

Economic Impact of COVID-19 – as of February 25th, 2020

In addition to the reports previously published, MFC continues to compile news and comments regarding the economic impact of the COVID-19 from 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 hopefully 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 / Recovery in China

- Several policies were introduced to support enterprises in China during the epidemic, including a possible 100% exemption of pension, unemployment insurance and work injury insurance payments for their employees by SMEs from all over China for maximum 5 months from February to June, 2020, and 50% exemption of such costs at large enterprises (with RMB 500 million – RMB 5 billion annual sales income / total assets) and other insured units (excluding government and other institutions) for maximum 3 month during the same period of time. In Hubei, the 100% / 5 months exemption is extended to all kinds of enterprises paying social insurance (excluding government and other institutions). The detailed exemption plan is decided province by province. However, the social insurance rights of the insured persons are not to be affected. The “missing” amount of pension will be covered by the surplus from previous years, as there was over RMB 5 trillion accumulated balance by the end of 2019.¹
- At the same time, a 5% discount on electricity is provided to those enterprises with general industrial / commercial electricity prices for the same period of time.²
- According to the China Association of Automobile Manufactures (CAAM), in January 2020, in total 1.783 million automobiles were produced in China (24.6% reduction year-on-year), while 1.941 million automobiles were sold (18.0% reduction year-on-year).³ Information from China Passenger Car Association (CPCA) shows that during the first half of February, there was an unprecedented 92% year-on-year plunge in retail passenger car sales in China.⁴

- During the travel period of Chinese New Year in 2020 (from January 10th to February 18th) Chinese railway, roads, waterways and civil aviation had a total of 1.47 billion passengers, which is 50.1% less than during the same period in 2019 (from January 21st to March 1st).⁵
- The number of domestic tourists in China is expected to be 56% lower in the 1st quarter of 2020 and in total 15.5% lower in 2020 (= a decrease of 932 million people year-on-year). The domestic tourism income is expected to be reduced 69% in the 1st quarter and 20.6% for the year, which translates to RMB 1.18 trillion (≈ \$168 billion).⁶
- From March 2nd, 2020, the Customs Tariff Commission of the State Council, PRC, will accept applications from relevant domestic enterprises to import commodities from the United States without levy of the counter tariffs from China's 301 measures. This involves total 696 kinds of commodities include medical products and agricultural products, such as beef, pork, soya beans.⁷
- Many industrial enterprises with an annual income above RMB 20 Million have resumed to work. Among key industries this includes 67.4% of iron and steel enterprises, as well as 86.3% of non-ferrous metal enterprises. However, only near 30% of SMEs (with less than RMB500 million annual sales income / total assets) all over the country have resumed to work.⁸

b) Comments from inside China

- China Tourism Academy⁶
February 20th, 2020
“The impact of this epidemic is temporary...According to a survey, 71.5% of the interviewees would wait a period of time after the epidemic ended to go travel, and 20.7% said that they would travel as soon as the epidemic ended... short- and medium-distance domestic tourism will lead the recovery after the epidemic, while inbound tourism may take around 3 quarters to fully recover.”

c) Announcements and Comments from outside China

- Clara Ferreira Marques, Bloomberg Opinion columnist covering commodities and environmental, social and governance issues⁹
February 24th, 2020
“Sharp falls in Asian markets and U.S. stock futures Monday suggest investors are starting to catch up to the disconnect between the coronavirus’s widening impact and hopes of a V-shaped recovery.”
- Ursula von der Leyen, President of the European commission¹⁰
February 24th, 2020
“As cases continue to rise, public health is the number one priority. Whether it be boosting preparedness in Europe, in China or elsewhere, the international community must work together. Europe is here to play a leading role.”
- On February 24th, 2020 the EU announced a €232 million aid package from the EU to help detect and diagnose the disease, care for infected people and prevent further transmission at this critical time. Out of this package €114 million will support the WHO in its efforts to fight the virus. €15 million are planned to be allocated in Africa to support measures such as rapid diagnosis and epidemiological surveillance. €100 million will go to urgently needed research related to diagnostics, therapeutics and prevention, including €90 million through the Innovative Medicines Initiative, a partnership between the EU and the pharmaceutical industry. €3 million will be allocated to the EU Civil Protection Mechanism for repatriation flights of EU citizens from Wuhan.¹⁰

Sources:

1. Reduction and exemption of social insurance premiums can reduce the burden on enterprises by RMB 600 billion
Xu Wen, Wu Ning, journalists of Xinjingbao, February 21st, 2020
<http://www.bjnews.com.cn/feature/2020/02/21/692692.html>
2. State Council Joint Prevention and Control Mechanism Press conference - key coal and gas supply during the epidemic time,
Economic Daily, February 23rd, 2020
http://www.ce.cn/ztpd/xwzt/xzbzt/fbh215_337903/
3. The epidemic may force the automotive industry to innovate production and sales models
Lv Hongxing, journalist of China Economic Times, February 25th, 2020
http://lib.cet.com.cn/paper/szb_con/512892.html
4. China Sees Massive 92% Plunge In Car Sales Due to COVID-19
Artie Villasanta, Business Times, February 23rd, 2020
<https://www.btimesonline.com/articles/127163/20200223/china-sees-massive-92-plunge-in-car-sales-due-to-covid-19.htm>
5. In the 40 days of the Spring Festival, the country sent 1.476 billion passengers nationwide, a year-on-year decrease of 50.3%
Xinhuanet.com, February 19th, 2020
http://www.xinhuanet.com/2020-02/19/c_1125598149.htm
6. China Tourism Economy Blue Book No.12: Core Views and Data
China Tourism Academy, February 20th, 2020
<http://www.pinchain.com/article/213948>
7. Announcement of the Customs Tariff Commission of the State Council on the exemption of tariff regarding marketization procurement of the United States commodities
Customs Tariff Commission of the State Council, February 17th, 2020
http://gss.mof.gov.cn/gzdt/zhengcefabu/202002/t20200218_3470901.htm
8. The resume to work rate of industrial enterprises above designated size has reached over 70% in many places all over China
Zhang Mo, journalists of Economic Information Daily, February 25th, 2020
http://finance.ce.cn/stock/gsgqdbd/202002/25/t20200225_34340961.shtml

9. Markets Are Waking Up to the Virus Reality

Clara Ferreira Marques, Bloomberg, February 24th, 2020

<https://www.bloomberg.com/opinion/articles/2020-02-24/coronavirus-metals-show-reality-gap-for-stock-markets>

10. COVID-19: EU working on all fronts, €232 million for global efforts to tackle outbreak

Press release, European Commission, February 24th, 2020

https://ec.europa.eu/commission/presscorner/detail/de/ip_20_316