



APRIL 23, 2020

# China's New Normal

As the pandemic subsides, new life and work emerge.

*In just six weeks China has progressed from being the epicenter of a global pandemic to reopening its borders and resuming most business activity. Exercising iron-fist control over its citizens and innovating technological solutions to curb contagion were critical components of China's response. In the wake of the virus, a new normal has emerged. This article offers local perspectives into that new normal.*

Palpable unease pervades as most of China returns to work. Beijing malls check the temperature of everyone who enters, while certain neighborhoods require passes for entry. Banners badger the cities

with reminders to avoid large groups, and face masks are ubiquitous. Many fear a resurgence of infections as containment and travel measures are relaxed. Schools remain closed, except for grades in which students

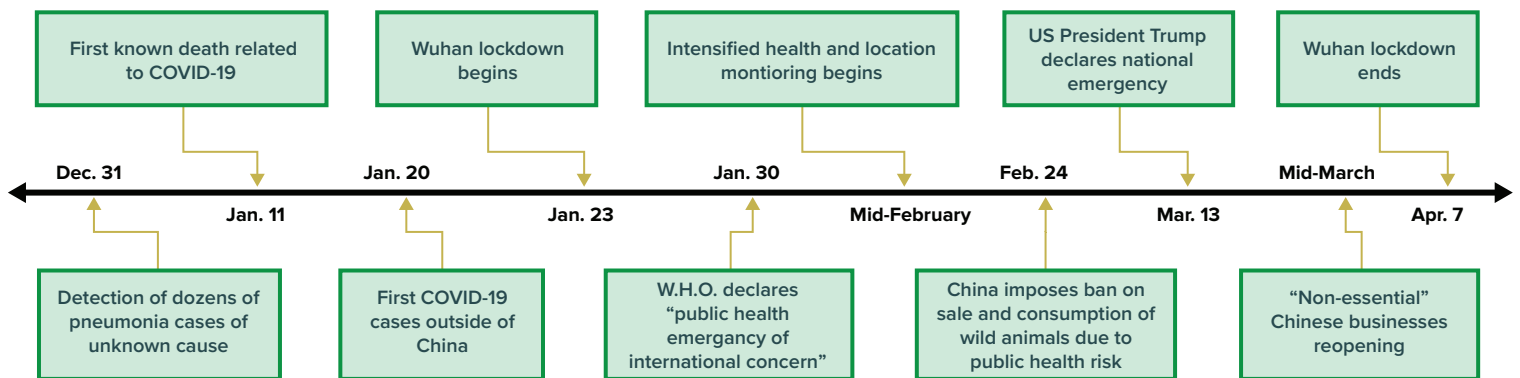


Figure 1 is a timeline of China's response to COVID-19 in order to help contextualize the feet-on-the-street perspectives described in this article.

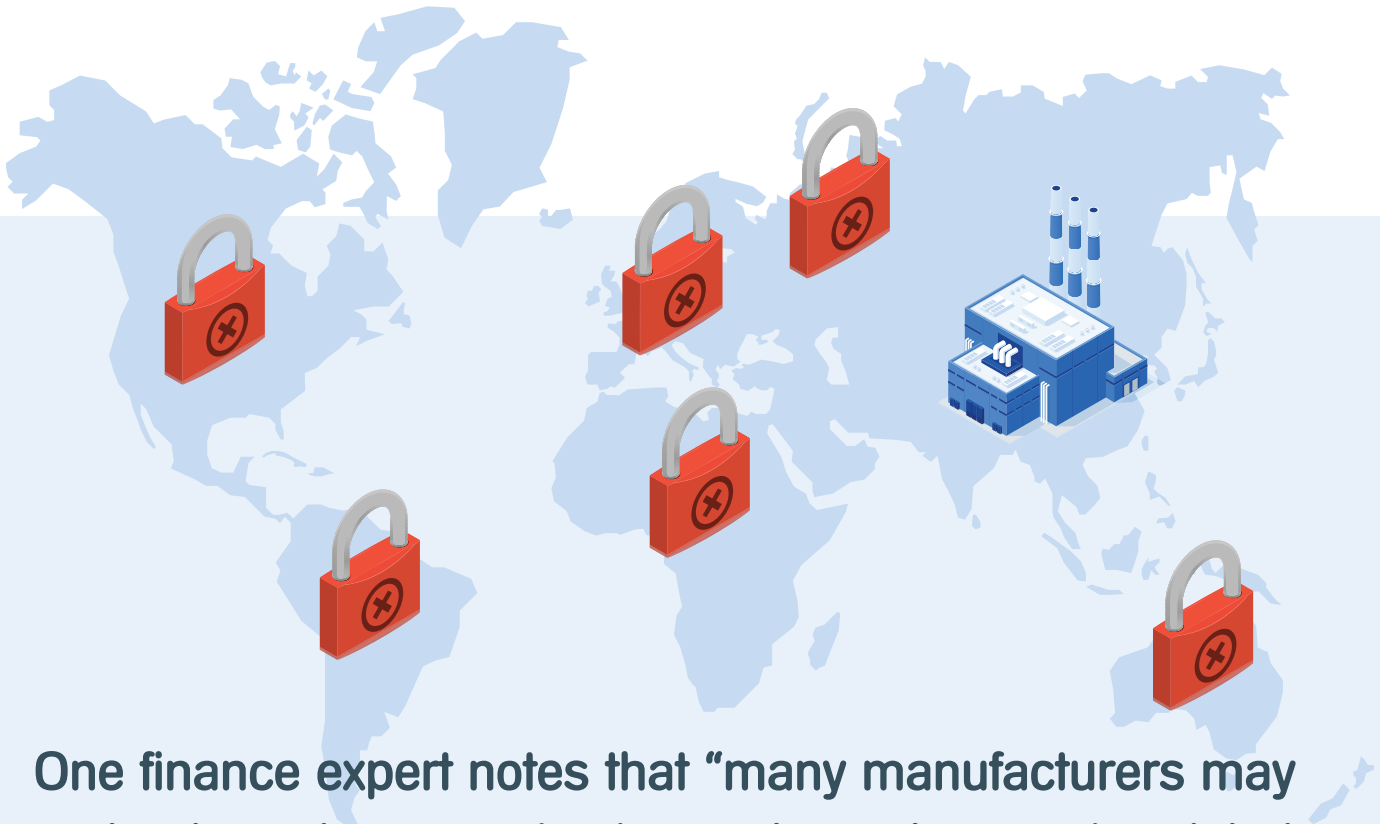


must take entrance exams (US-equivalent 8th and 12th grades).

Such change represents a marked improvement from just weeks ago when the streets were empty save for essential workers. Now, even elderly people are leaving their lockdowns and might even have learned some new tricks along the way. One 84-year-old Nanjing resident reports, “We feel comfortable leaving the house to pick up prescriptions and things like that. While in lockdown, we began ordering grocery delivery since our building relaxed their policy to allow delivery right to the door. We think we’ll keep using this service since carrying groceries is difficult.” While

this interviewee is still able to use public transportation, recent containment policies have jeopardized many others’ ability to move about the city.

Chinese cities began rolling out new health and location monitoring measures in February. These measures were extremely effective in curbing the spread of COVID-19 but not without causing meaningful disruption to everyday life. In collaboration with local tech companies, the Chinese government has developed a smartphone app that assigns people a color-coded health rating. This health rating can then be used to restrict individuals’ access to certain regions, buildings and public transit systems. To



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help enforce these restrictions and track infections, China's major telecom providers began tracking users' 14-day travel histories to share with officials. In Shanghai, high-risk individuals are even required to have a door-mounted location tracker. As one Chinese investor notes, "This is a huge surveillance program where everything you do is monitored by your phone. They know where you are, where you've been, and who you've contacted; and they may choose to restrict your movement based on that data." Privacy advocates are concerned that these new tactics may pave the way for future abuses of power.

As businesses continue to adjust, it becomes clear that a Chinese recovery is inextricably linked to a global recovery. Experts estimate that 90% of Chinese factory employees are back at work; however, demand is highly uncertain, especially from international markets. One finance expert notes that "many manufacturers may go bankrupt because they're so dependent on the global economy – that's the biggest impact, not Coronavirus."

In addition to international uncertainty, Chinese businesses face supply chain

and labor challenges. A consultant from Hohhot, the capital of Inner Mongolia, says that manufacturing is clearly feeling a pullback from disrupted supply chains, but these issues are even more severe in the agricultural industry. Shortages of raw materials, in particular an inadequate supply of feed to livestock farmers, is literally killing some agricultural enterprises. Local sources in Beijing say that the new safety measures in factories have slowed down productivity and that new containment measures prevent employees from commuting to their jobs. All of these issues contribute to China's near all-time high unemployment 6% and it's first GDP contraction (-6.8%) since 1992.

Despite these challenges, officials seem determined to build up China's healthcare capabilities in the wake of the virus; but overseas investments will likely take a hit. One Chinese Marketing Manager at a global diagnostics company estimates that diagnostic equipment demand within China will decrease from 9% to 5% in 2020 as private labs freeze their budgets. He predicts, however, that demand will start to surge in 2021 as the CDC and other national health organizations race to increase their

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capabilities for infectious disease testing in China. One Chinese investor is optimistic about the Chinese healthcare industry, but she is quite bearish on US/Chinese investment:

*“In 2019, we’ve already seen substantial reduction in cross-border activity due to US restriction on Chinese investments. The Chinese government views this as “we’re moving towards having the world’s best technology in all sectors, and the US is trying to stop that.” Entrepreneurs and investors think differently: we want to work together, but that is going to be more difficult given the mounting tension between governments.”*

Only time will tell how the ripple effects of COVID-19 will play out across the global economy.

In the meantime, China’s response to the crisis presents painful but potentially useful lessons. China flexed iron-fist control and leveraged technology during its successful fight against COVID-19. But that’s not to say it didn’t stumble along the

way. After detecting the virus in Wuhan, officials wasted valuable time silencing whistleblowers and delaying shutdowns before they gave Wuhan residents 48 hours’ advance notice before imposing the quarantine. During that time, many residents left Wuhan for other parts of China, taking the virus with them. Once implemented, containment measures worked well and now serve as a testament to the strength of the Chinese government and the loyalty of its citizens. The Communist Party of China (CPC) was extremely effective in rallying national support by sending CPC-registered medical professionals from Shanghai and Nanjing to Wuhan and other ailing areas to help treat sick patients. While no one could have predicted the onslaught of COVID-19, China’s experience to date has provided some insights to help the rest of the world cope with this pandemic and to be better prepared for the next.



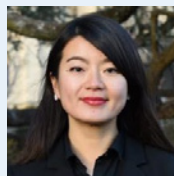
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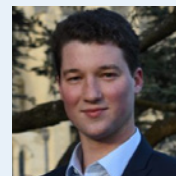
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