

## CHINA ECONOMY

# Chinese leaders stick to Covid controls as the virus spreads and forces a Beijing luxury mall to close temporarily

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## KEY POINTS

China's top leaders gave little indication Friday the country would loosen its zero-Covid policy soon.

Some businesses have resumed production in Shanghai and northern China. But the capital city of Beijing temporarily closed Friday a major luxury mall and non-essential businesses in one area to control an ongoing spike in cases stemming from the highly transmissible omicron variant.

Specific virus control measures may "sacrifice" the convenience of life for some regions and people, affecting the economy in the short term for some localities, Liang Wannian, head of the Covid response expert group under the National Health Commission, said at a press conference Friday.





BEIJING — China showed few signs of loosening its zero-Covid control policies as the country continued to battle its worst outbreak in two years.

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China's top leaders said at a meeting Friday that Covid and the Ukraine crisis have increased challenges and uncertainties for the domestic economy, according to state media. Chinese President [Xi Jinping](#) headed the economic meeting, held regularly with China's leadership, known as the Politburo.

The leaders noted the mutation's new characteristics and said the country should stick to its "dynamic zero-Covid policy," state media said.

That implies the Covid policy will not ease in the near term, said Bruce Pang, head of macro and strategy research at China Renaissance. He said the meeting reflects how headwinds for growth are stronger than previously expected, and noted leaders called for more policy support in order for China to achieve its GDP target of around 5.5%.

[Many investment banks have cut their China GDP forecast, one as low as 3.9%](#), in the wake of





**VIDEO** 04:16

**China is the big question for us right now, says freight company CEO**

Mainland China reported more than 5,600 new confirmed Covid cases with symptoms for Thursday, with the majority resulting from cases in Shanghai that had previously showed no symptoms.

[The southeastern metropolis, home to the world's busiest port](#), has kept residents mostly in lockdown for more than a month in an attempt to control the local outbreak. Other parts of the country, including Beijing, have locked down neighborhoods, conducted mass virus tests and restricted travel in an attempt to control new spikes in cases.

Beijing reported two new Covid cases without symptoms and 47 with symptoms — similar to the daily count for much of the last week. More than 15 other province-level regions reported new cases, including the export-heavy Shandong, Guangdong and Zhejiang provinces.

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But that will allow the largest area and number of people to work and live normally, for a cost-effective balance, he said.



Liang on Friday described the virus situation in Shanghai and Beijing as seeing significant improvement. He said the dynamic zero Covid policy does not mean zero infections, as variants such as omicron mean authorities cannot ensure that no single case appears.

## Shanghai factories pick up speed

Shanghai has tried to allow some major businesses to resume production by releasing a list about two weeks ago with 666 companies that could get priority for restarting work.

Just over a third, or 247, of the companies are foreign-funded businesses, the Ministry of Commerce said Thursday.

German automaker Volkswagen and U.S. electric car company [Tesla](#) have resumed production, the ministry said, noting other foreign businesses have applied to join the second batch of whitelisted companies. The ministry said it would make every effort to ensure resumption of work.

- American chemicals company [DuPont](#) said Thursday all its manufacturing facilities in China were either operating under normal conditions or in a bubble. Early last week, the company said its manufacturing sites in Shanghai had yet to resume production.
- German chemicals giant BASF said most of its employees in Beijing have been working from home since Monday, and that most of its production sites in China, including in Shanghai, remain operational albeit with some reduced production volumes.
- On Monday, German automaker Volkswagen said it started to resume production at its factory on the outskirts of Shanghai, and that its factories in Changchun in northern China were ramping up production volume. The company did not respond to an update request from CNBC Thursday.

Changchun city in the northern province of Jilin began resuming normal operations Thursday after weeks of lockdown, according to an official announcement.

Getting truck shipments between ports and factories remains a challenge.

Merchants have had to pay more for logistics costs — now about 25% of selling prices, up from 15% or 20% at the start of the pandemic — Diane Wang, founder and chairperson of Chinese e-commerce site DHgate, told CNBC on Thursday. The company primarily works with small Chinese companies selling abroad.

