



#virus

China: COVID-19 tracking

Uneven recovery, eyes on jobs

Our weekly tracker suggests that manufacturing activity weakened this week, while the services recovery continued, but at a slower pace. In particular, the operation rate in textile sector fell 40% y/y this week from a drop of 30% last week and coal consumption remained steady at a 17% below last year's level. The bright spot came from the property market, with home sales returning to positive territory for the first time since January, up 1% y/y this week from ~20% contraction last week. Moreover, we see the land market recovered lately, with rebounding auction premiums, which reflects property developers' constructive outlook in the housing market.

We think unemployment, which rose by 5 million in January-February, is seen as a big worry this year. In particular, we think the pressure on employment in export sectors (~100mn workers) will be significant in Q2 amid a rapid deterioration in external demand. While China has been upgrading its export structure, we estimate labor-intensive goods (including clothing, footwear, toys etc.) still account for ~20% of total exports, which would inevitably hit employment. Within the export sector, we think the employees in the private sector are likely to bear the brunt given domestic private firms accounted for ~55% of total exports.

We also note weekly surveys by Zhaopin.com that show even workers who have kept their jobs are experiencing deterioration in their pay situation. The percentage reporting pay suspension/deferral or cuts jumped to ~70% in late March from ~60% in early-mid-March. This suggests some workers have avoided layoffs only by sacrificing pay.

While Wuhan city officially ended a 2.5-month lockdown on 8 April, the authorities remain vigilant, with officials urging Wuhan residents not to leave the city unless necessary. Meanwhile, Beijing government on 7 April set a quota of inbound visitors from Wuhan at 1000 per day, while Zhejiang Province announced it will carry out COVID-19 test on inbound personnel from Wuhan in the next 14 days.

While the focus has shifted to asymptomatic/imported cases, the risk of a second wave of the outbreak arising from these two categories appears to remain contained thanks to governments' continued isolation measures. The asymptomatic cases under observation shrank to ~1100 as of 8 April from ~1550 on 31 March due to large number of people being discharged (after testing negative). Medical experts in Wuhan continued to urge the public to stay cautious after the city's travel ban ended on 8 April. Dr. Yang Jiong estimated that there could be around 10-20k asymptomatic cases, with sampling suggesting around 0.15%-0.3% of Wuhan's population could be asymptomatic. On the other hand, the new imported cases decline to an average of 37 in the past week, from ~55 cases two weeks ago, although imported case on 8 April jumped to 61 (40 cases are imported from Russia to Heilongjiang, which led to the closure of border between these two places).

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Relevant reports

China: COVID-19 tracking: Manufacturing stalls on global slump, 2 April 2020

China: COVID-19 - Activity tracking: Manufacturing slows amid rising risks, 27 March 2020

China: COVID-19 - Activity tracking: Downgrade 2020 GDP to 1.3%, 19 March 2020

China: Jan-Feb data suggest -10% y/y 1Q contraction, 16 March 2020

China: Cutting GDP on deep Q1 slump, demand shock, 13 March 2020

China: COVID-19 - Activity tracking: Services fall deeper vs manufacturing, 13 March 2020

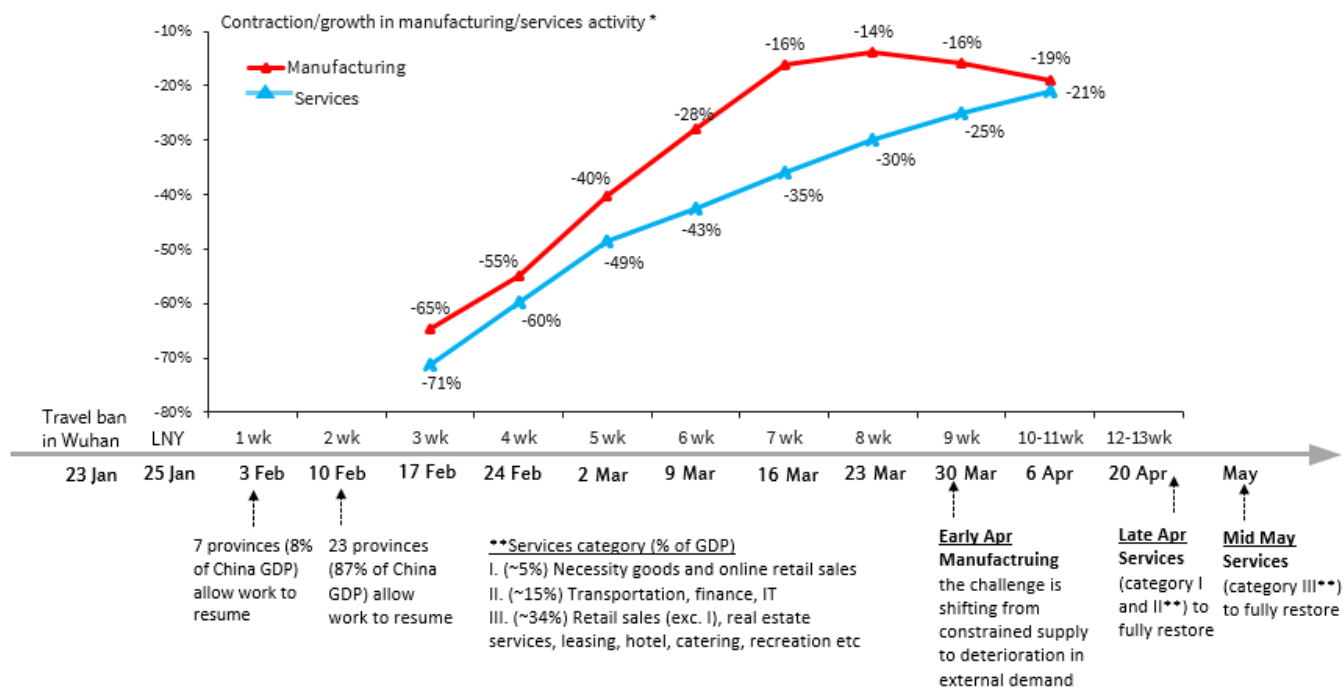
Presentation slides: China Outlook: Covid-19: Cost of containment and recovery tracking, 24 February 2020

China: COVID-19: Activity tracking- watch for a turning point, 21 February 2020

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FIGURE 1

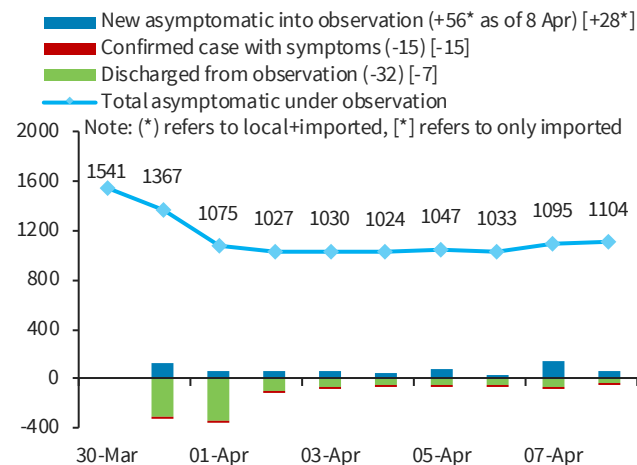
Manufacturing activity weakened this week, while the recovery in services continued, but at slower pace



Source: Barclays Research

FIGURE 2

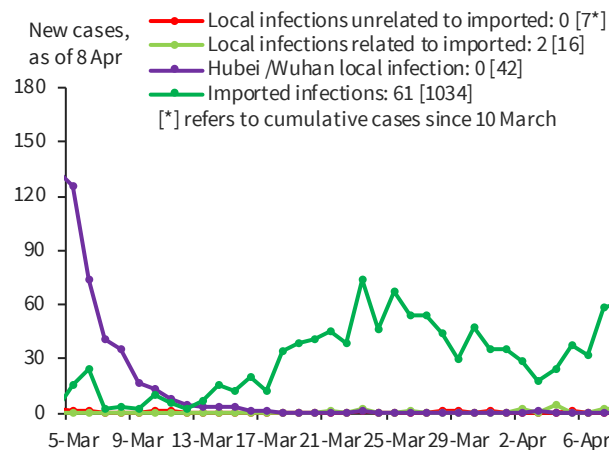
China intensifies containment of asymptomatic...



Source: PRC NHC, Barclays Research

FIGURE 3

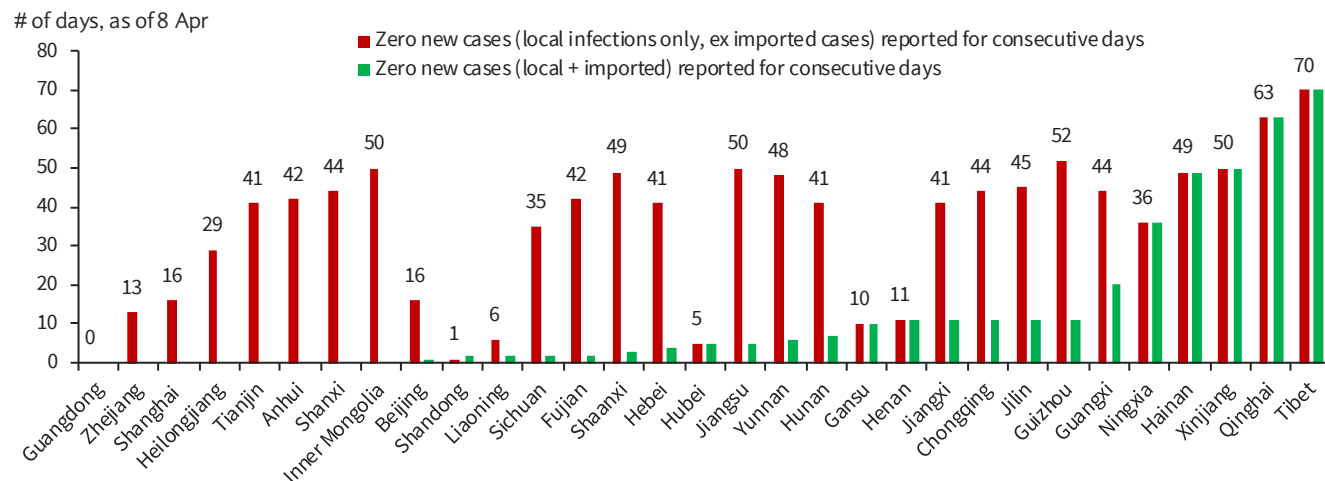
...and imported cases



Source: PRC NHC, Barclays Research

FIGURE 4

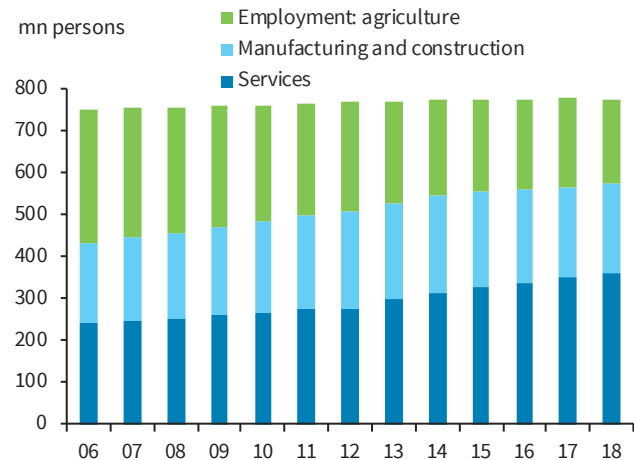
As of 8 Apr, 6 provinces reported zero cases and 24 provinces reported zero local cases for ≥ 14 days



Note: As of 31 Mar, 7 provinces reported zero cases and 24 provinces reported zero local cases for ≥ 14 days. Source: PRC and provincial NHC, Barclays Research

FIGURE 5

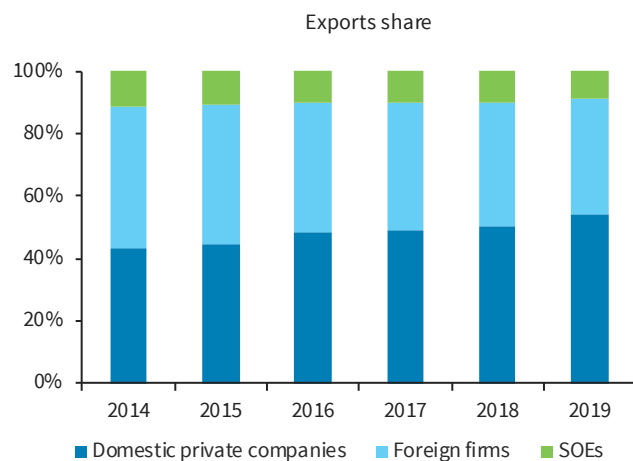
~600mn people in services and manufacturing sectors



Source: Wind, Barclays Research

FIGURE 6

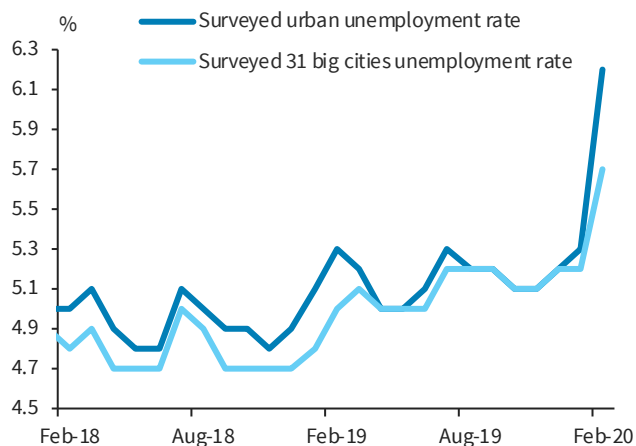
Domestic private firms accounted for ~55% of total exports



Source: Wind, Barclays Research

FIGURE 7

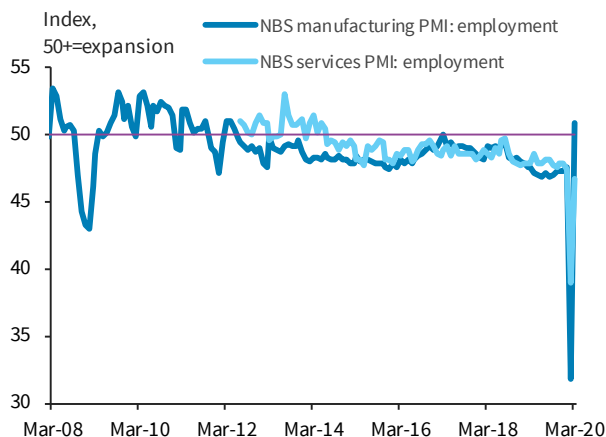
Urban unemployment rate surged to 6.2% in February



Source: Wind, Barclays Research

FIGURE 8

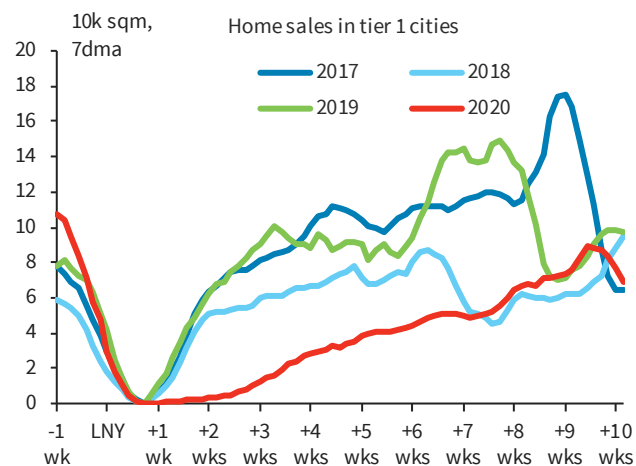
Manufacturing and services PMI: employment



Source: Wind, Barclays Research

FIGURE 9

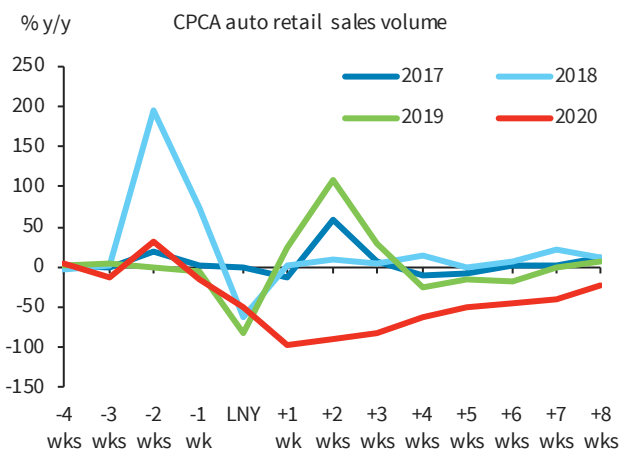
Home sales rose 1% y/y this week (-20% previously)



Source: Wind, Barclays Research

FIGURE 10

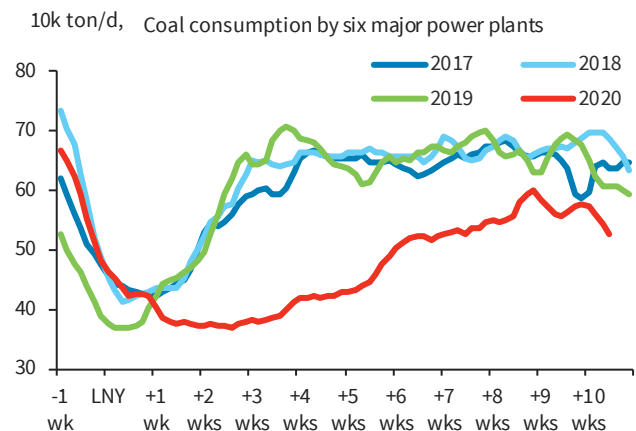
Auto sales dropped ~24% y/y in week 23 Mar (-40% prev)



Source: Wind, Barclays Research

FIGURE 11

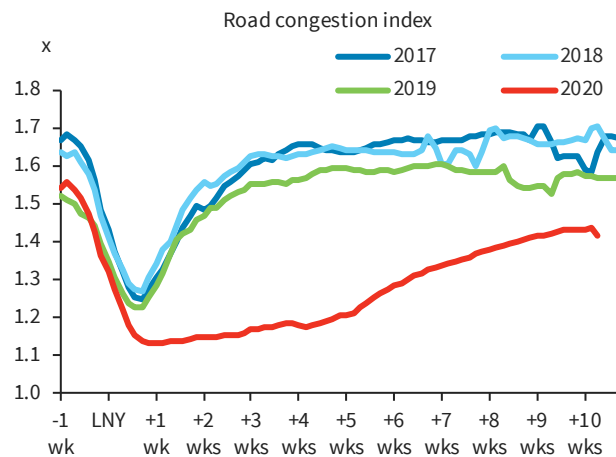
Coal consumption remained flat at -17% y/y this week



Source: Wind, Barclays Research

FIGURE 12

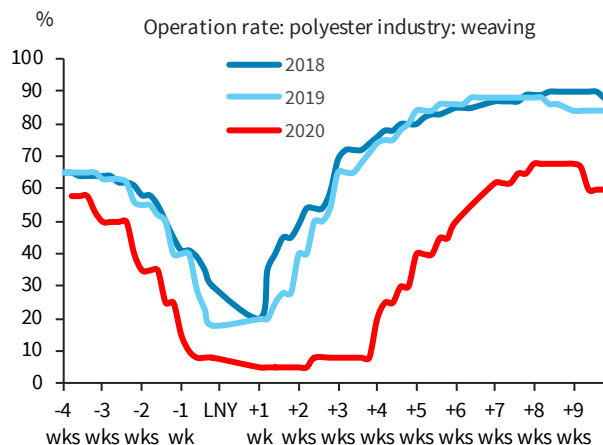
Road congestion index stalled at -8% y/y this week



Source: Wind, Barclays Research

FIGURE 13

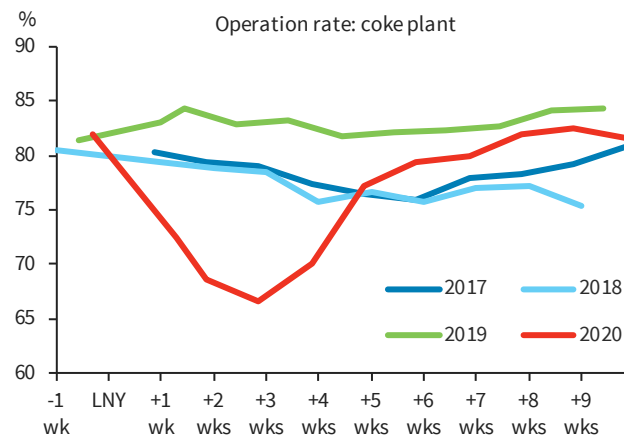
Manufacturing operation rate in textiles fell 40% y/y this week (-30% prior week)



Source: Wind, Barclays Research

FIGURE 14

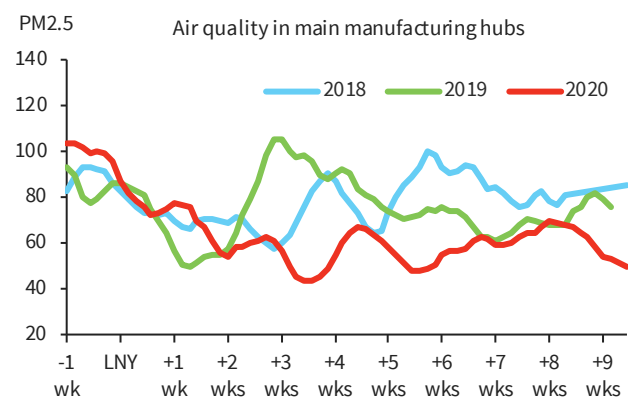
Mining and smelting: coke plants close to last year's rate



Source: Wind, Barclays Research

FIGURE 15

Air quality in main manufacturing hubs

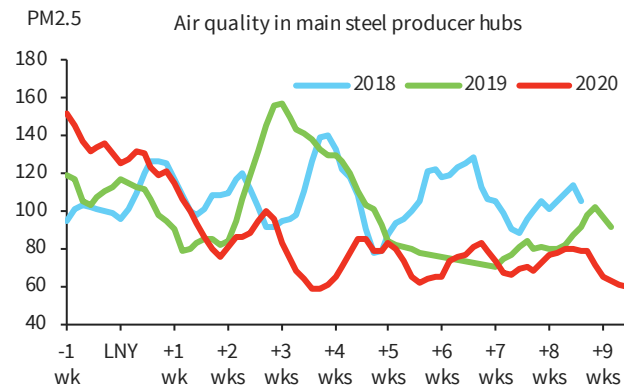


Manufacturing hubs incl. Tianjin, Shanghai, Suzhou (Jiangsu), Wuhan, Hangzhou, Ningbo, Qingdao, Guangzhou, Shenzhen, Suzhou (Anhui).

Source: Wind, Barclays Research

FIGURE 16

Air quality in main steel producer hubs



Steel producers incl. Tangshan, Handan, Shijiazhuang, Taiyuan, Changzhou, Nanjing, Wuxi, Wuhan.

Source: Wind, Barclays Research

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