China Business Weekly

10 May 2022

法兰德斯中国商会 FCCC VCKK
FLANDERS-CHINA CHAMBER OF COMMERCE
VLAAMS-CHINESE KAMER VAN KOOPHANDEL

FCCC/EUCBA ACTIVITIES

China: Life-sciences Masterclass: Understanding China's Healthcare Market and its Evolutions: 6 module course – May 2022

The Flanders-China Chamber of Commerce, in collaboration with Smart Hub Flemish Brabant and Flanders Investment & Trade, has the pleasure to invite you to the Masterclass: "Understanding China's Healthcare sector". The Chinese healthcare market is experiencing an unprecedented growth that is presenting burgeoning opportunities for Flemish companies. China is now the second largest market in the world for medical devices and pharmaceuticals. China's healthcare service market is also quickly becoming one of the largest in the world.

Taking into account these opportunities, the FCCC will organise a 6-module course focused on helping companies to enter the Chinese market. This project is aimed at innovative companies in the pharma, biotech, medtech, medical insurance and nutrition sectors.

The programme will give participants a better understanding of the general Chinese healthcare market. Business executives will learn about the general healthcare landscape and how it has evolved, as well as the opportunities and the challenges, best practices and lessons learned, negotiation tactics, legislation, product registration, financial incentives, production and sales.

The series of webinars will end with a matchmaking meeting, where participants will have the opportunity to introduce themselves to potential Chinese partners and investors.

More information on all sessions can be viewed here

Practical information: Time: 10h00 - 11h30

Date
First session: 10 May 2022
Second session: 11 May 2022
Third session: 12 May 2022
Fourth session: 17 May 2022
Fifth session: 18 May 2022
Final session: 20 May 2022

Price members: €125 - All sessions

Price non members: €185 - All sessions

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Visit to Huawei Cyber Security Transparency Center – May 24, 2022 at 10:30 AM, Brussels

The Flanders-China Chamber of Commerce and its structural partner Huawei have the pleasure to invite you to visit the Huawei Cyber Security Transparency Center in Brussels. Mr Derek Huang, Managing Director, will address how Huawei is dealing with possible Cyber Security concerns in all transparency. This visit will take place on May 24 at 10:30 AM CEST and will be followed by a Chinese walking lunch.

The programme is as follows:

10:30 - 10:40:

Welcome by Ms Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce

Introduction on the center's mission and achievements by Mr Derek Huang, Managing Director BELUX of Huawei Technologies

10:40 – 11:10: Huawei Cyber Security Practices

- Explanation of E2E cyber security assurance system

- Explanation of secure supplier management

- Vulnerability management

- Thorough product evaluation

11:10 – 11:40: Visit of the laboratories & dynamic screens tour

- Huawei engagement in Europe

- Huawei product security baseline

12:00 – 14:00: Chinese walking lunch

Practical information:

Date and time: May 24, 2022, 10:30 - 14:00

Location: Huawei Cyber Security Transparency Center, Rue Guimard 9, 1000 Brussels

Price for members: Free

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ACTIVITIES SUPPORTED BY FCCC

Flanders Investment and Trade Export Fair – 21-23 June 2022 – Brussels

The Flanders-China Chamber of Commerce participates in the Flanders Investment and Trade Export Fair.

Come and meet us at our booth.

The FCCC will organize a seminar on doing business with a changing China on 22 June at 10h30. More details will follow.

Program of the Export Fair

Register and make your own program. The Fair is open from 9:00 till 17:00.

An overview of all activities is in the agenda.

Appointment with a FIT Country Expert

Worldwide FIT has stationed country experts who live and work in the export destination of your dreams:

- 89 economic and trade representatives
- 9 technology representatives
- 4 customs representatives

Discuss your export plans with them and realize your international dreams!

Make an appointment soon, FIT Country Experts are very popular. You can find their profiles here.

Seminars & workshops

Are you looking for practical advise and inspiration for your international plans? FIT is organizing numerous interesting seminars and workshops to optimize your international talent and skills. You will find them in the agenda.

FIT-booth

In the center of the Fair is the FIT-booth, where you can go for all your questions about our services.

- subsidies and financing
- group business trips, participation in expos & other events
- market information (trade statistics, regulations, international opportunities)
- consultancy (market inquiries, how to make an export plan, evaluation of the export capacity of your company with our patented export meter etc.)

You can make an appointment in advance with our 14 international advisers on entrepreneurship.

Other Fair participants

Many service providers who can help you make a success of your international project are happy to welcome you at their booth. You can find an overview of the participants here.

Website of the FIT Export Fair: https://exportbeurs-2022.b2match.io/page-2161

PAST EVENTS

Webinar: The economic landscape in China: challenges and opportunities after 2.5 years of pandemic – Thursday 5 May 2022

The Flanders-China Chamber of Commerce and Flanders Investment and Trade organized **a webinar with the Flemish Economic Representatives in China** on 5 May 2022 about **"The economic landscape in China: challenges and opportunities after 2.5 years of pandemic".**

Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce, moderated the panel discussion with **Marc Struyvelt**, Flemish Economic Representative in Beijing; **Bart Boschmans**, Flemish Economic Representative in Shanghai; **Eva Verstraelen**, Flemish Economic Representative in Guangzhou; and **Siegfried Verheijke**, Flemish Economic Representative in the Hong Kong S.A.R.

A Q&A session concluded the webinar.

A detailed report of this webinar will follow next week.

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HEALTH

Quarantine reduced to 10 days; mass testing continues in Beijing; Shanghai reimposes some lockdowns after one-day rise in cases

International passengers arriving in Beijing will only need to stay in quarantine for 10 days, down from the previous 21 days, in addition to one week of home quarantine. Those who entered through other Chinese cities are allowed to enter the capital after 14 days of quarantine in the entry cities.

Shanghai reimposed lockdowns in some areas after a one-day 50% surge in new symptomatic cases to 322. Including asymptomatic cases, the numbers dropped 0.7% to 3,947 according to data released on May 9. Wanli, the first subdistrict in Shanghai to achieve the societal zero-Covid goal, to embark on "static management" again to guard against a resurgence of the virus. Shanghai's cumulative cases hit 608,000 since the outbreak began on March 1 while total fatalities reached 547.

The Covid-19 outbreak in Beijing has shown a first sign of ebbing, as on May 8 no new cases were reported from mass testing in the community. New cases were all found in quarantined areas. But on May 9, Beijing reported a new cluster of 21 infections in a data center of the Beijing Rural Commercial Bank in Shunyi district. By 4 pm on May 9, the district had identified 915 close contacts and 14 residential communities in Shunyi and the building of the data center were designated as precautionary zones. On May 9 Beijing had 21 high-risk and 35 medium-risk areas. The World Trade Center complex of hotels, commercial centers and shopping malls at the heart of the central business district in Chaoyang, is under lockdown after it was visited by a confirmed case. People entering public venues or using public transport across the city must show a negative PCR test taken within the previous seven days.

Beijing has doubled down on measures to cut off Covid-19 transmissions, with officials declaring the situation still "very challenging" despite the Chinese capital reporting fewer new cases. The city shut down more than 60 subway stations, about 15% of the total. Schools have postponed a return to classes on May 11. On May 9, 28 new infections were discovered, taking the total to 777 since the Omicron variant surfaced in the capital on April 22.

Authorities in Beijing asked residents in Chaoyang and Shunyi districts to work from home and not to leave the districts if not absolutely necessary and extended the suspension of restaurants' dining-in services. The number of Covid cases in the latest outbreak in Beijing has now reached 777, which is more than double the 335 infections in the capital's previous largest outbreak in the summer of 2021. Of the 777 infected people, only one developed serious symptoms – a 79-year-old who was not fully vaccinated.

Shanghai has been striving to achieve societal zero-Covid status in zones were no new cases had been detected for 14 days, but early last week new cases were reported in some of those zones, which would prevent the city from further relaxing the lockdown. The situation remains mixed, with the number of cases falling in some areas and rising again in others. Meanwhile more and more factories are resuming production under the closed loop system, where workers are sleeping on-site or nearby to avoid contact with outsiders. Some 63% of Shanghai's total population are in precautionary areas without a positive case in the last two weeks. The number of residents in locked-down areas has fallen to 2.39 million in the middle of last week.

Strict measures have also been imposed in Zhengzhou, capital of Henan province, where the world's largest iPhone factory run by Taiwan's Foxconn Technology Group is located. The city launched the measures after nine symptomatic and 24 asymptomatic cases were reported. Schools in the main city district will go online, while government and corporate staff will be working from home. Zhengzhou and Dalian (in Liaoning province) have also launched mass testing.

A meeting of the Standing Committee of the Political Bureau of the Communist Party of China, presided over by General Secretary Xi Jinping, said that China won the fight against Covid-19 in Wuhan, and it is certain to win the antivirus battle in Shanghai. It **said that China would be sticking to the dynamic zero-Covid approach**, adjusted according to specific conditions. The Standing Committee stressed that great uncertainties remain and it is not the right time to relax the efforts in battling the virus, adding that the country lacks adequate medical resources for the whole population, so relaxing response measures would definitely lead to large-scale infections, along with many severe cases and fatalities. The meeting also stated that: "we must struggle against speech and acts that distort, question or reject our country's anti-epidemic guidelines and policy."

If all of China's first- and second-tier cities, with roughly 505 million residents, implement mass testing for a year, the cost could top CNY1.7 trillion, which

would be about 1.5% of China's 2021 GDP, or about 8.7% of last year's public fiscal revenue, Tao Chuan, Chief Macro Analyst at Soochow Securities said. He warned that the additional cost will put further pressure on local authorities and municipal coffers, which are already being strained due to the implementation of tax cuts and increased infrastructure spending to boost China's slowing economy. "A cost of more than CNY100 billion per month in test procurements is not a small expense," he said. Economists continue to warn that the draconian measures are standing in the way of Beijing's ambitious GDP growth target of "around 5.5%" for 2022. Fitch Ratings slashed its estimate for China's 2022 economic growth from 4.8% to 4.3%, expecting that the country will adhere to its "dynamic zero" strategy until 2023. Analysts from Founder Securities also said that "testing has exploded under the dynamic zero-Covid policy", especially this year. "Testing has become a daily necessity for people to go out," they wrote in a note.

An Omicron-based vaccine candidate developed by China's Sinopharm is expected to complete clinical trials in three to four months. China National Biotech Group, a subsidiary of Sinopharm, was granted permission to conduct human trials of its experimental vaccine against Omicron in Hong Kong on April 13 and received approval for trials on the mainland on April 26. Zhang Yuntao, Vice President of China National Biotech Group and its Chief Scientist, said that clinical trials will involve fully vaccinated people and those who have already received a booster shot. They will be given one or two doses of the new vaccine three to six months after the last shot. Although previous studies have shown that existing vaccines are still highly effective at preventing severe Omicron cases and related deaths, they are less capable of preventing infections.

This overview is based on reports by the China Daily, Shanghai Daily, Global Times and South China Morning Post.

FOREIGN INVESTMENT

"Severe challenges" for EU firms in China due to zero-Covid rules and Ukraine war

The strict zero-Covid controls and Russia's war in Ukraine have undermined China's attraction for foreign firms, with more European companies considering cutting investment in the country, according to a survey by the European Union Chamber of Commerce in China (EUCCC). A flash survey by the EUCCC and management consulting firm Roland Berger said 23% of companies polled are considering shifting current or planned investments out of the country due to the Covid-19 controls. That was more than double the number of firms that were considering doing so at the beginning of the year, and marked the highest proportion in a decade, the survey said. Some 75% of respondents said China needs to shift away from the draconian Covid-19 containment measures it uses at the moment, with 91% believing the country should focus on vaccinating the population.

Chamber President Joerg Wuttke said European firms were calling for action from the government. "It is basically a wakeup call for the government, something has to happen," he told media. "China is 30% of global trade, we need China to be efficient. China has the best infrastructure and the most efficient clusters. If they are not available or hampered by Covid policies, we have big problems globally." The Chamber also said that 7% of the companies polled were considering moving from China due to the war in Ukraine. "Both factors are creating severe challenges to European business in China," the EUCCC said. Nearly all European companies have been affected by port closures, a decline in road freight and surging shipping costs. "Supply chains have taken a pounding, both upstream and downstream," the Chamber said. The survey found that 60% of companies have cut revenue forecasts for 2022 and a third have reduced headcounts due to virus controls.

Wuttke said that if the situation continues European companies would increasingly evaluate alternatives to China. "A predictable, functioning market is better than one that, despite having high growth potential, is volatile and suffers from supply chain paralysis," he said in a statement accompanying the survey. In a letter to Vice Premier Hu Chunhua, the Chamber called for China to shift away from the "old toolbox" of mass testing and isolation and instead employ "the best mix" of vaccinations and boosters, while allowing positive cases with no or mild symptoms to quarantine at home. But Wuttke said he did not expect Beijing to adjust its zero-Covid policy any time soon. "The predictability of the Chinese market was always one of its strengths, that has gone out the window," he told reporters.

"As long as China does not signal that it is learning how to live with Omicron, we have to assume that China will not change the zero tolerance policy. Though the hardline policy worked well initially, China runs the risk of becoming a victim of its past success," Wuttke said: "What our survey is indicating is there will possibly be less investment into China and the substitutes will be in Southeast Asia," he said. "And that is very easy."

Adding to challenges for foreign firms was Russia's invasion of Ukraine. The survey showed 78% of companies think China is a less attractive investment

destination due to its hardline pandemic containment, while the Ukraine war led to a similar response. “The war is exacerbating challenges faced by businesses as supply chains disintegrate,” the Chamber said. “Nearly two-thirds of respondents have faced disruptions transporting goods to and from Europe.”

Rising material and energy prices have also affected more than half of European companies polled. Denis Depoux, Global Managing Director of Roland Berger, said the virus controls have affected companies’ ability to make sound business decisions in an overall deteriorating economic environment due to the Ukraine war. “A clearer crisis exit strategy would help maintain confidence in a European business community still highly committed to Chinese markets,” said Depoux.

Despite the frustrations of foreign businesses, China is still conducting a charm offensive to woo more overseas investors. “We should actively respond to demands of foreign-funded enterprises for ease of doing business in China, to stabilize the bedrock of foreign trade and foreign investment,” the 25-member Politburo said in a statement. Wuttke said the message was welcomed, but more work was needed. “The core of what we are saying today is that we cannot make a decision if we cannot enter the country, we cannot get our goods moving within China, and we don’t know when that is going to happen, because no one tells us when China changes policy,” he said, adding the attitude does not work any more, the South China Morning Post reports.

According to a commentary in The Global Times, the “ditch China” claim has been refuted by many foreign firms and industry players, who reasserted their confidence in the world's second-largest economy and its key role in the global industrial chain, and also appreciated the government's efforts of striking a balance between epidemic control and work resumption. Observers and experts are also calling for foreign investors to ride out the temporary difficulties together with the Chinese, believing in its ability to fight against the virus, and once this round of outbreaks ebbs away, those sticking to their vision will have a lot to gain. From a global perspective, China is still one of the world's fastest-growing major economies and home to the world's largest population, which are conditions attractive to many multinationals, ranging from auto companies and financial institutions, analysts said. The Global Times added that also refuting the “investor flight” claim is official data showing that foreign direct investment (FDI) flowing into China rose by 25.6% to CNY379.87 billion year-on-year in the first quarter of this year.

In Hong Kong, all overseas travelers flying into the city's airport will be required to undergo rapid testing in addition to a PCR screening after the EUCCC complained in a letter to former Chief Executive Carrie Lam that the entry regime remained a “nightmare”. “Almost daily, our members and other residents have been reporting that they are unable to find their way back to Hong Kong or see their business travel being cancelled,” it said. The Chamber urged authorities to use rapid antigen tests (RAT) instead of PCR tests at the airport and called for the removal of the flight suspension mechanism. Inbound travelers, both Hong Kong residents and visitors, who have been inoculated twice outside the city, can now also declare their non-local vaccinations or recovery records to authorities to receive a provisional vaccine pass.

FOREIGN TRADE

China calls for removal of U.S. tariffs on Chinese imports

Removing additional tariffs on Chinese goods will significantly ease the pressure on companies in both China and the United States, and help the world to curb inflation, experts said. Their remarks followed the Office of the United States Trade Representative 's announcement of a statutory four-year review of the continuation of the U.S. “Section 301” tariffs on Chinese products. The USTR will examine the tariffs on Chinese products from July 6, 2018 to August 23, 2018. Based on this review, the U.S. government can determine whether to maintain the tariffs, change the tariff rates, or remove the tariffs.

In the first quarter of this year, China-U.S. trade grew 12% year-on-year to USD185.92 billion, according to China’s General Administration of Customs. According to Tu Xinquan, Dean of the China Institute for WTO Studies at the University of International Business and Economics in Beijing, the additional U.S. tariffs on Chinese products have put heavy burdens on U.S. companies and aggravated inflation in the country. In the U.S., many businesses have been seeking rollbacks of the additional tariffs on Chinese products, as many of the tariffs were levied through administrative orders rather than being based on relevant laws. This led to a series of complaints and lawsuits that challenged the authority of those orders issued by the former administration.

In the two-step review process, the first step is for the USTR to offer an opportunity for U.S. domestic industries

that benefited from the tariffs to request their continuation. Legally, the tariffs are to terminate four years after their application, if no U.S. party submits a request that they be continued. If there are requests to continue, the USTR is to undertake a review of the effectiveness of the "Section 301" tariffs on achieving their objectives and their impact on the U.S. economy and consumers.

Cancelling the additional tariffs on Chinese products will also help many parts of the world to curb inflation, because stable product and commodity supplies from China and the U.S. – the world's two largest economies – will facilitate the world to build strong industrial and supply chains, said Zhang Yongjun, Deputy Chief Economist at the China Center for International Economic Exchanges. Amid global inflation and growing pressures on the global supply chain, tariffs have become an inconvenient factor that inhibits enterprises from conducting international trade cooperation, said Zhou Mi, Senior Researcher at the Chinese Academy of International Trade and Economic Cooperation in Beijing.

China and the U.S., he said, should not only remove additional tariffs imposed during their trade disputes, but even further reduce tariffs to make them even lower than the pre-dispute levels. That will significantly boost expectations of normal global supply chain operations, bolster market confidence and facilitate global economic recovery. "As the world's two largest economies, healthy bilateral relations between China and the U.S. are important not only to them but the world, as the global economy has been facing a number of uncertainties in recent years," he said. Woody Guo, President for China at Herbalife Nutrition, a U.S.-based manufacturer of nutrition products, said it is beneficial for China and the U.S. to enhance their ties in the area of trade and economic cooperation. "In China, consumption upgrade and domestic demand expansion will help the country to grow its consumer base under the dual-circulation development paradigm, providing huge growth potential for foreign enterprises, including Herbalife Nutrition," Guo said, as reported by the China Daily.

CHINA NEWS ROUND-UP

China's services activity fell sharply in April to lowest level in two years

Activity in China's services sector fell sharply in April due to the expanding negative impact of the resurgence of Covid-19. Caixin's services Purchasing Managers' Index (PMI) fell to 36.2 in April, compared with 42.0 in March, below the 50-point mark that separates growth from contraction on a monthly basis. It was the lowest level in over two years. "The index reflected the ongoing pressures on the country's economic recovery amid the impact of the domestic epidemic and geopolitical uncertainty," Dong Dengxin, Director of the Finance and Securities Institute of the Wuhan University of Science and Technology, told the Global Times. The contraction of supply and demand in the services sector deepened. In April, the services activity index and new orders index continued to fall below the 50-point mark, both recording the lowest levels since March 2020.

According to the surveyed enterprises, tightened anti-epidemic measures restricted business activity, while closed-loop management and travel restrictions severely affected demand. Major cities in China, including Beijing and Shanghai, have deployed strict anti-Covid-19 policies in a bid to reduce community transmission. The bulk of surveyed firms said that due to the virus, customers in the catering and accommodation sectors had been significantly reduced. Meanwhile, the continuous contraction of overseas demand hit export orders. In April, the index of new export orders of the services industry decreased to the lowest since May 2020. Further weakening of supply and demand in the services sector weighed on employment in the industry. The services employment index in April fell slightly from March, and it was in contraction for the fourth consecutive month. Surveyed firms said that due to the epidemic, they cut recruitment to reduce costs. Input prices of the services industry continued to rise, resulting in further increases in cost pressures on enterprises. As energy and raw material prices are still running high, and epidemic prevention and control measures have increased operation costs, the sector's input index remained above the 50-point mark in April.

Factory activity was also severely restricted in April with the Caixin manufacturing PMI falling to 46.0 from 48.1 in March. Both the services and manufacturing indexes dragged the Caixin composite PMI to 37.2, the lowest since March 2020. Wang Zhe, Senior Economist at Caixin Insight Group, said that in April, the Covid outbreak disrupted national logistics networks as well as supply chains, the Global Times reports.

China still expected to reach its 5.5% GDP growth target this year

China will likely meet its annual growth target of around 5.5% this year with the help of the

government's effective measures to control Covid-19 outbreaks and stabilize market expectations, economists and experts said. Despite facing mounting pressure from a resurgence in domestic Covid-19 cases and a complicated and grim external environment, they believe the country has plenty of policy tools to stabilize the overall economy, while the impact of outbreaks is likely to be temporary. Citing China's faster-than-expected 4.8% year-on-year growth in the first quarter, they said there still exists a gap between first-quarter growth and the country's annual growth target, calling for more steps to accelerate macro-economic policy support, especially for hard-hit enterprises and sectors. Compared with major economies, China reported higher GDP growth with lower inflation in the first quarter, demonstrating robust economic resilience despite downward pressures, said Wang Yiming, Vice Chairman of the China Center for International Economic Exchanges. He said that while China witnessed sustainable industrial growth, rising investment demand and strong innovation momentum in the first quarter, the growth of major economic indicators has slowed since March because of the Covid-19 cases and the Russia-Ukraine conflict. With many market entities like micro and small businesses facing difficulties and mounting pressures, he said, more efforts should be made to actively respond to the concerns of those entities to stabilize market expectations and provide stronger macro-economic policy adjustments to stabilize the economy.

Wang's views were echoed by Liu Qiao, Dean of the Guanghua School of Management at Peking University. Considering the strong resilience of the economy and China's ample tools, Liu believes China has the confidence to meet its annual growth target of around 5.5% in 2022. Sang Baichuan, Dean of the Institute of International Economy at the University of International Business and Economics, said China's economy will remain in the process of recovery this year while facing pressures from the Covid-19 pandemic, geopolitical tensions and monetary policy adjustments in the United States and Europe, the China Daily reports.

Mobile payment apps support wider use of e-CNY

China's sovereign digital currency, the e-CNY, is on track to achieve greater exposure in more cities, as leading domestic mobile payments providers Alipay and WeChat Pay installed new features to support its wider roll-out. Alipay, operated by Ant Group, said its app has added a button that enables users to search for and download the official e-CNY wallet on its platform. By opening an account using the same phone number associated with Alipay, users can make purchases with e-CNY on the app. It also said that nearly six million digital yuan wallets have been pushed to merchants on Alipay's platform, a process that enables a new e-CNY user to initiate that payment option. Alipay, which has about 900 million users, activated the payment option last year. Ant is the fintech affiliate of Alibaba Group.

WeChat Pay, operated by Tencent Holdings, last month set up a similar e-CNY wallet function on its app, about three months after it adopted digital yuan as a payment option. The mobile payments platform, part of the WeChat app, had about 900 million users at the end of December.

Alipay and WeChat Pay's moves reflect Big Tech companies' commitment to help promote the country's digital money. In January, on-demand services provider Meituan allowed more than 200 types of offline merchants, including restaurants, grocery stores and hotels, to accept e-CNY payments, while JD.com earlier made e-CNY payment an option for purchases made on its platform. That support has helped the People's Bank of China (PBOC) to broaden the adoption of the sovereign digital currency ahead of other major central banks, such as the U.S. Federal Reserve and the Bank of Japan. China became the first major economy to explore its own central bank digital currency in 2014, but the government has yet to provide a timetable for the nationwide launch.

There were 261 million e-CNY users at the end of 2021, nearly double the number recorded last October, according to the latest data from the PBOC. The digital yuan has been available for use in about 20 cities designated for e-CNY trials, the South China Morning Post reports.

China's economy expected to recover by the end of May

More policies are in the pipeline to fire up economic activities by stimulating consumption and further resuming industrial production in epidemic-hit areas. Due to the strict anti-pandemic measures taken across the country, especially in Shanghai that is under varying degrees of lockdowns, the country's consumption in many services sectors, from tourism to the movie industry, was severely constrained during the five-day holidays from April 30 to May 4, usually an important occasion for businesses to generate revenue.

A total of 160 million people traveled domestically, down 30.2% year-on-year, data from the Ministry of Culture and Tourism showed. Meanwhile, the domestic travel sector generated revenue of CNY64.68 billion over the holidays, down 42.9% year-on-year. Data from China Railway showed that some 32 million passengers are estimated to have traveled by rail from April 28 to May 5, with overall passenger numbers at low levels. Meanwhile, the Civil Aviation Administrative of China (CAAC) said that the number of airline passengers dropped 77% year-on-year to two million. Meanwhile, the country's total box-office revenue stood at CNY140 million in the first two days of the holidays, down nearly 83% year-on-year, according to data from ticketing platform Maoyan.

"As epidemic-hit Shanghai has achieved the goal of eliminating Covid-19 cases at the community level, we can expect an economic recovery as early as the end of May," Cao Heping, Economist from Peking University, told the Global Times. He said that the industrial and financial hub of China is expected to see a rapid rebound once the epidemic is under control, given the city's enormous economic vitality. With the easing of the epidemic situation in Shanghai, local authorities have rushed to roll out a package of measures to reduce the burdens on businesses and guarantee disruption-free supply chains to bolster agricultural and industrial recovery. The production resumption in Shanghai's agriculture sector

has surpassed 93%. In addition, China has established a whitelist, authorizing 1,854 companies to resume operation, with key enterprises like SAIC Motor and U.S. carmaker Tesla seeing assembled cars roll off production lines while the production capacity of large semiconductor makers SMIC and Hua Hong Semiconductor is running at over 90%.

Since the worst outbreak in two years hit Shanghai, recent sporadic case spikes in Beijing caught a lot of attention, with all eyes on the Chinese capital to see if the situation would deteriorate as it did in Shanghai, and how economic activities would be impacted during the May Day holidays. Apart from striking a balance between coronavirus suppression and economic development amid the sporadic outbreaks of the highly infectious Omicron variant, experts noted that more macro-economic measures, fiscal stimulus in particular, are needed to bolster businesses and residents' confidence, the Global Times reports.

Home buying regulations relaxed in 85 cities

As of April 20, more than 85 cities had eased home buying regulations, with measures ranging from looser purchasing restrictions, loan limitations and sales curbs to lowering down payments, cutting interest rates, providing support via provident fund loans, and others, according to the Zhuge Real Estate Data Research Center. “On the one hand, these policies have unleashed rational home demand, while on the other they have boosted home buyers’ confidence in the market outlook, which will help increase transactions in the coming months,” said Wang Xiaoqiang, Chief Analyst with the research center. She added that as the measures gradually take effect, the market will heat up step-by-step. The relaxed regulations are set to stabilize economic growth, ease the burden on real estate companies and improve local economies.

According to statistics from Centaline Property, more second-tier cities have eased curbs on the housing market, including Zhengzhou (Henan), Fuzhou (Fujian), Harbin (Heilongjiang), and Lanzhou (Gansu). In April, a handful of “hot spot” cities announced measures to encourage home buying. Suzhou in Jiangsu province eased its restrictions on both sales and purchases on April 11. One day later, purchasing restrictions were eased in the Lishui and Liuhe districts of Nanjing, capital of Jiangsu province, as non-locals were allowed to buy their first homes without proof of social security status. On April 13, Huaibei in Anhui province announced that first-time home buyers or families can receive a maximum subsidy of CNY60,000 during the city’s Spring Home Exhibition, which concluded on May 4. Shanghai’s Lingang Special Area shortened its residential requirement for non-locals to buy homes from at least one year to a minimum of three months. Some other non-central areas of Shanghai and other cities are expected to roll out similar measures as long as their home market faces challenges, said Yan Yuejin, Director of the E-house China Research and Development Institution in Shanghai.

It is expected that in the first few months of this year the property market will continue last year’s low market trend before gradually rising in the latter half thanks to the macro-economic measures and demand recovery, said Lian Ping, Chief Economist of the Zhixin Investment Research Institute. “New home construction may rebound in the third quarter, and growth of the whole year’s real estate investment may rise at a slower pace of 3.5%, while sales will see an obvious recovery in the fourth quarter after gradually stabilizing in the third,” Lian said, as reported by the China Daily.

Hong Kong property sales climb to three-month high

Hong Kong property sales rebounded to a three-month high in April as owners became more willing to offer big discounts, or even sell at a loss, a trend that could drag home prices down further. The value of transactions rose by about a fifth to HKD41.9 billion as the number of deals increased by more than a quarter to 4,847 from March, according to Centaline Property Agency. The transactions figures included homes, shops, industrial units and car parking spaces. Many sellers have been willing to drop their prices by as much as 12%. Their reasons for wanting a quick sale varied. Some – part of an unprecedented exodus of Hongkongers and expatriates – needed to leave Hong Kong quickly after the approval of their overseas immigration applications. Others were keen to offload their tiny units as new government size regulations are likely to ensure larger but still affordable homes come to market, undermining the value of so-called nano flats.

“While there is still robust demand keeping home prices stable during the fifth wave of Covid-19, we can see that there are some house owners who are more inclined to offer discounts to close the deals,” said Hannah Jeong, head of valuation and advisory services, Colliers Hong Kong. Owners of nano flats – tiny apartments typically smaller than 18.6 square meters – have been offering steep discounts as they upgrade to larger units. The government’s ban of flats under 280 square feet means better flats within their price range are coming to the market. Some are selling their micro flats at a loss.

Property consultancy JLL downgraded its forecast for this year’s mass residential market prices. It now expects them to drop by about 5%, having previously forecast a rise of 0% to 5%. Transactions may also have been boosted by the availability of bigger mortgage loans for first-time buyers. From February 23, the mortgages available on homes with a loan-to-value ratio of 80% increased to a maximum of HKD12 million from HKD10 million, the South China Morning Post reports.

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