

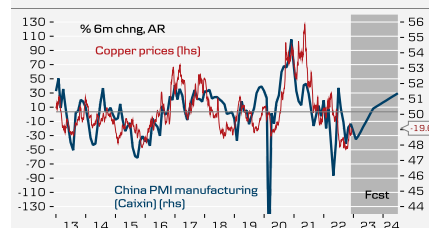
Research China

COVID surge has begun – it should peak in early February

With China ending the zero-covid policy we look at what to expect in terms of virus spread and when we can expect to get to 'the other side'. The analysis is based on experience from other countries and regions in Asia that moved to a 'live-with-covid' policy when Omicron became the dominating variant. We use South Korea, Japan, Taiwan and Hong Kong as reference points. Of course, China is different in many respects but it still serves as a good pointer. In the charts below, we have looked at the development in covid cases and deaths if the population is scaled up to China's 1.4 billion.

- **Cases should peak in early February.** A peak after moving to a 'live with Covid' policy tends to come after 1-2 months after the initial surge. Since the China outbreak started in early December it points to a peak in mid-January. However, we could see continued high contagion when the Chinese New Year travel sets in during 20-30 January (Chinese New Year falls on Sunday 22 January). This would suggest a peak in the first week of February.
- **Cases could reach 10 million per day at peak.** If China follows the pattern from South Korea and Hong Kong cases will rise to around 10 million per day before falling back again. It is quite likely that this will lead to challenges to supply chains as many will be home sick during this period – and hospitals are likely to be under a lot of pressure.
- **Covid surge may be over by April.** In the reference areas, cases had fallen back significantly around 1½-2 months from the peak, which would suggest early April in China. That suggests that we should see a quite weak economic development in Q1 but that a recovery starts already during Q2.
- **Deaths could reach 1½ million.** If China follows the mortality of South Korea it would lead to app. 800,000 deaths. However, with only around 1/3 of intensive care units of South Korea, mortality is likely to be higher. Following the development of Hong Kong would imply around 1½ million deaths (in line with some other *studies*). The number will depend on how high the vaccination rate gets among the elderly. China is targeting a vaccination rate of 90% for age group above 80 and 95% for age 65-80.

Outlook for Chinese economy – short term weakness, recovery from Q2



Source: China Health Commission, Reuters

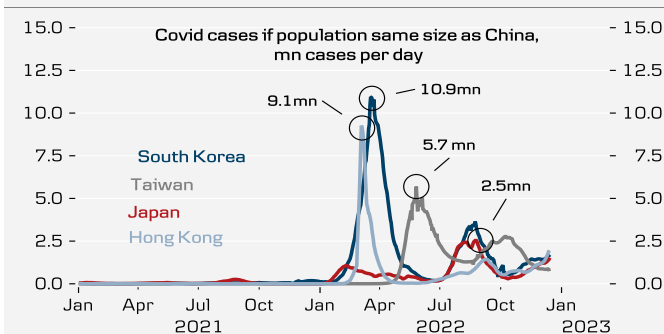
Box: Official data not likely to represent true picture

As PCR tests are no longer widely required the official covid numbers will not represent a true picture. Anecdotal evidence suggests the virus is already spreading strongly, even with a decline in official data based on PCR tests. The numbers in this article is thus focus on what true numbers are likely to be and not what we expect the official data to show.

The data used below on deaths are based on official numbers of covid deaths rather than 'excess deaths from a normal year'. In some cases the official covid data has shown to be lower than 'excess deaths' and thus may underestimate the true number..

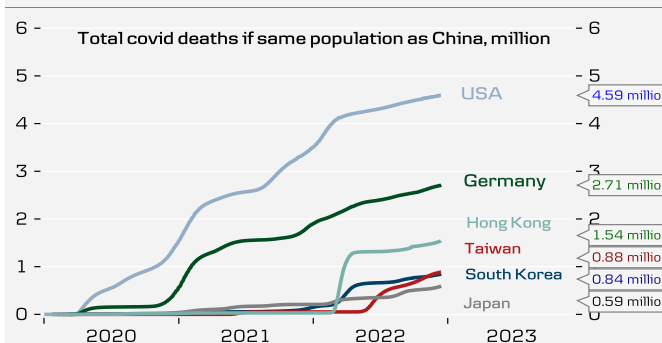
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Chinese covid cases could reach around 10mn per day



Source: Macrobond Financial, Danske Bank

Total deaths to reach around 1-1½ million



Source: Macrobond Financial, Danske Bank

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