

Economic Impact of COVID-19 – Snap-Shot – March 31st, 2020

“We have stated that the world is now in recession and that the length and depth of this recession depend on two things: Containing the virus and having an effective, coordinated response to the crisis.” This week start our report with a quote from Kristalina Georgieva, Chief, International Monetary Fund, from 27th March 2020. As countries and people worldwide are struggling to fight of the Coronavirus, a coordinated response could help the world to recover quickly.

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. Putting smart plans into place, based on reliable facts, is the key task for many of us. Wishing everyone strong teams and successful paths ahead!

a) Current / Expected Economic Impact and Recovery in China

- The work resumption progress in China among enterprises has accelerated significantly. By March 25th, 96.6 % of the large and medium-sized enterprises listed in the national purchasing manager's survey have resumed work, which is an increase of 17.7 % from February.¹
- Following a significant drop in February, China's Manufacturing Purchasing Manager's Index (PMI) has increased by 16.3 % month-on-month to 52 % in March. [PMI is the government-published number that summarizes the results of monthly surveys of enterprise purchasing managers. PMI tracks and monitors macroeconomic trends, as well as aids in forecasting results. A PMI above 50 indicates an overall expansion of the manufacturing economy, whereas a PMI below 50 signifies a shrinking of the manufacturing economy]. Non-manufacturing Business Activity Index was 52.3 %, which is 22.7 % up from the previous month.¹
- According to information from the Ministry of Industry and Information Technology of the People's Republic China (MIIT) released during a press conference on March 30th, the overall operating rate of automotive industry enterprises has increased from about 60% on February 19th to 97%, while the reachability of design capacity (ratio between actual production capacity and expected production capacity) is comparable to the same time period of last year. However, the industry still faces great difficulties and problems, especially the problem of weak consumer demand.²

- By March 27th, 99.4% of the agricultural wholesale markets in China have resumed to work. The Trading volume has increased by over 50% from the beginning of February. Sales of large supermarket chains and brand convenience stores have exceeded the volume compared to the same time period in 2019.³
- As a sign of returning to regular operation of the CHINA RAILWAY express train X8015/6 departed from Wuhan, China with 50 containers on March 28th, it is expected to arrive Duisburg, Germany 15 days later.⁴
- According to data released by the National Bureau of Statistics on March 27th, the profits of industrial enterprises above RMB 20 million annual income from January to February fell by 38.3 % year-on-year, which was 35 % lower than the annual level of 2019, and 24.3 % lower than the same period last year.⁵
- Impacted by the epidemic, China's public budget revenue [tax income, administrative charges, etc.] in January-February fell 9.9% year-on-year. The data from February alone fell by more than 20% year-on-year, which is the largest monthly decline in the entire time frame of its recording.⁶
- Due to the reduced number of flights and the regulation to only allow 75 % of possible passengers, the Civil Aviation Administration of China (CAAC) expects the average daily number of passengers entering through airports will drop from 25,000 to about 4,000 during March 29th – April 4th.⁷

b) Current / Expected Economic Impact outside China

- Data collected by Nihon Keizai Shimbun (Nikkei), from 79 of the top 100 Japanese manufacturing companies, showed: by March 28th, 49% of them have closed their factories in the United States, 58 % of them in Europe but only 20% in China. This proves that the trend of shutdowns affected by the epidemic has shifted from China to Europe and the US.⁸
- On March 30th, the price of US WTI [WTI is a grade of crude oil used as a benchmark in oil pricing] crude oil futures fell to \$ 19.92 per barrel, the lowest since January 2002.⁹
- Australian Consumer confidence in the weekly ANZ-Roy Morgan survey dropped by 9.8% over the past week to its lowest level since the inception of the survey in 1973. The pandemic is expected to plunge Australia's resource-rich economy into recession for the first time since the early 1990s.¹⁰
- The rating agency Fitch has cut Britain's sovereign debt rating to AA- on March 27th, saying debt levels will jump as the government ramps up its spending to offset the near shutdown of the economy in the face of coronavirus.¹¹

- The global auto industry is expected to witness an unprecedented and almost instant stalling of demand in 2020, with global auto sales forecast to plummet more than 12% from 2019, to 78.8 million units, according to the latest IHS Markit forecasts. This represents a downgrade of 10 million units compared to pre-coronavirus forecasts made in January 2020 by IHS Markit. A decline by 12% for 2020 would be considerably worse than the two-year peak-to-trough decline of 8.0% during the global recession in 2008/2009.¹²
- The global airline industry is operating with less than half of the capacity it had in mid-January after slashing another 20 million seats from scheduled services last week, according to OAG Aviation Worldwide [a British global travel data provider]. The single biggest weekly percentage drop ever recorded by OAG on a global level came as the U.S. and India accelerated their cuts by 4.4 million seats and 3.5 million seats, respectively, equating to 21% and 70% reductions in capacity. Airlines could lose \$ 252 billion in revenue this year, according to the International Air Transport Association.¹³

c) Comments from inside China

- Zheng Haiqing, Visiting Professor at Hanqing Advanced Institute of Economics and Finance from Renmin University of China
March 31st, 2020
"Although the PMI index has picked up month-on-month, the economy, especially small businesses, is still facing great pressure. Measures to stabilize the real economy should be the core of current policies."¹⁴
- Ma Jun, member of Monetary Policy Committee of the People's Bank of China
March 31st, 2020
In view of the huge uncertainty currently facing the Chinese economy, it is recommended that no GDP growth target shall be set this year.
"It is also very difficult to achieve a 4% -5% growth rate. Many economists made their prediction about China's reduced economic growth rate, such as 2.2 %, 1.30 % or other figures. This is possible, because in the end the economic impact will mainly depend on the development of the epidemic in Europe and the United States. "¹⁵

d) Comments from outside China

- James McIntyre, Australia economist at Bloomberg Economics
March 30th, 2020
“The labor market dislocation in Australia will be substantial, and is likely to linger for an extended period, even though economic growth may ‘bounce back’. Economies will have to ‘run hot,’ or above potential for an extended period to not only re-engage unemployed workers, but to absorb underlying growth in labor supply.”¹⁶
- Kristalina Georgieva, Chief, International Monetary Fund
March 27th, 2020
“I’m very encouraged by what I see now. I see much clearer understanding [among global leaders] that if we don’t beat it everywhere, we won’t be able to get out of it.”¹⁷
- Mohamed El-Erian, chief economic adviser, Allianz
March 30th, 2020
“Given how extensive government interventions are likely to be this time around, it is critical that policymakers also recognise the limits of their interventions. No tax rebate, low-interest loan or cheap mortgage refinancing will convince people to resume normal economic activity if they still fear for their own health. Besides, as long as the public health emphasis is on social distancing as a means of quashing community transmission, governments won’t want people venturing out anyway.”¹⁸

¹ [企业复工复产明显加快，3月份采购经理指数在2月份大幅下降基数上环比回升](#)

National Bureau of Statistics, March 31st, 2020

² [工信部：汽车业整体开工率升至97%，达产率与去年同期相当](#)

Wu Yuxin, thepaper.cn, March 30th, 2020

³ [流通企业复工率总体恢复 消费市场加速回暖](#)

Wang Wenbo, March 30th, 2020

⁴ [铁路畅通大动脉助力复工复产：已累计开行务工专列350列](#)

Liu Jing, workercn.com, March 29th, 2020

⁵ [1-2月工业企业利润同比降38.3% 部分行业降幅超六成](#)

Caixin.com, March 27th, 2020

⁶ [1-2月财政收入同比下降9.9% 2月降幅超20%](#)

Caixin.com, March 24th, 2020

⁷ [民航局：预计通过航空入境的旅客将降到日均4000人左右](#)

yicai.com, March 30th, 2020

⁸ [日企停工趋势从中国转移至欧美，八成中国工厂恢复生产](#)

Han Shengjiang, thepaper.cn, March 30th, 2020

⁹ [原油期货价格跌破20美元/桶 创18年来新低](#)

Luo Guoping, Caixin.com, March 30th, 2020

¹⁰ [Australia's consumer confidence lowest since 1970s](#)

James Glynn, Market Watch, March 30th, 2020

¹¹ [Fitch cuts UK credit rating to AA-](#)

theguardian.com, March 28th, 2020

¹² [COVID-19 Spares Nobody: Mobility Impacts of a Global Pandemic](#)

IHS Markit, March 26th, 2020

¹³ [Half of World's Airline Capacity Grounded by Virus, OAG Says](#)

Harry Suhartono, Bloomberg, March 31st, 2020

¹⁴ [解读 3 月 PMI: 反弹是板上钉钉, 不代表经济运行恢复正常](#)

Zhang Jing, thepaper.cn, March 31st, 2020

¹⁵ [央行货币政策委员会委员马骏: 今年可不设 GDP 目标](#)

Ma Changyan, ce.cn, March 31st, 2020

¹⁶ [Australian economy to contract 10%, biggest drop since 1931](#)

Michael Heath, Bloomberg, March 30th, 2020

¹⁷ [IMF chief Georgieva says the world is in a recession, containment will dictate strength of recovery](#)

Thomas Franck, CNBC, March 27th, 2020

¹⁸ [Coronavirus forces economics profession to leave comfort zone](#)

Mohamed El-Erian, March 30th, 2020