

August 2022

CHINA WATCH

Market & Policy Monitoring

This report offers information on commercial, political and economic developments in China.

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Who writes China Watch?

Sense China is a business unit under the Confederation of Danish Industry, the largest business association in Denmark with 19,000+ corporate members. Our goal is to improve the competitiveness of Danish companies on the Chinese market. Learn more at www.sensechina.dk

**SENSE
CHINA**

COVID-19 STATUS

CW

RECENT DEVELOPMENTS



SITUATION SUMMARY

China is seeing a climb in COVID-19 cases since the past two months, though number have now begun to decrease in the past week. Shanghai is back in business but remains subject to frequent testing and community-based lockdowns. Several Chinese cities have temporarily sealed-off parts of city areas to curb the spread. Many cities are also undergoing mass testing.

CHINA'S NEW NORMAL

China has been recording around 500 new daily cases in the past month, mostly asymptomatic.

The Chinese government has confirmed that the zero-COVID policy will remain in place for the foreseeable future. In Shanghai, residents must be tested for COVID-19 at least once a week. In practice, many districts are undergoing mass testing several times a week. Many other cities are facing similar measures.

China's COVID-19 strategy remains focused on frequent testing and limiting population flows. The economic cost of this strategy has led the government to give up its 2022 growth target.



TRAVEL

INTERNATIONAL TRAVEL

International travel to China is slowly improving. More routes will be added for inbound travel and passenger load capacity will be lifted to 60% for flights to Shanghai. Most international flights to Shanghai remain rerouted to other cities. The government announced that PU letters will no longer be needed to apply for work and family reunion visas for selected countries.

For some countries, including Denmark, passengers who are fully inoculated with COVID-19 vaccines need two PCR tests within 48 hours (no IgM antibody test required) before departure. Passengers should also obtain a green health code before departure. Please find updates from the Danish Foreign Ministry [here](#).

QUARANTINE

Centralized quarantine for incoming travelers to China has been shortened to seven days followed by three days of home health monitoring (7+3). This represents a significant improvement from the previous policy of a minimum of 14 days of centralized quarantine.



DOMESTIC TRAVEL

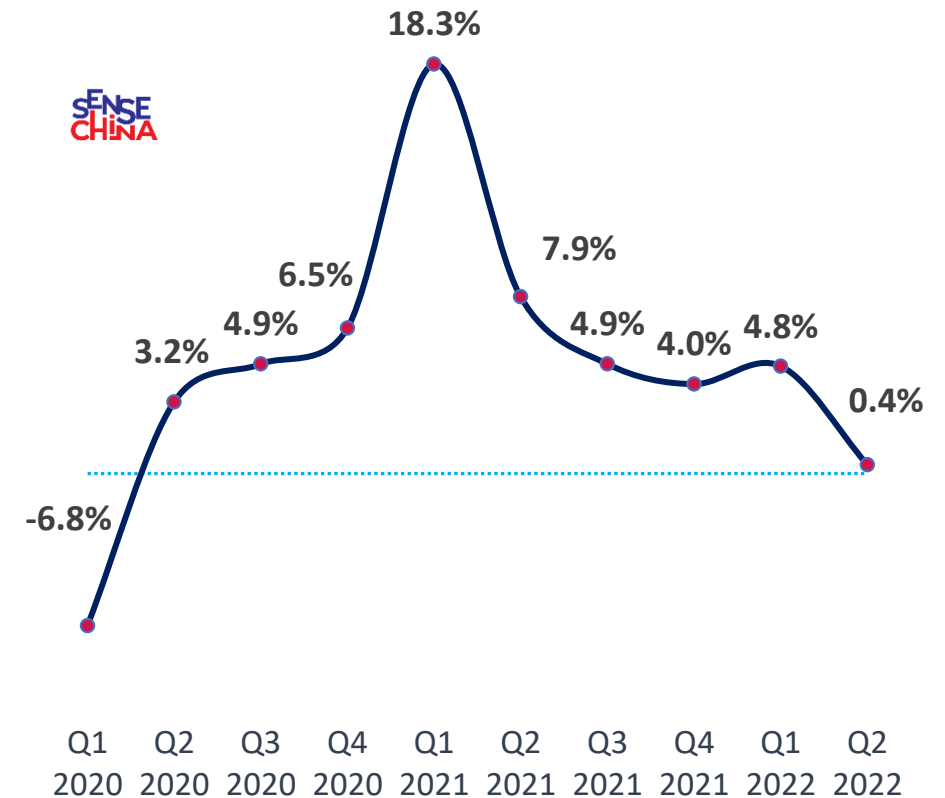
As of August 2nd, 499 areas across China were classified as high-risk. In addition, 658 areas were classified as medium risk areas. Overall, most of country is on high alert. All domestic travel now requires prior testing, testing on arrival, and/or quarantine.

ECONOMIC
GROWTH

China's GDP slowed down to 0.4% in the second quarter of 2022. In July, the Chinese government gave up the 5.5% growth target set for 2022.

After a strong start to 2022, multiple COVID-19 outbreaks and lockdowns have disrupted China's economic revival. Analysts forecast that growth could pick up in the second half of the year, helped by a massive public stimulus package. The World Bank predicts that China's GDP will reach 4.3% this year.

CHINA'S GDP GROWTH




KEY INDICATORS

June/July 2022

Quick take

China's manufacturing activity weakened in July. Factory output slowed to a level not seen since the beginning of the pandemic in 2020. Chinese manufacturers are facing high raw material prices similar to the rest of the world.

The services activity index grew at the fastest rate in over a year. However, foreign demand fell, and many companies are laying off staff for the 7th straight month.



DEMAND

Retail sales of consumer goods

+3.1% Y/Y (June)

Annual Inflation Rate

+2.5% Y/Y (June)

Unemployment (urban areas)

5.5% (June)



SUPPLY

Industrial Output


+3.9% Y/Y (June)

PPI Manufactured Goods

+6.1% Y/Y (June)

PMI (July)

Official: 49
Caixin: 55.5



TRADE (June)

Exports (US dollar terms)

+17.9% Y/Y

Imports

+1.0% Y/Y

Trade Balance

\$97.94 billion



REAL ESTATE

New Home Prices

-0.5% m/m (June)

Home Sales

-39.7% Y/Y (July)

National Fixed Assets Investments

+6.1% Y/Y (Jan-Jun 2022)

BE CAREFUL WHAT YOU SHARE!

Didi becomes latest target of China's harsher data laws

Chinese regulators have issued a fine of 8 billion yuan (\$1.2 billion) to Didi Chuxing. With an annual turnover of more than \$25 billion, Didi is China's largest car-hailing company, having surpassed and since acquired Uber's China business several years ago.

The penalty comes for violating the recently instituted Personal Information Protection Law (PIPL) and Data Security Law (DSL). Among the specific charges, Didi was convicted of illegally collecting cell phone screenshots, location data, and online passenger reviews.

The Didi case serves as a dual reminder to other businesses in China: Firstly; know your place! Regardless of size and status in society, no company is above the scrutiny and control of the country's ever-present regulators. Secondly; be careful what you share with others. Data privacy is becoming a key pillar in the government's social contract with China's population. Consumers no longer want their data to be used for commercial purposes without consent. Authorities want to be the sole entity with unlimited access to personal data.

Didi is the latest of China's tech giants to be punished harshly for business procedures that until recently were common practice in the Chinese market. The biggest fine was slapped on Alibaba, which was fined \$2.8 billion for breaching antimonopoly rules in 2021.

Join DI's webinar in early October if you want to know more about China's data privacy laws.

COMING UP!

Learn about China's exciting development by participating in our topical events and training workshops. Or share experiences with peers and professional mentors in our exclusive networks.

Digital Marketing in China

Learn new ways of navigating in China's unique digital ecosystem.

August 17th (9:30-11:00 CET)

Webinar

[Register](#)

Training: Go2Asia

Tools and knowledge to work with sales and supply chains across Asia.

October 3rd (9:00-16:00 CET)

Copenhagen

[Register](#)

Training: Go2China

Get the tools and knowledge to succeed in the Chinese market.

December 6th (9:00-16:00 CET)

Copenhagen

[Register](#)

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