

14 Feb 2022

Over the weekend, China [announced](#) emergency approval of Pfizer's anti-viral drug, Paxlovid, for treatment of COVID-19 in high-risk patients (i.e. elderly and patients with co-morbidities). Here is a [link](#) to a story in the South China Morning Post on the topic. While additional steps must be taken by Pfizer before the drug is approved for general use, we view this as an **important first step that may finally provide a path out of China's current strict Zero-COVID stance**.

We have previously stated that China's main pathway out of the COVID-19 pandemic was likely to be the introduction and wide distribution of an anti-viral drug that could break the link between infection and ICU hospitalization, not an mRNA vaccine. The basis of this view is the extremely low capacity of ICU beds in China, which would not be able to handle the level of breakthrough infections requiring ICU beds even in the best-case scenarios experienced around the world (see below for our scenario analysis).

From our perspective, the Pfizer news is **significant for two reasons**:

1. Provides the **first public confirmation of a foreign anti-viral treatment being under review in China**, suggesting the country may not need to wait for a locally-developed drug to be available before it can transition to an endemic state.
2. **Indicates the government is open and willing to rely on a non-Chinese solution** to manage the health risks associated with COVID-19 and help it end the pandemic phase.

Prior to the weekend announcement, there was significant uncertainty on both points and hence, close to zero visibility towards the end of China's Zero-COVID policy.

While significant details have yet to be announced - namely around the timing of when the Pfizer pill will be available in China and at what quantity - and political risks remain (i.e. state of Sino-US relations), **we view this announcement as a net positive development**, as it could have the effect of accelerating the end of China's Zero-COVID policy, all else being equal.

From a sector perspective, this would be **most positive for the Aerospace and Automotive sectors** given the direct exposure to consumer activity.

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China COVID Scenario Analysis

| | |
|---|----------------------|
| China total population (pop) | 1,447,402,781 |
| Vaccinated rate (%) | 80.8% |
| <i>No. of fully vaccinated people (pop)</i> | <i>1,169,501,447</i> |
| Unvaccinated rate (%) | 19.2% |
| <i>No. of unvaccinated people (pop)</i> | <i>277,901,334</i> |
| No. of ICU beds per 100,000 people (est) | 3.6 |
| Total no. of ICU beds available (est) | 52,107 |

| Calculations | Bear | Base | Bull |
|--|-------------------|--------------------|--------------------|
| % of infections | | 50.0% | |
| <i>Total no. of infected people (unvaxx'd)</i> | | <i>138,950,667</i> | |
| Mild or no symptoms | 50.0% | 75.0% | 98.0% |
| <i>No. of people with mild or no symptoms</i> | <i>69,475,333</i> | <i>104,213,000</i> | <i>136,171,654</i> |
| Require oxygen supplementation | 15.0% | 10.0% | 1.0% |
| <i>No. of people requiring oxygen</i> | <i>20,842,600</i> | <i>13,895,067</i> | <i>1,389,507</i> |
| ICU (close monitoring) | 10.0% | 8.0% | 0.5% |
| <i>No. of people in ICU under monitoring</i> | <i>13,895,067</i> | <i>11,116,053</i> | <i>694,753</i> |
| ICU (critically ill) | 25.0% | 7.0% | 0.5% |
| <i>No. of people in ICU critically ill</i> | <i>34,737,667</i> | <i>9,726,547</i> | <i>694,753</i> |
| ICU demand : supply (est) | 934:1 | 400:1 | 27:1 |

Source: Silk Road Research, Worldometers

Hope this helps. Please feel free to let us know if you have any questions.

Best,
Vinesh