

## Economic Impact of the Coronavirus – as of February 10<sup>th</sup>, 2020

In addition to the report MFC published on February 4<sup>th</sup>, 2020, MFC continues gathering news and comments regarding the economic impact of the new Coronavirus from both inside and outside of China.

Although our team is undertaking strong efforts to select only the most reliable materials and sources please derive your own analysis on which facts to follow and how to cast your decisions. While expecting the economic rebound to kick in in the (near) future, putting smart plans into place based on reliable facts is the key task for many of us. Wishing everyone a strong team and successful paths ahead!

### a) Current / Expected Economic Impact in China

- China's short-term economic growth rate will fall significantly. It is expected that China's GDP growth rate in the 1<sup>st</sup> quarter, 2020, will definitely fall below 6.0%.<sup>1</sup>
- However, the economic development will speed up in the 3<sup>rd</sup> and 4<sup>th</sup> quarter. If the epidemic situation is effectively controlled soon, it is expected that China's annual GDP growth rate will remain at about 5.8%.<sup>1</sup>
- China's Producer Price Index for Industrial Products (PPI) for January 2020 increase by 0.1% year-on-year and is flat month-on-month. The Industrial Production Index (IPI) for January 2020 decreased by 0.3% year-on-year and rose by 0.2% month-on-month.<sup>2</sup>
- China's Consumer Price Index (CPI) for January 2020 rose 5.4% year-on-year. This is both affected by the new Coronavirus and the different timing of Chinese New Year holidays, which was from February 4<sup>th</sup> to 10<sup>th</sup> in 2019, and from January 24<sup>th</sup> to February 9<sup>th</sup> in 2020 [with extension].<sup>3</sup>

## b) Comments from inside China

- Yang Cuihong, Deputy Director and Researcher, Research Center for Predictive Sciences, Chinese Academy of Sciences

- February 9<sup>th</sup>, 2020

“The long-term economic impact of the epidemic is limited.”<sup>1</sup>

“The impact on service industries such as transportation (especially passenger transportation), tourism, accommodation and catering is relatively direct and severe. The impact on wholesale and retail, culture and entertainment is also relatively serious. The film industry will face more difficulties at a later stage. If the epidemic can be effectively controlled in the short term, the impact on the primary industry is expected to be relatively limited.”<sup>1</sup>

“Due to a weak global economic recovery and China’s slowed down economic growth in 2019, the economic recovery is more difficult than during the SARS period.”<sup>1</sup>

## c) Comments from outside China

- Luis F. Lopez-Calva, the UNDP regional director for Latin America and the Caribbean.

THE GLEANER, February 9<sup>th</sup>, 2020

“Commodity prices will also likely be impacted by a slowdown of the Chinese economy. Chinese oil demand, for example, is already being reported to have dropped by 20% by some news outlets.”<sup>4</sup>

- Peter Ru, China Fixed Income Strategy Leader and Sean Jutahkiti, Head of Asian Credit Research

Neuberger Berman, February 9<sup>th</sup>, 2020

“We believe the negative effects from lower growth on China’s corporate and financial bond issuers are likely to be largely offset by policy support. The government has already cut interest rates and injected tens of billions of dollars’ worth of liquidity into the markets, lowering funding costs for financials. For corporates, it has issued a directive for banks to lower lending rates and to be flexible in rolling over debt repayment. If the situation deteriorates, we can expect more government measures such as further cuts to interest rates and reserve requirement ratios.”<sup>5</sup>

- Ben Emons, managing director of macro strategy at Medley Global Advisors  
Bloomberg, February 9<sup>th</sup>, 2020  
I expect the first signs of the virus impact on local economies to show up between February 20 and February 25, when Taiwan export orders, Australia PMI, Thailand and Hong Kong import data are released. A change in product inventories from Chinese manufacturers, as well as imports by major auto, retail and durable goods companies, is possibly a signal the production shutdown is affecting the supply chain.

### Sources:

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Enda Curran and Michelle Jamrisko, Bloomberg, February 9<sup>th</sup>, 2020  
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