

GOVERNMENT

Will China's current COVID outbreak have international fallout?

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WF Central, a luxury shopping center in Beijing. Image credit: WF Central

By SARAH RAMIREZ

Less than three weeks before the start of the 2022 Winter Olympics in Beijing, the Omicron variant has arrived in the Chinese capital.

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Unlike many other countries, China has been following a strict "zero COVID" policy that involves restricting travel throughout the country and numerous lockdowns of large cities, among other measures to prevent the spread of the virus. The discovery of the more infectious Omicron variant in the country, however, leads to more questions about China's strategy and what may be next for its battle against COVID.

"It's anyone's guess what will happen post-Olympics, but if the harder zero-tolerance stance to COVID does persist, then these localized shutdowns will continue to create disruptions and impact consumer sentiment," said Amrita Banta, managing director at [Agility Research & Strategy](#), Singapore.

"Overall, the outlook in China for 2022 is still very positive for domestic sales and growth," she said. "And no one knows when the Chinese travelers will travel internationally again."

COVID response

Cases in China were already climbing at the end of 2021. In November, the country dealt with outbreaks in 19 of its 31 provinces ([see story](#)) while the city of Xi'an, which is home to 13 million people, has been in lockdown for several weeks.

These intense measures have been successful in terms of keeping reported deaths low throughout China but continue to impact residents and businesses.

More recently, however, Shanghai and Guangdong province have detected locally transmitted cases of the Omicron variant, leading to concerns among Chinese officials.



China will be celebrating both the Lunar New Year and Winter Olympics in February. Image credit: Versace

An Omicron case in Beijing has also heightened tensions, according to media reports. City officials are recommending residents stop ordering items from overseas after reportedly finding traces of the virus on a letter sent from China.

If this recommendation becomes widely adopted, it could impact both international imports and exports.

The timing of China's latest COVID outbreaks is especially worrisome with both the Lunar New Year and Beijing Olympics weeks away.

Before the COVID-19 pandemic, the travel period surrounding Chinese New Year and the Spring Festival, or Chunyun, was considered to be the largest annual human migration. According to the Chinese government, 415 million people traveled during the spring festival in 2019, up 7.6 percent from 2018 ([see story](#)).

For the third consecutive year, however, Chinese New Year celebrations will be impacted by the COVID-19 pandemic.

"It will have quite a large impact on Chinese New Year domestic travel," Ms. Banta said. "People don't want to quarantine for 14 days just to go home, so a lot of people are planning to stay put where they are this CNY."

For the Winter Games, China was already setting stricter measures than Japan, which hosted the delayed 2020 Summer Olympics in Tokyo in July and August 2021. Tokyo 2020 eventually took place during a health emergency in the city and spectators were banned from sporting venues ([see story](#)).

On Jan. 17, organizers of Beijing 2022 [announced](#) that tickets would not be sold to the general public. This followed an earlier decision to exclusively sell tickets to spectators from mainland China, effectively banning foreign fans.



Tickets to the Beijing Olympics will no longer be sold to the public. Image credit: Getty Images/Beijing 2022

Instead, spectators will be invited to attend Olympic events, although more details were not yet available.

Other [measures](#) meant to ensure a COVID-free Beijing Olympics includes mandatory vaccinations, extended quarantines, separate "bubbles" for athletes, media and services works and closed-loop transportation as well as COVID testing and face masks.

Luxury impact

While China's COVID countermeasures remain disruptive, the government has not indicated it will abandon its current strategy to eliminate the coronavirus entirely.

China's affluent have led luxury's recovery from the COVID-19 pandemic, but their optimism seems to be waning nearly two years after the start of the global health crisis.

According to Agility Research & Strategy's "China Outlook for 2022," affluent consumers' outlook has improved significantly since the start of the pandemic but this recovery has slowed in the second half of 2021. Nonetheless, Chinese affluents and millionaires remain willing to spend on luxury goods a promising sign for brands' bottom lines ([see story](#)).

"Short term, we could see some hunkering down from consumers at least in terms of shopping in malls people don't want to get trapped in a mall if there is even one suspected COVID case," Ms. Banta said. "It will likely be a positive for online shopping and self-rewarding' purchases.

"Overall, this is more limited in scale and impact than what we saw in January and February 2020 when the first lockdowns happened," she said. "There are still large pockets with no cases and life is as normal for instance, there no disruptions like this in cities like Chengdu."

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