

## **Economic Impact of COVID-19 – Snap-Shot – April 17<sup>th</sup>, 2020**

“Although China's epidemic situation is currently under control and the economy has begun to recover, if the epidemic situation in other countries is not resolved and the economy does not recover, China's epidemic situation cannot be completely controlled and the economy cannot be fully recovered. No country can win this alone.”<sup>1</sup> This week we start our report with a quote from Zhao Suisheng, a tenured professor at the School of International Relations, Denver University, April 16<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

- In the first quarter, China's GDP was RMB 20.65 trillion [ $\approx$  \$ 2.9 trillion], a year-on-year decrease of 6.8%. The added value of the agricultural sector increased by 3.5% year-on-year, the added value of industrial enterprises with over RMB 20 Million annual income declined by 8.4% year-on-year. Total retail sales of consumer goods reached RMB 7,858 billion [ $\approx$  \$ 1.1 billion], increased by 19.0% year-on-year.<sup>2</sup>
- According to statistics from the China Automobile Dealers Association, 1.04 million passenger cars were sold in March, a further 37.5 % increase compared to February. The daily output of major auto companies has gradually recovered to more than 75% of their capacity in 2019, and the number of dealer orders has rebounded to over 65% compared to before the crisis.<sup>3</sup>
- According to data from the China Association of Automobile Manufacturers, the general sales of cars in China has dropped by 45.2 % while the production went down by 42.4% year-on-year.<sup>4</sup>
- In March, the national Consumer Price Index [CPI, a measure that examines the weighted average of prices of consumer goods and services] rose by 4.3% year-on-year and fell by 1.2% month-on-month.<sup>5</sup>
- In March, the national Producer Price Index for Industrial Products [PPI, a group of indices that calculates and represents the average movement in selling prices of domestic production over time] fell by 1.5% year-on-year and 1.0% month-on-month. In the whole first quarter it fell by 0.6% compared to the same period last year.<sup>6</sup>
- According to data released by the General Administration of Customs on

April 14<sup>th</sup>, China's exports in the first quarter were RMB 3.33 trillion, 11.4% reduction year-on-year; imports were RMB 3.24 trillion, 0.7% less than during same period in 2019. New foreign trade formats such as cross-border e-commerce still maintain a vigorous development trend. In the first quarter 2020, import and export volume together through the cross-border e-commerce management platform increased by 34.7% year-on-year.<sup>7</sup>

b) Current / Expected Economic Impact outside China

- Finance officials from the G20 agreed on Wednesday to suspend debt service payments for the world's poorest countries [as defined by the World Bank and the United Nations] through the end of the year, a move quickly matched by a group of hundreds of private creditors. The actions to freeze both principal repayments and interest payments will free up more than \$20 billion for the countries to spend on improving their health systems and fighting the coronavirus pandemic.<sup>8</sup>
- Across the G20, all but three countries will register a recession this year. Following the coronavirus outbreak, The Economist Intelligence Unit (The EIU) has revised its growth forecasts for all countries and the results paint a bleak picture. The global economy will contract by 2.2% [in 2020].<sup>9</sup>
- According to the International Monetary Fund the global economy is expected to shrink by 3.0% during 2020 in a stunning coronavirus-driven collapse of activity that will mark the steepest downturn since the Great Depression of the 1930s, the IMF stated on Tuesday April 14<sup>th</sup>.<sup>10</sup>
- The [U.S.] Federal Reserve said on Wednesday manufacturing production plummeted 6.3% last month, the biggest decrease since February 1946. Data for February was revised down to show output at factories slipping 0.1% instead of edging up 0.1% as previously reported.<sup>11</sup>
- Total [retail] sales [in the U.S.], which include retail purchases in stores and online as well as money spent at bars and restaurants, fell 8.7% [in March] from the previous month, the Commerce Department said Wednesday. The decline was by far the largest in the nearly three decades the government has tracked the data.<sup>12</sup>
- Total UK sales fell by 4.3% [in March] compared with the previous year, the sharpest decline since 1995, the British Retail Consortium (BRC) said.<sup>13</sup>
- United Airlines Holdings Inc (UAL.O) said on Wednesday that it has cut

its flight schedule by 90% in May and expects similar cuts for June as a result of the coronavirus pandemic, and warned that travel demand that is now “essentially at zero shows no sign of improving in the near term,” making job cuts likely.<sup>14</sup>

c) Comments from inside China

- Liu Yuanchun, Vice President, Renmin University of China  
April 15<sup>th</sup>, 2020  
"The relationship between China 's economic growth and employment is a very asymmetric relationship. That is to say, for every 1 percentage point of GDP growth, employment growth is about 2 million, but for every 1 percentage point of GDP growth rate, the unemployment may be close to about 4 million."  
According to the calculation of employment elasticity, to guarantee about 11 million increase in urban employment this year, the GDP growth rate shall reach 5.5%; to guarantee that the employment scale will not decline from last year, then a GDP growth rate of at least about 4.5% must be guaranteed.<sup>15</sup>

d) Comments from outside China

- Mark Muro, Senior Member, Brookings Institution [a Washington based U.S. think tank] in New York Times, April 10<sup>th</sup>, 2020  
“[...] with companies hurting for cash, the pressure to replace humans with machines becomes even more intense. People become more expensive as companies' revenues decline. This may be one of those situations when automation does substantially depress rehiring.”<sup>16</sup>
- Sucharita Kodali, Retail Analyst of Forrester Research, April 15<sup>th</sup>, 2020.<sup>17</sup>  
“It's only going to cause a shakeout of a lot of retailers, and I think long term it just means that some of these big guys get less competition. The less competition they have, the worse they can treat everybody, whether it's a supplier, a customer or an employee.”
- Lars Jensen, CEO, SeaIntelligence Consulting [based in Denmark] in Financial Times, April 12<sup>th</sup>, 2020  
“[...] cargo is arriving in Europe and nobody wants it — that's the problem. You'll have four to five weeks of inventory piling up in the ports. [...] Importers are going to be faced with the problem of overflowing warehouses and large amounts of goods they need to take delivery of that realistically they're not going to be able to sell.”<sup>18</sup>
- Vivian Lau, vice chair and group chief executive officer of Pacific Air

Holdings [a Hong-Kong based logistics company], Bloomberg April 16<sup>th</sup>, 2020

“What was considered an unreasonably high price yesterday is now not only acceptable but even a missed bargain, “The mad rush is still on as the race continues to transport the much-needed medical supplies to the needed destinations around the world.”<sup>19</sup>

<sup>1</sup> [抗疫不是制度竞争，合作没有输家](#)

Zhong Chao, Guangming Daily, April 16<sup>th</sup>, 2020

<sup>2</sup> [国家统计局：2020年一季度GDP同比下降6.8%](#)

Xinhuanews, April 17<sup>th</sup>, 2020

<sup>3</sup> [政策助推汽车市场回暖 稳消费“先锋”作用显现](#)

李志勇, Xinhua Finance, April 15<sup>th</sup>, 2020

<sup>4</sup> [中汽协：一季度我国汽车产销下滑均超四成](#)

china.cankaoxiaoxi.com, April 13<sup>th</sup>, 2020

<sup>5</sup> [2020年3月份居民消费价格同比上涨4.3%](#)

National Bureau of Statistics, April 10<sup>th</sup>, 2020

<sup>6</sup> [2020年3月份工业生产者出厂价格同比下降1.5%](#)

National Bureau of Statistics, April 10<sup>th</sup>, 2020

<sup>7</sup> [疫情背景之下，如何稳住外贸基本盘？](#)

Liu Hongxia, Li Huiying, Cheng Di, Xinhua Finance, April 15<sup>th</sup>, 2020

<sup>8</sup> [G20 countries agree debt freeze for world's poorest countries](#)

Davide Barbuscia, Marwa Rashad, Andrea Shalal, Reuters, April 15<sup>th</sup>, 2020

<sup>9</sup> [Covid-19 to send almost all G20 countries into a recession](#)

The Economist Intelligence Unit, updated April 14<sup>th</sup>, 2020

<sup>10</sup> [Global economy in 2020 on track for sharpest downturn since 1930s: IMF](#)

David Lawder, Reuters, April 14<sup>th</sup>, 2020

<sup>11</sup> [U.S. manufacturing output posts largest drop since 1946](#)

Lucia Mutikani, Reuters, April 15<sup>th</sup>, 2020

<sup>12</sup> ['Pretty Catastrophic' Month for Retailers, and Now a Race to Survive](#)

Sapna Maheshwari, Ben Casselman, New York Times, April 15<sup>th</sup>, 2020

<sup>13</sup> [Coronavirus: March retail sales 'plummet'](#)

BBC, April 16<sup>th</sup>, 2020

<sup>14</sup> [United cuts May flights by 90%, tells employees to brace for job cuts](#)

Tracy Rucinski, Reuters, April 16<sup>th</sup>, 2020

<sup>15</sup> [刘元春：今年经济增速应不低于5.5%，要救助个体户和低收入者](#)

Yuan Changyou, Sohu, April 16<sup>th</sup>, 2020

<sup>16</sup> [Robots Welcome to Take Over, as Pandemic Accelerates Automation](#)

Michael Corkery, David Gelles, New York Times, April 10<sup>th</sup>, 2020

<sup>17</sup> [Global economy in 2020 on track for sharpest downturn since 1930s: IMF](#)

David Lawder, Reuters, April 14<sup>th</sup>, 2020

<sup>18</sup> [European ports and warehouses brace for surge in container](#)

Financial Times, April 12<sup>th</sup>, 2020

<sup>19</sup> [The 'Mad Rush' for medical gear triples air cargo rates](#)

Bloomberg, April 16<sup>th</sup>, 2020