

# The Impact of the Covid-19 on China's Economy and Its Countermeasures

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**Keywords:** The Covid-19; China's Economy; Influence; Countermeasures and Suggestions

**Abstract:** In early 2020, the Covid-19 suddenly spread in China and quickly spread to the whole world. This outbreak is highly contagious, so it has caused a serious impact on the social production and life order and the macro economy of China and the world at large. From the Angle of industrial structure, the impact of the outbreak on China's economy is analyzed. After that, this paper made a comparative analysis between this outbreak and the SARS outbreak in 2003, so as to make a preliminary forecast of the overall economic situation in 2020. At last, this paper proposed countermeasures and Suggestions from multiple perspectives.

At the beginning of 2020, the outbreak of new coronavirus began to spread on a large scale in wuhan, China, and quickly spread to the whole country. Due to the super transmission of new coronavirus, citizens all over the country were forced to spend the Spring Festival holiday at home. The Spring Festival holiday is an important holiday for Chinese citizens to consume. Influenced by the new epidemic, the tourism and entertainment industries suffered a sharp decline in the turnover, and the driving effect of holiday consumption on the economy was completely killed by the new epidemic. , however, to our country economy the impact of the epidemic is not limited to service sector, because of the outbreak, most regions of the country are appropriately extended holiday, to return to work and production cost increase, the uncertainty increases, China's industrial and manufacturing capacity recovery, although the strong policy of the government and the joint efforts of staff, the new crown outbreak under control, the orderly economy begins to recover, but the impact strength of economy of our country has become a fact, for this reason, in this paper, a comprehensive analysis of the new champions league outbreak on the negative effects of China's economy, and predicted the future economic development trend, put forward policy Suggestions for China's economic development.

## I. The Impact of the Epidemic on China's Economy

### 1. The Epidemic Affects China's Primary Industry

Generally speaking, the impact of this outbreak on the primary industry is relatively limited, among which poultry, aquatic products and other breeding industries are seriously affected. The impact is mainly caused by transportation barriers, and the farms in many areas encounter problems such as unable to get in feed and products out. The epidemic has little impact on forestry and animal husbandry, and the self-healing ability of agriculture, forestry, animal husbandry and fishery industries is very strong, which will be less affected by the epidemic in the long run. In addition, in recent years, China's industrial structure adjustment, the proportion of the primary industry decreased, and the contribution rate to economic growth also decreased year by year. In 2019, the contribution rate of the primary industry to economic growth was 3.8%. Therefore, from the macroeconomic perspective, the epidemic has limited impact on the primary industry.

### 2. Impact of the Epidemic on China's Secondary Industry

As a manufacturing power, China has been playing the role of "factory of the world" in recent years. Moreover, China is the only country with the most complete industrial categories in the world, with a relatively complete industrial chain. The direct impact of this outbreak on the manufacturing sector is mainly in five aspects:

(1) Due to the human-to-human transmission of the new pneumonia virus, this outbreak has the greatest impact on traditional labor-intensive industries. Physical factories have higher requirements on the flow of offline labor and logistics of factors. Now affected by the epidemic, the flow of personnel, raw materials, products and other factors has been restricted. The delay in the return of workers and the resumption of factory work has led to the failure of smooth production activities and the shutdown and reduction of production in most enterprises. So for now, there will be some impact on the added value of the secondary industry, but the size of the impact also depends on the situation of epidemic control and the time to return to work[1].

(2) The outbreak has had a huge impact on producer services. In transportation, logistics, hotels, entertainment and commercial real estate, 30% to 50% is manufacturing, affected by the outbreak, the related industries has been in a halt, the lockout will directly affect the processing and manufacturing of producer services, due to the demand side, the order of upstream and downstream industries is reduced significantly, so will be affected by the huge manufacturing

(3) Due to the epidemic, offline consumption dropped significantly during the Spring Festival, resulting in oversupply. Although we expect there will be retaliatory consumption after the epidemic ends, it still cannot make up for the loss of consumption during the Spring Festival. The outbreak has also affected incomes and savings, and there will not be a big rebound in consumption in the future.

(4) China is fully integrated into the global value chain in the electronics, machinery and equipment sectors, accounting for 38-42% of global output. Due to product segmentation and industrial chain globalization, the proportion of intermediate products in China's export products is high, which accounts for a high proportion of global output value. If the disease is controlled for a long time, enterprise for a long time can not return to work the international manufacturers are likely to transfer the key link of manufacturing, from China to other countries, the supply chain restructuring will follow, made in China in the global industrial chain division of labor is in danger of refactoring, this will be the permanent impact in the manufacturing industry of our country, at the same time can also affect the overall industrial structure of our country. Therefore, epidemic prevention and control is particularly important.

(5) The epidemic will have a positive impact on the manufacturing industry of biopharma and medical products. The outbreak of new pneumonia has exposed the shortcomings of China's medical devices, especially in vitro testing equipment. In the future, the development process of "localization" will be accelerated. The market demand for biomedical research and development, especially for specific drugs, chemical reagents and vaccines, will continue for a period of time, and the enterprises will get excess profits. Internet medical treatment and big data medical treatment enjoy flow dividend and become important supplements of offline medical treatment, which will play a driving role in related manufacturing industry.

### **3 The Impact of the Epidemic on the Tertiary Industry**

#### **(1) The service sector**

The service sector, which is densely populated, has been hit hardest. The recovery has been relatively slow and longer, with industries such as catering, tourism, film and transport already taking full effect. For the film industry, the Spring Festival party occupies an important position in the box office for the whole year, to support the many movie box office for the whole year, affected by the outbreak, most films to choose from during the Spring Festival, the national cinema is also closed, and for now, this kind of situation will continue until the end of April, will inevitably impact on the year's box-office irreparably. Restaurants and tourism have also been hit hard, with the outbreak forcing the cancellation of dinners and marriages, the closure of major tourist sites and the cancellation of major cultural and entertainment events. In transportation, national transportation authorities expect an 80 percent drop in the number of travelers due to cancellations of travel and family visits, as well as delays in returning to work[2].

While the epidemic has a great impact on offline consumption in China, some online retailing and take-out industries are developing rapidly, which can still meet the consumption desire of

residents to a certain extent despite the blockade of residential areas across the country. In this sense, the impact on consumption could be mitigated. The development of online office, video conferencing and webcast teaching has also slowed the impact on education, training and other industries such as the Internet. Meanwhile, some industries such as short videos and online games have benefited greatly from the epidemic.

#### (2) Real estate and capital markets

In the short term, the epidemic has a certain negative impact on the real estate supply side, but the real estate development is resilient and will not have a significant impact in the long term. The same is true for the sales, which will be affected in the short term, but is expected to rebound after the epidemic ends. Affected by the epidemic, the local financial pressure is huge, the real estate industry may be relaxed in the policy, therefore, in the long run, the epidemic has little impact on the real estate industry. For the capital market, with the spread of the epidemic, the impact of the epidemic on the economy is obvious, leading to the shock and fall of the capital market, looking at the global capital market, whether it is the asia-pacific or Europe and the United States, the stock market is in a slump.

## **II. Prediction of Future Economic Impact of the Epidemic**

The new coronavirus has a very similar structure to the SARS virus of 2003, the outbreak is much larger than the previous outbreak, and the virus itself is more infectious than SARS. We can use a review of the SARS outbreak in 2003 to make a preliminary forecast of future economic trends.

### **1. China's Current Macroeconomic Situation**

During the SARS outbreak in 2003, shortly after China joined the WTO, investment and exports are not present a sharp decline, so shake the economy strong rise in 2003, the real GDP growth in 2003 will reach 10%, compared with 2002 also rose by 0.9%, it can be seen that in the long run, the SARS outbreak did not affect China's economy in 2003. However, China's economy in 2020 is still quite different from that in 2003. Firstly, the growth momentum of China's economy has slowed down a lot, and the economic downward trend is obvious, with l-shaped growth. Second, China's economic growth pattern has undergone a transformation, domestic and foreign demand has weakened, and the international environment has become more uncertain. Third, China is now in a very critical period, with a clear economic goal, that is, to win the well-off; The pressure on economic growth to lift people out of poverty is severe. Finally, China's current financial leverage ratio is much higher than that of 2003, and the high leverage of enterprises and the bad debts of financial institutions are adverse factors for domestic economic growth. However, due to the epidemic, a large number of small and medium-sized private enterprises are facing capital flow problems and individuals are facing unemployment. All these problems will aggravate the explosion of financial risks.

### **2. The Economic Impact of the New Coronavirus Epidemic on the Period from 2020 To 2021**

The impact of SARS on GDP in the second quarter of 2003 was calculated to be 1.5 percentage points based on the extent to which the three GDP sectors were affected by SARS in the second quarter of 2003. Rapid growth in the third and fourth quarters left the overall growth rate intact in 2003. The situation of this new coronavirus outbreak is different. According to the previous analysis, the epidemic situation can be divided into three types. The first scenario is that the global outbreak is well contained and could end by the end of July, with an initial estimate of 300,000 confirmed cases worldwide. The impact on the economy was largely limited to the first half of the year, and the impact was only temporary. At present, China has been the most effective in preventing the epidemic, basically controlling the new local cases, but the specific situation is subject to the control of the global epidemic. The second situation is that although China has won an overall victory in the prevention and control of the epidemic, the epidemic situation in overseas areas shows a trend of large-scale outbreak. There are a large number of imported cases in China,

and the global epidemic will last until the end of November this year. All countries in the world will take the highest level of prevention and control measures, cities will be closed, borders will be closed, trade will be disrupted and other situations, global trade will be a huge impact. The third scenario is a global outbreak control failure, with borders closed and trade completely disrupted, more than 1 million confirmed cases worldwide, and the virus mutating and developing resistance to hot temperatures, lasting until the end of 2021. The large-scale outbreak of the virus leads to the global production stagnation, which will lead to the global inflation, the collapse of the financial markets around the world, the stock market crash, the outbreak of the worldwide financial crisis. The global economy is in recession, unemployment is rising and the economy is stagflation. Combined with the analysis of the above three situations, the forecast of the overall economic growth rate from 2020 to 2021 is as follows:

**Table 1.** Economic growth rate forecast

	First quarter of 2020	Second quarter of 2020	Third quarter of 2020	Fourth quarter of 2020	First quarter of 2021	Second quarter of 2021	Third quarter of 2021	Fourth quarter of 2021
Case one	3.8%	5.0%	5.2%	5.8%	6.3%	6.2%	6.0%	6.0%
The second case	3.8%	4.8%	5.0%	5.2%	6.0%	5.8%	5.9%	5.6%
The third case	3.8%	4.8%	4.9%	4.6%	4.8%	4.5%	4.3%	4.2%

To sum up, if the global epidemic ends quickly, China's economic growth rate can be maintained at around 5% in 2020, and it is expected to reach 6.1% in 2021. However, the current epidemic has become a global disaster, and the future trend of China's economy will be affected by the global epidemic and the global economy. However these are theoretically logical deduction, actually also look at the epidemic situation and the government's economic policy, depending on the following three factors: first, the duration and the global spread of epidemic situation, duration and the prevention and control is particularly important, the shorter the time, the number of affected areas and the less, the smaller the impact on the global supply chain. Second, the efficiency of the recovery from the outbreak, the saturation of the recovery, and the effectiveness of government measures to revitalize the economy. Third, the prevention and control of the epidemic should ultimately be carried out by the local governments at all levels. The government should take into account the measures and execution of the prevention and control of the epidemic and the resumption of work, as well as the handling of the local rebound of the epidemic and the supervision of the overseas immigrants[3].

### III Countermeasures and Suggestions

#### 1. The Epidemic Prevention and Control Shall Not Be Lax and Vigilance Shall Be Exercised Against Imported Cases from Abroad

The outbreak has been basically stabilized in China. As a large number of returnees are about to return to work, the country is about to face a large-scale population migration, for which local governments need to strictly control the inflow of population to prevent the outbreak from rebounding. In addition, in view of the current severe outbreak overseas, it is necessary to guard against imported cases. Customs departments should strengthen the inspection and quarantine of incoming personnel to prevent secondary infection[4].

#### 2. To Fight the Epidemic and Return to Work, and Adhere to Open and Transparent Information

On the issue of returning to work, zhejiang, guangdong and other provinces adopted big data positioning technology to detect returning employees, which greatly improved the return to work rate. Some provinces in the central and northwestern regions were slow to return to work, and adopted a one-size-fits-all policy, which could avoid the risk of epidemic caused by the return to

work. Therefore, this paper suggests that all regions of the country can be classified for management, for the less epidemic areas in the case of strict prevention of imported cases, can fully restore the order of production and life. The epidemic areas are not lax in prevention and control, while ensuring the supply of medical supplies and residents' necessities, and will continue to work after the epidemic has been effectively controlled. Local governments at all levels need to learn from past experience and adhere to open and transparent information.

### **3. Targeted Interest Rate Cuts and Reserve Requirement Ratio Cuts Were Carried Out In Areas and Industries Hit by Severe Disasters.**

In terms of monetary policy, it is suggested to carry out further easing policies. In addition to providing short-term liquidity, targeted interest rate cuts and reserve requirement ratio cuts will be carried out in hard-hit regions and industries to stabilize market expectations and help enterprises tide over difficulties. At the same time also need to give consideration to small and medium-sized private enterprises.

### **4. Adopt a Proactive Fiscal Policy.**

In terms of fiscal policy, it is suggested to further increase government fiscal expenditure, expand support for small and micro businesses, especially for small and micro businesses in severely affected industries, and introduce tax reduction and exemption policies. Further reduction or reduction of social security payment rate; Appropriate reduction of value-added tax in the first quarter of the affected industries; Financial interest discounts for businesses that were partially affected by the outbreak[5].

### **5. Strengthening Supervision of the Capital Market and Correctly Guiding the Flow of Funds.**

At the end of the outbreak of the loose fiscal and monetary policy is very important, but the focus should be on the new key areas of infrastructure and public services, unlike traditional infrastructure, new infrastructure involved in seven areas: infrastructure, 5 g uhv, inter-city high-speed railway and inter-city rail transit, new energy automobile charging pile, large data center of gravity, artificial intelligence, the Internet industry. It is suggested that local governments take special bonds as the starting point to guide funds to invest in new infrastructure areas that benefit both supply and demand and have a multiplier effect.

### **6. We Will Continue To Open Up and Upgrade, and Actively Advocate Trade Globalization.**

With the development of China's manufacturing industry, the Chinese economy has been deeply integrated into the globalization, and China needs to continue to promote the globalization in the future. Made in China depends on the global consumer market, and China's exports account for more than 22% of its GDP. 68% of oil needs to be imported, and core technologies such as semiconductors, precision instruments and optical equipment still need to be imported. But the developed economies, particularly in Western Europe and north American countries in trade and investment in the face of China's dependency is not high, its exports to China are often accounting for less than 5% of its total output, China imports in proportion is less than 5% of its domestic consumption, the foreign direct investment from China accounted for more than 1% of the domestic investment. China's globalization still faces huge challenges, especially in the context of anti-globalization, China needs to actively expand the domestic and external opening-up of key sectors such as automobiles, finance, electricity, telecommunications and Internet, continue to reduce tariff rates, support emerging industries and foster new economic growth points[6].

### **7. Deepening Reform of Institutions and Mechanisms and Comprehensively Enhancing China's Capacity for Governance**

The new outbreak has exposed China's shortcomings in national governance, such as the lack of transparency and transparency of information, the lack of public opinion supervision mechanism, the low level of emergency management, the low administrative efficiency of some local governments and the low level of execution. It is suggested to comprehensively deepen the reform,

with the focus on the system and mechanism. In terms of the governance concept, the government should transition from management and supervisor to guidance and collaborator. Meanwhile, the governance body should be improved and government-led public activities with wide participation of society and individuals should be encouraged. In addition, it is necessary to strengthen the timely disclosure and openness of information, strengthen the supervision mechanism of public opinion, fully respect the right of news media and the public to know about major public events, and avoid the abuse of public power[7].

## **8. Stepping up Healthcare Reform to Quickly Address Medical Shortcomings**

The intensity of China's total national health expenditure lags far behind that of developed countries, and is only in the middle of the range among developing countries. China's per capita health expenditure is only 420 us dollars, compared with 3,703 us dollars in Japan and 9,403 us dollars in the United States. It is suggested that the proportion of government expenditure on medical and health care should be increased, the salary level of medical personnel should be raised, the working environment should be improved, and the construction of emergency medical system should be strengthened. In terms of medical personnel training, we will increase funding and support for domestic medical research institutions and medical colleges and universities. We will improve the training system for independent medical personnel and gradually narrow the gap with developed countries in the medical field. In terms of medical and emergency equipment, it is recommended to routinely preserve "xiaotangshan" hospitals in various regions to cope with sudden major public health events, and to increase the number of intensive care units in major hospitals to ensure sufficient capacity to treat severe patients when the outbreak occurs. In addition, it is necessary to set up a reserve of emergency supplies, strengthen the dynamic management of emergency supplies for health, and improve the system of material reserve and allocation.

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