

# China Poised for Reopening

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In our view, China is poised for reopening and is less likely to implement stringent, extended lockdowns going forward. We believe that the National Health Commission (NHC) will further adjust its COVID policy and gradually do away with daily mass testing (even in cities with no cases) and quarantine measures. Key to watch is the number of severe/fatal cases as the total case count goes up and the take-up of booster vaccinations, especially for the elderly.

## Keynotes

- Mutations of Omicron variants appear milder and much less severe than earlier COVID variants.
- Domestically developed vaccines appear to be effective in reducing the severity of symptoms with the booster dose, as seen from Hong Kong data.
- We are witnessing the early days of increasing vaccination rates among the high-risk population, particularly the elderly.
- We believe the recent adjustment to COVID-19 measures is a step in the right direction.

## Current Omicron Variant is Less Severe

Based on our analysis of case surges in Hong Kong, Singapore, Korea, and China, it appears that the current variant of Omicron is less severe and fatal than earlier COVID variants. In fact, data from Hong Kong and Singapore suggest that the BA.4/5 and XBB variants are even less severe than the BA.1/2 variants. This could be either due to the less fatal characteristics of current variants or the broader adoption of booster vaccinations.

### COVID Case Fatality Rate Reducing With Each Variant

Source: JP Morgan, November 2022

Circulating Period Dominant Variant	United Kingdom	Hong Kong	Singapore	South Korea	World
<b>Alpha</b>	January - March 2021	May - July 2021	May - July 2021	May - July 2021	January - March 2021
Case Fatality Rate	3.11%	1.43%	0.18%	0.35%	2.02%
<b>Delta</b>	July - December 2021	July - December 2021	September - December 2021	July - December 2021	July - December 2021
Case Fatality Rate	0.28%	0.27%	0.36%	0.75%	1.40%
<b>Omicron</b>					
<b>BA.1/2</b>	January - April 2022	January - March 2022	January - March 2022	January - April 2022	January - April 2022
Case Fatality Rate	0.24%	0.66%	0.05%	0.10%	0.35%
<b>BA.4/5</b>	September - November 2022	September - November 2022	September - November 2022	September - November 2022	September - November 2022
Case Fatality Rate	0.89%	0.19%	0.02%	0.10%	0.36%

Our analysis of COVID case surges in China in 1H22 and 2H22 suggests much less fatality with the current surge.

## China's Case Fatality Rate Significantly Lower Now vs 1H22 Shanghai Surge

Source: NHC, CEIC, Morgan Stanley Research, as of 21 November 2022

COVID Surge Period	Total Cases	Total Fatalities	Case Fatality Rate
Shanghai Surge	766,524	586	0.08%
Current Surge	353,095	3	0.00%

## Domestic Vaccines Have Proven Effectiveness

While the initial efficacy data for domestically-developed vaccines were sub-optimal, booster doses of domestic vaccines are still effective at reducing the severity of symptoms. We analysed booster data from HK by comparing one of China's domestically-developed vaccines (Sinovac) with BioNtech's mRNA. The data suggest that Sinovac's vaccine is still fairly effective in protecting against fatalities if a booster dose has been administered. This is encouraging and fulfils a condition for opening up. China could not do away with its zero-COVID policy earlier, as its vaccines were not as effective against previous variants until now.

## With Three Doses, Sinovac (CoronaVac) is as Effective as BioNTech in Reducing Severity & Fatalities

Source: The Lancet, July 2022

	One Dose		Two Doses		Three Doses	
	BNT162b2	CoronaVac	BNT162b2	CoronaVac	BNT162b2	CoronaVac
<b>Mild or moderate disease</b>						
20-59years	39.9% (24.8-58.3)	32.7% (14.4-47.6)	35.1% (26.6-42.5)	25.1% (14.7-34.3)	73.5% (66.6-79.2)	51.0% (39.6-60.4)
≥60years	None*	None*	None*	None*	70.2%(53.3-82.0)	32.4%(8.3-51.0)
<b>Severe or fatal disease</b>						
20-59years	95.4% (90.7-98.1)	74.8% (63.7-82.8)	96.3% (94.9-97.3)	91.7% (88.7-94.0)	98.6% (97.5-99.3)	98.8% (97.5-99.5)
60-69years	70.0% (51.8-82.0)	54.2% (36.4-67.3)	91.1% (86.9-94.0)	79.3% (71.8-85.0)	98.9%(97.3-99.6)	97.4% (95.2-98.7)
70-79years	72.2% (56.7-82.6)	29.2% (7.4-46.1)	89.8% (85.1-93.1)	74.3% (66.5-80.3)	99.0% (97.4-99.7)	95.4% (92.2-97.4)
≥80years	75.0% (61.1-84.2)	39.0% (20.9-53.0)	86.9% (80.5-91.3)	58.2% (45.1-68.2)	<b>97.1% (93.8-98.7)</b>	<b>97.3% (94.9-98.7)</b>
<b>Death</b>						
20-59years	96.7% (90.9-99.2)	78.2% (64.9-86.9)	96.8% (95.1-98.0)	93.3% (89.9-95.6)	99.2% (97.9-99.7)	99.4% (98.1-99.9)
60-69years	77.6% (59.9-88.4)	65.6% (49.8-76.8)	92.7% (88.6-95.4)	84.3% (77.8-89.0)	99.0% (97.2-99.8)	99.0% (97.3-99.8)
70-79years	80.5%(66.3-89.2)	45.3% (25.1-60.3)	92.3% (88.0-95.2)	76.7% (68.5-82.8)	99.4% (97.9-99.9)	97.0% (94.2-98.6)
≥80years	78.7% (65.5-87.0)	44.8%(26.9-58.4)	90.3% (84.9-93.9)	63.0% (50.3-72.5)	<b>97.5% (94.2-99.0)</b>	<b>97.9% (95.7-99.1)</b>

Data are effectiveness (95% CI). \*No evidence of protection based on a negative or very small positive point estimate and wide CIs.

## Uptick in Boosters for High-Risk Elderly Group

Though early days, we are witnessing a pick up in booster doses, especially among the high-risk elderly group. China achieved full vaccination (2 doses) very quickly, with over 90% of the population receiving two doses, but the booster shot rate has slowed down in recent months, especially among the 60+ age group. However, recently we have seen multiple municipal governments promoting boosters (including Shanghai, Guangdong, Jiangsu, and Tianjin), which is encouraging and could be a precursor for opening up.

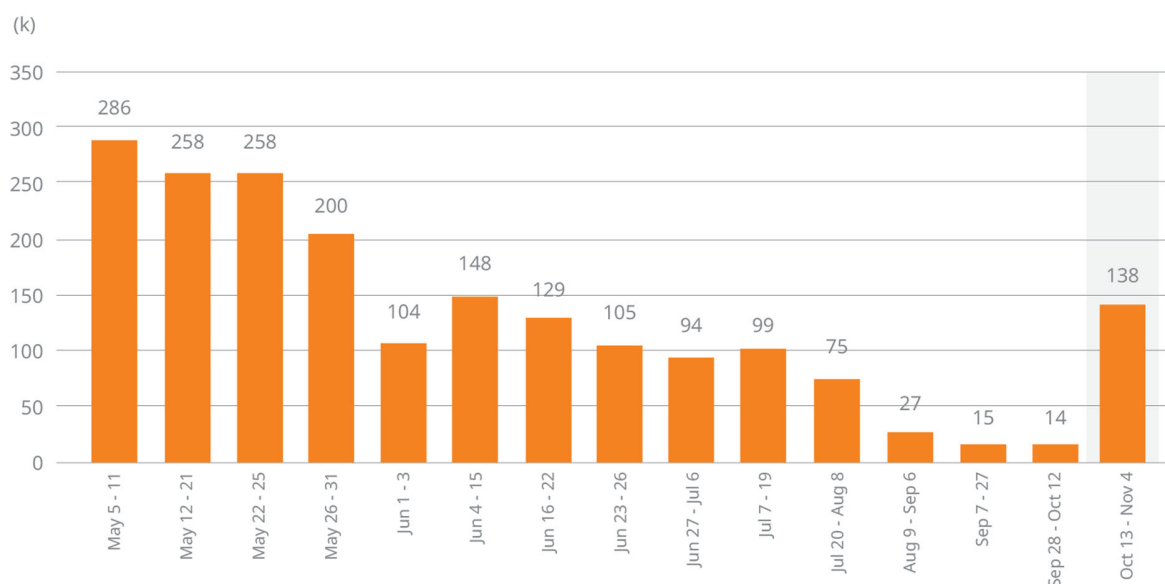
## China's Latest Vaccination Status

Source: Citi Research, NHC, as of 4 November 2022

	Age<60	Age>60	Overall
<b>Vaccination Status</b>			
<b>Population (million)</b>	1,145.81	264	1,410
As % of total population	81.3%	18.7%	100%
<b>Population-fully vaccinated (million)</b>	1,044	228	1,272
Full vaccination rate	91.1%	86.4%	90.2%
Population-with 3 doses (million)	629	181	809
As % of each age group	54.9%	68.5%	57.4%
Population-with 2 doses (million)	416	47	463
As % of each age group	36.3%	17.9%	32.8%
<b>Population- not fully vaccinated (million)</b>	102	36	138
As % of each age group	8.9%	13.6%	9.8%
Population-with 1 dose (million)	20.3	11.3	31.6
As % of each age group	1.8%	4.3%	2.2%
Population-unvaccinated (million)	81.3	24.7	106.0
As % of each age group	7.1%	9.4%	7.5%

## Daily Booster Vaccination Rebounded for 60+ Group

Source: Citi Research, NHC, 4 November 2022



## New Easing Measures Are a Positive Sign

In our view, the recent adjustment to China's COVID-19 measures are a step in the right direction. Following the Politburo Standing Committee's (PSC) meeting on 10 November, the State Council released a notice to loosen pandemic controls while insisting on a dynamic zero-COVID strategy. The key takeaways include the following:

- Shortening the quarantine period for overseas travellers and close contact to "5 days in centralised quarantine + 3 days home quarantine" from the previous "7 days in centralised quarantine + 3 days home self-monitoring";
- Mass PCR tests only if the infection sources or the transmission paths are unclear, community spread lingers for a long time, or for correcting unreasonable practices such as "two tests a day" and "three tests a day";
- Removing circuit breaker mechanism for inbound flights and adjusting the requirement on 48-hour nucleic acid test before the flight from twice to once;
- Promoting COVID vaccination rate, especially booster rate among elderlies; and
- Accelerating the research and development (R&D) of effective anti-COVID vaccines and drugs

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