

## **Economic Impact of COVID-19 – Snap-Shot – April 9<sup>th</sup>, 2020**

“If one country fails, then we all fail. We must find solutions that help all segments of our global society, particularly those that are most vulnerable or least able to help themselves.”<sup>1</sup> This week we would like to start our report with a quote from Guy Ryder, Director-General of International Labor Organization, April 7<sup>th</sup>, 2020.

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 all of you strong teams and successful paths ahead!

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

- Nationwide, 85.06% of the housing and municipal infrastructure construction was launched or the ones started before the outbreak was resumed, according to information from Ministry of Housing and Urban-Rural Development on [April] 3<sup>rd</sup>.<sup>2</sup>
- As of March 30<sup>th</sup>, 66.9% of the 8,756 key foreign enterprises [in China], are back to 70% of their production capacity.<sup>3</sup>
- The Ministry of Industry and Information Technology will accelerate the progress of 5G network construction. It is expected that the number of 5G base stations nationwide will exceed 600,000 at the end of the year. As of the end of February, 164,000 5G base stations were built and launched nationwide.<sup>4</sup>
- In the first quarter of this year, the number of goods delivered by CHINA RAILWAY Express [a subsidiary of state-run China Railway, responsible for transporting goods between China and Europe] increased 18% year-on-year. Especially in March, the number of containers went up by 36% year-on-year, setting a new record. This increase can be explained with extensive shipments of disease protection equipment from China to many European countries.<sup>5</sup>

- On April 1<sup>st</sup>, Caixin [a Beijing based media-group] released their China manufacturing purchasing manager index (PMI) for March as 50.1%, 9.8% up from the historical low in February, showing the manufacturing industry has stabilized, but the improvement is still relatively limited.<sup>6</sup>
- Caixin's China's service purchasing manager index in March 2020 recorded at 43%. Although it rebounded by 16.5% compared to February, this still is the second lowest value since the survey was launched in November 2005.<sup>7</sup>

b) Current / Expected Economic Impact outside China

- The Geneva-based WTO, responsible for regulation of international trade, said even the most optimistic scenario for 2020 was that global trade would shrink by 13%, a bigger drop than during the 2008-09 recession caused by the banking crisis. But it warned there is a risk of a much gloomier outcome under which trade would shrivel by 32%, on par with the reduction seen between 1929 and 1932.<sup>1</sup>
- The ILO [International Labor Organization] stated that the coronavirus is expected to decimate global working hours by nearly 7% in the coming months — a dramatic dip equivalent to 195 million full-time jobs worldwide.<sup>8</sup>
- A report [published by the Asian Development Bank (ADB) on April 3<sup>rd</sup>] forecasts regional growth by 2.2% in 2020, down 3.3% relative to the 5.5% ADB had forecast in September 2019. Growth is expected to rebound to 6.2% in 2021, assuming that the outbreak ends, and activity normalizes. Excluding the industrialized economies of Hong Kong, the Republic of Korea, Singapore and Taiwan development in Asia is forecasted to grow by 2.4% this year, compared to 5.7% in 2019 and 6.7% in 2021.<sup>9</sup>
- The French economy shrank the most since World War II in the first quarter of 2020, and the outlook for the rest of the year is souring significantly amid the confinement to limit the spread of the coronavirus, according to the Bank of France. The central bank's estimate of a 6% slump is the latest indicator of the severity of the shock to European economies from a simultaneous collapse in demand and supply. Such a

GDP drop from one quarter to the next would be comparable only to the 5.3% recorded around the strikes of May 1968. The Bank of France survey also showed that factories are running at just 56% of their capacity — a record low — down from 78% in February.<sup>10</sup>

- The forced closure of businesses across the United States and surge in unemployment due to the coronavirus pandemic will force U.S. growth to contract by 30% in the second quarter and 5% overall in 2020, as stated by the Pacific Investment Management Co (PIMCO) on April 8<sup>th</sup>. In a blog post, Tiffany Wilding, an economist at PIMCO, stated that evidence from recent jobs reports suggests the unemployment rate may rise as high as 20%.<sup>11</sup>
- On April the 8<sup>th</sup> the Starbucks Corp (SBUX.O) forecasted a 47% drop in second-quarter earnings, scrapped its full-year forecast and warned that the financial hit from the coronavirus pandemic could extend into the final quarter of the fiscal year 2020.<sup>12</sup>

c) Comments from inside China

- Zhong Zhengsheng, Chairman and Chief Economist of Caixin, April 3<sup>rd</sup>, 2020  
“Although the epidemic was brought under control in March, the recovery of economic activity is still limited, and [China’s] GDP is expected to have a significant negative growth in the first quarter”<sup>6</sup>
- Li Xiao, Dean of School of Economics, Jilin University, April 7<sup>th</sup>, 2020  
“The reshaping of global economic and trade rules after the epidemic will continue. At the same time, global macroeconomic coordination will be strengthened, but it will surely be full of contradictions and more difficult. In the currency area, differences among major countries have increased and coordination has become more difficult.”<sup>13</sup>

## d) Comments from outside China

- Chan Chun Sing, Singapore's minister for trade and industry, April 9<sup>th</sup>, 2020

"We must make sure that we have concerted effort (from) everybody, especially for the bigger economic blocs, to provide the leadership for us to come together to stabilize the financial system and prevent a knock on impact, because it can become a cascading impact and a vicious cycle from a health crisis, to an economic crisis, and a financial crisis."

"What we are most fearful [of] in this crisis is that as people take on more protectionist measures ... we might inadvertently break the global supply chain."<sup>14</sup>

- Steen Jakobsen, Chief Economist at Saxo Bank [Geely Holding Group owns 52% of Saxo Banks shares], April 7<sup>th</sup>, 2020

"The market is celebrating, and very rightly so, that we have a flattening out of the curve right now in terms of people being infected, but the real economic drama will be when we get to the other side of this, because opening up will take month upon month."<sup>15</sup>

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<sup>1</sup> [Coronavirus putting world on track for new Great Depression, says WTO](#)

Larry Elliott, The Guardian, April 8<sup>th</sup>, 2020

<sup>2</sup> [全国房屋建筑和市政基础设施工程在建项目开复工率为 85.06%](#)

Wang Youling, xinhuanet.com, April 3<sup>rd</sup>, 2020

<sup>3</sup> [商务部：制造业外资企业复工复产较快 超过 7 成产能恢复率达到 70%以上](#)

Chen Fang, Economic Information Daily, April 3<sup>rd</sup>, 2020

<sup>4</sup> [网络建设提速 年底 5G 基站超 60 万个](#)

Zhang Xinxin, xinhuanews.com, March 31<sup>st</sup>, 2020

<sup>5</sup> [中欧班列：一季度发货量增长 18%](#)

Wang Lu, Economic Information Daily, April 3<sup>rd</sup>, 2020

<sup>6</sup> [3 月财新中国制造业 PMI 回升至 50.1](#)

Zhang Yu, caixin.com, April 1<sup>st</sup>, 2020

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<sup>7</sup> [3月财新中国服务业PMI回升至43 为历史次低值](#)

Zhang Yu, caixin.com, April 3<sup>rd</sup>, 2020

<sup>8</sup> [The United Nations just said that coronavirus could wipe out the equivalent of 195 million jobs worldwide](#)

Taylor Borden, Business Insider, April 8<sup>th</sup>, 2020

<sup>9</sup> [Developing Asia Growth to Fall in 2020 on COVID-19 Impact](#)

Asian Development Bank, April 3<sup>rd</sup>, 2020

<sup>10</sup> [French Economy Shrinks Most Since WW II](#)

William Horobin, Bloomberg, April 8<sup>th</sup>, 2020

<sup>11</sup> [U.S. GDP will contract 30% in second quarter, 5% in 2020: PIMCO](#)

Kate Duguid, Reuters, April 9<sup>th</sup>, 2020

<sup>12</sup> [Starbucks sees 47% drop in second-quarter earnings on coronavirus hit](#)  
Noor Zainab Hussain, Ayanti Bera, Anil D'Silva, Reuters, April 9<sup>th</sup>, 2020

<sup>13</sup> [多措并举应对世界经济形势变化](#)

Li Xiao, Economic Information Daily, April 7<sup>th</sup>, 2020

<sup>14</sup> [Coronavirus could spark a financial crisis for struggling countries, Singapore's trade minister warns](#)

Weizhen Tan, CNBC, April 9<sup>th</sup>, 2020

<sup>15</sup> [Markets 'totally unprepared' for how long economies will take to normalize after coronavirus, economist says](#)

Chloe Taylor, CNBC, April 7<sup>th</sup>, 2020