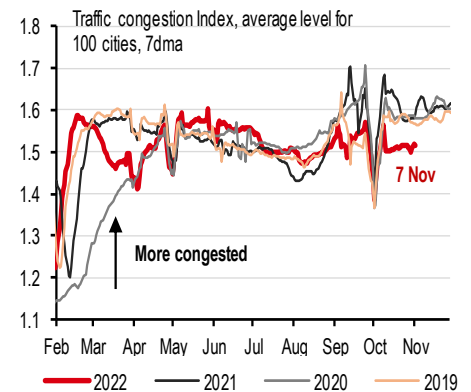
PTA = Pure Terephthalic Acid, a key chemical product.
Source: Wind, HSBC

Chart 7: The semi-steel operating rate eased again



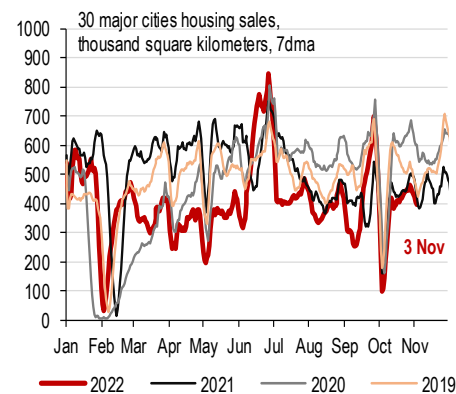
Note: Semi-steel tyres are key components for the production of automobiles.
Source: Wind, HSBC

Chart 8: The national average level of traffic remained below prior years



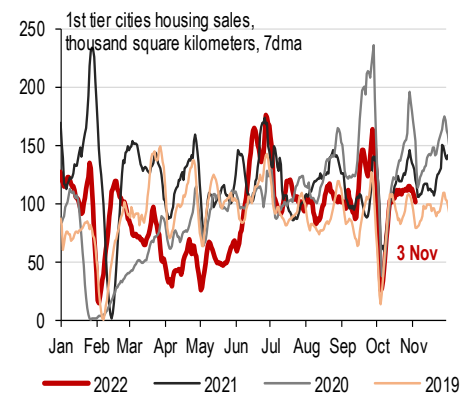
Source: Wind, HSBC

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



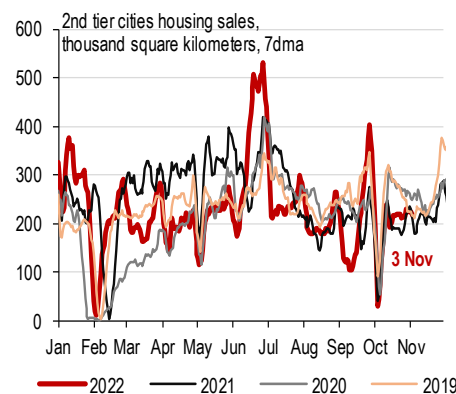
Source: Wind, HSBC

Chart 10: Housing sales in Tier-1 cities slowed moderately



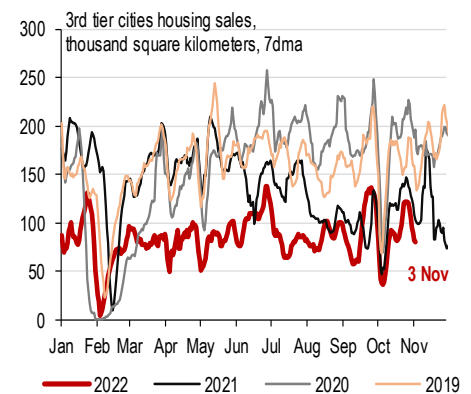
Source: Wind, HSBC

Chart 11: Tier-2 cities' housing sales held up

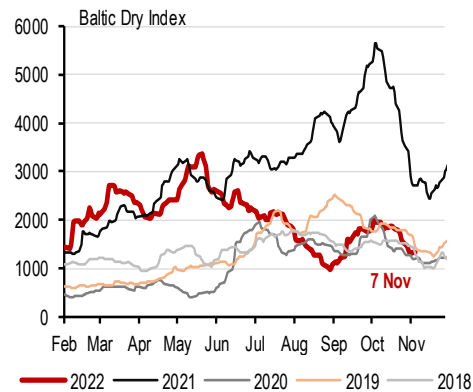


Source: Wind, HSBC

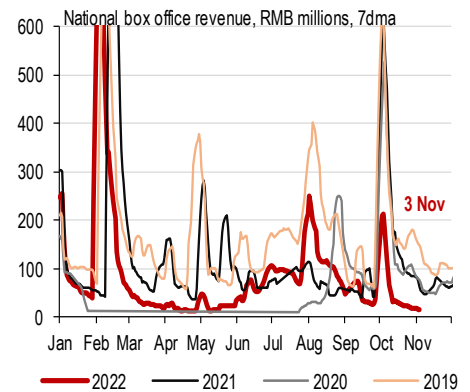
Chart 12: ...while Tier-3 cities' housing sales dropped further



Source: Wind, HSBC

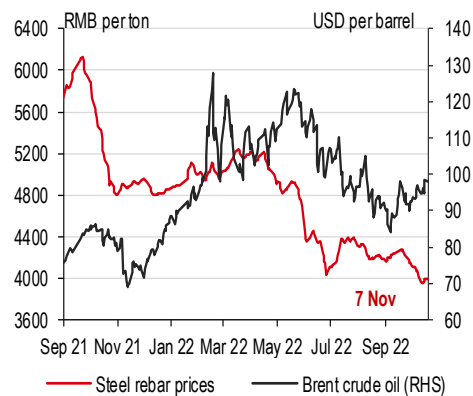
Chart 13: The Baltic Dry Index eased further


Source: Wind, HSBC

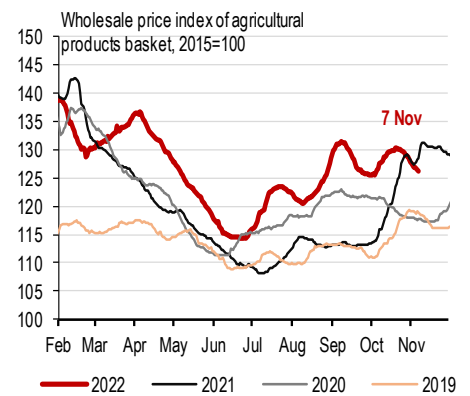
Chart 14: Box office revenue remained weak, reflecting stringent restrictions


Source: Wind, HSBC

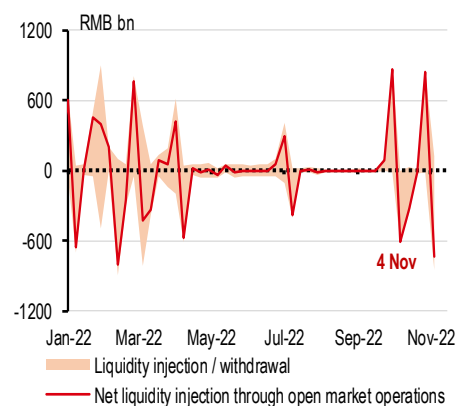
Inflation and policies

Chart 15: Oil prices picked up moderately, while steel rebar prices bottomed


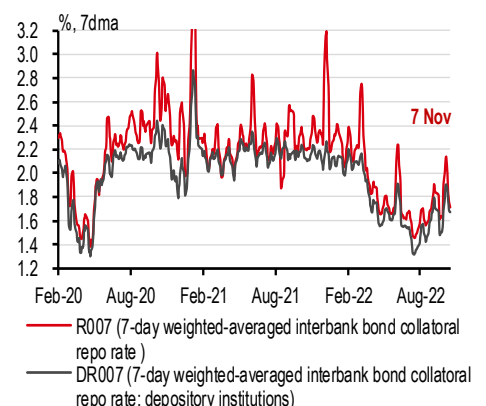
Source: Wind, HSBC

Chart 16: Agricultural product prices came down


Source: Wind, HSBC

Chart 17: PBOC withdrew RMB737bn of liquidity through OMOs in the recent week


Source: Wind, HSBC

Chart 18: Interbank rates declined in the past week


Source: Wind, HSBC

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