

Impact of COVID-19 on Chinese Economy and Policy Responses

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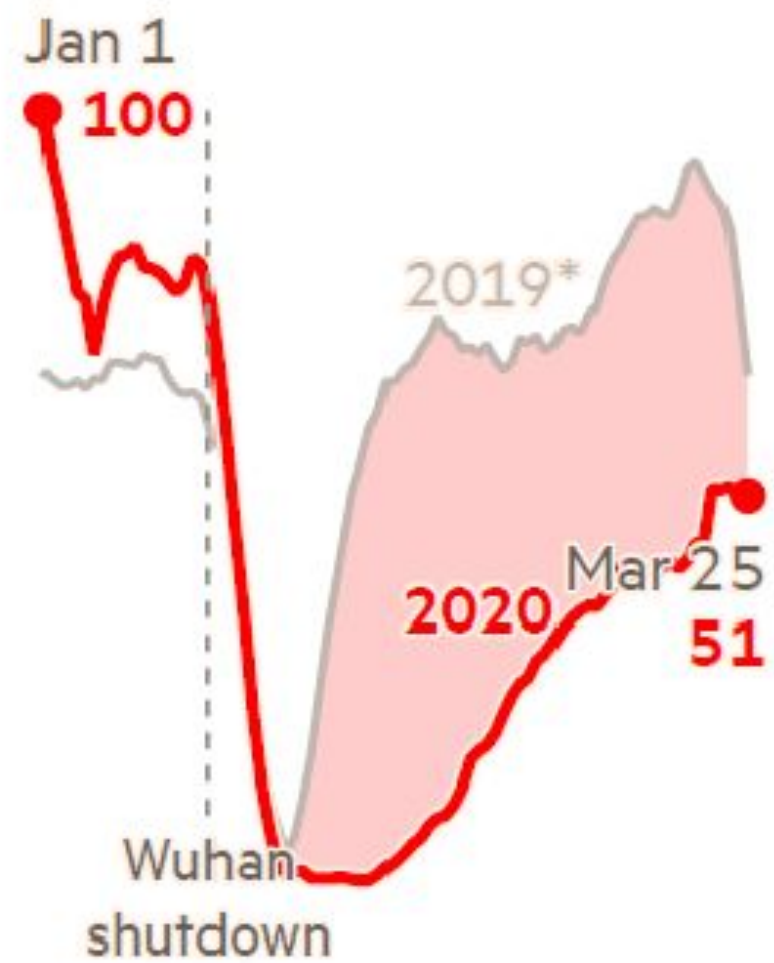


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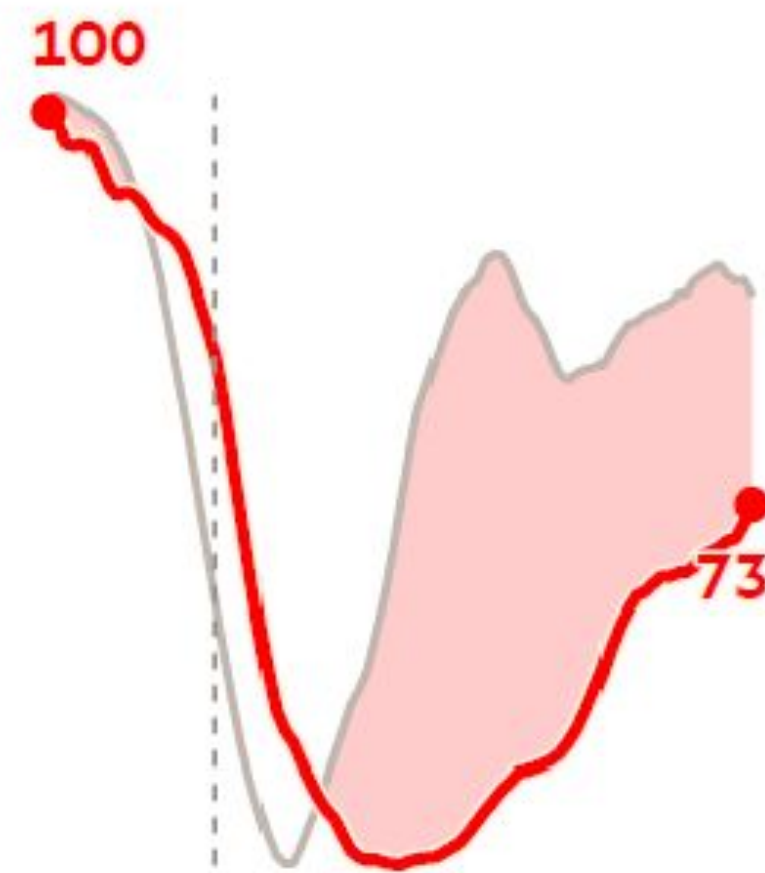
SHORT TERM: FT CHINA ECONOMIC ACTIVITY INDEX

Subindices (Jan 1 2020 = 100)

Real estate floor space sales



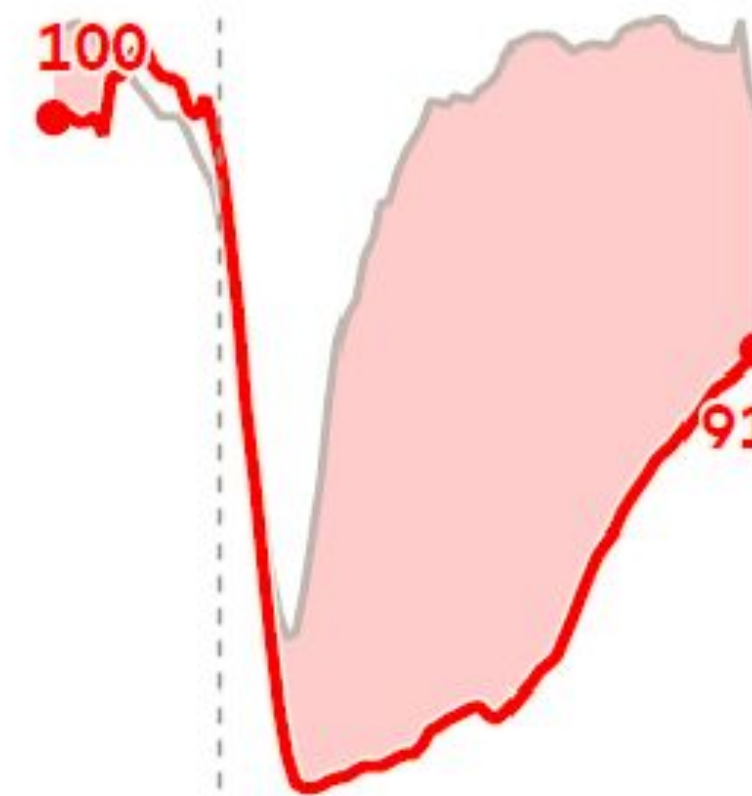
Power plant coal consumption



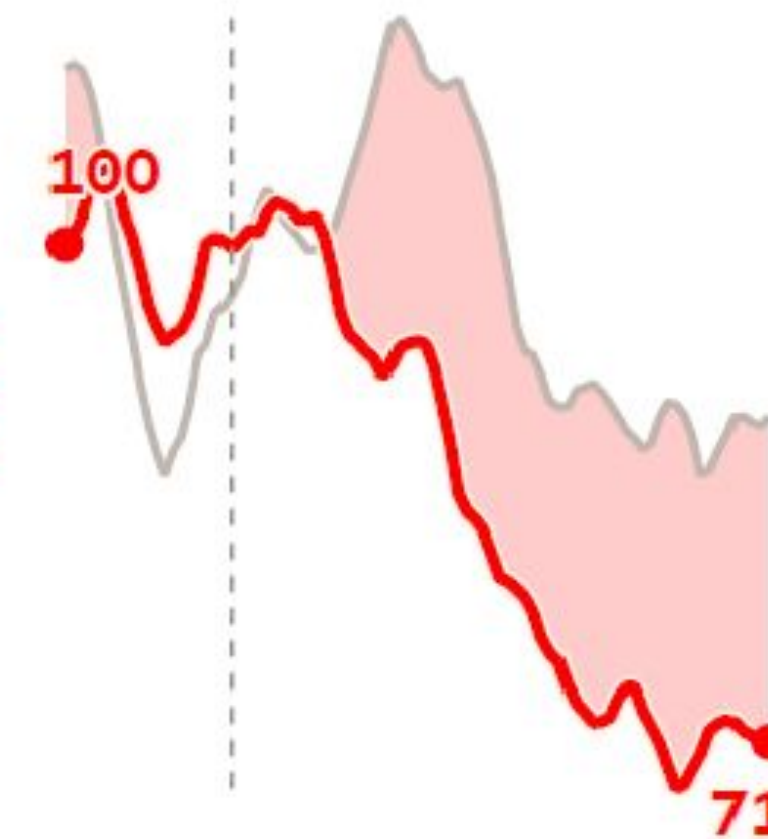
Container freight



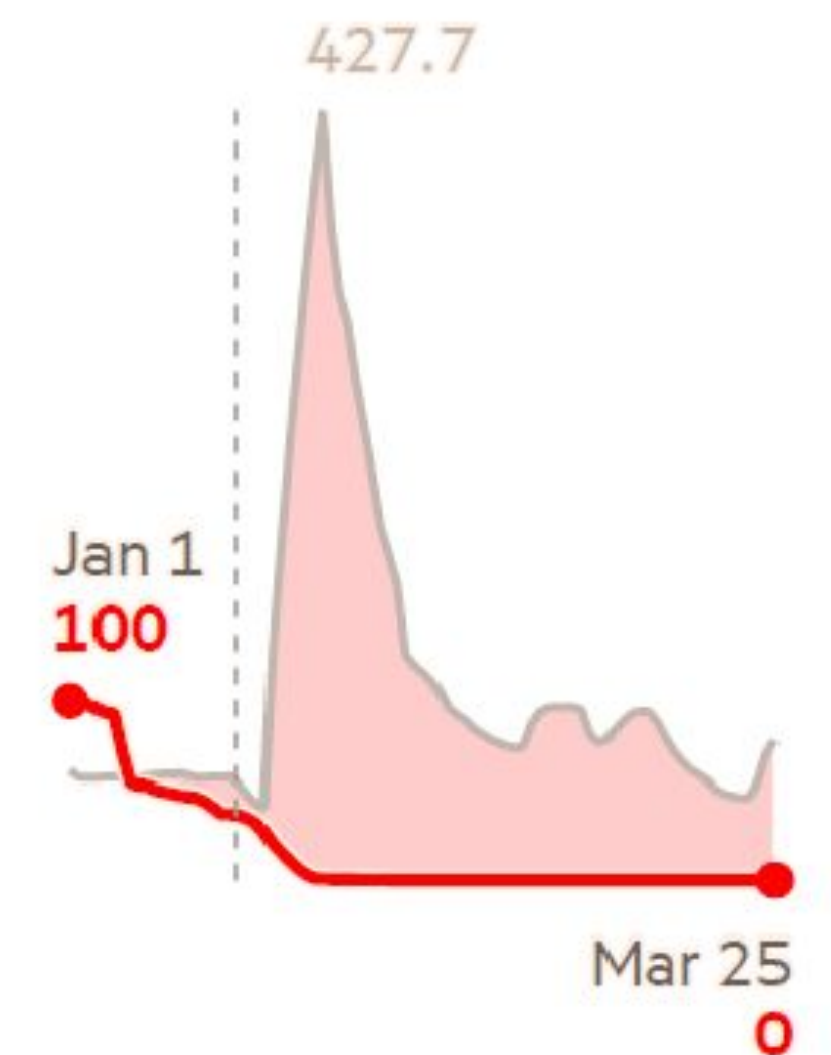
Traffic congestion



Air pollution



Box office admissions



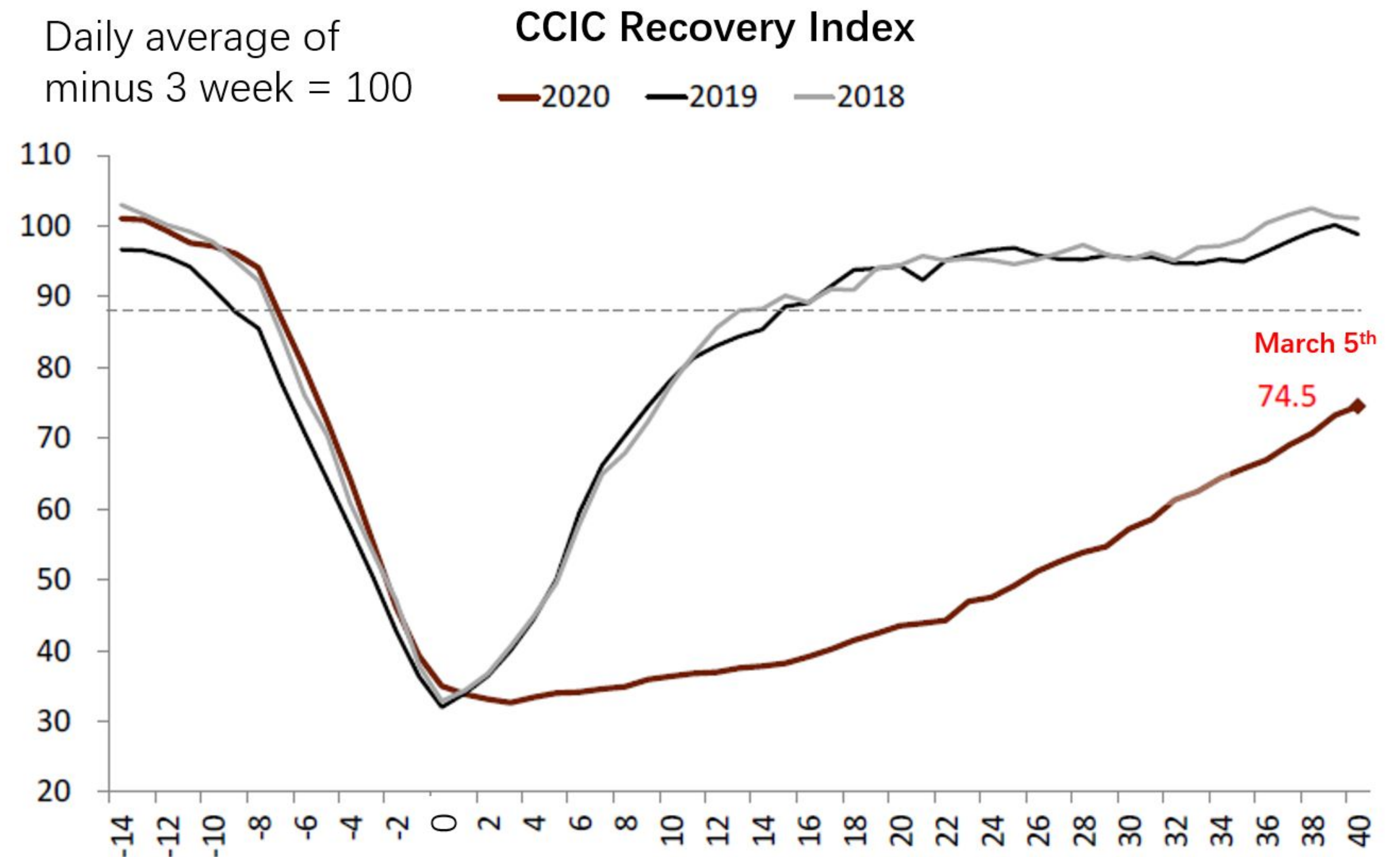
*2019 values at same number of days before/after the lunar new year

Sources: WIND; EntGroup; FT research

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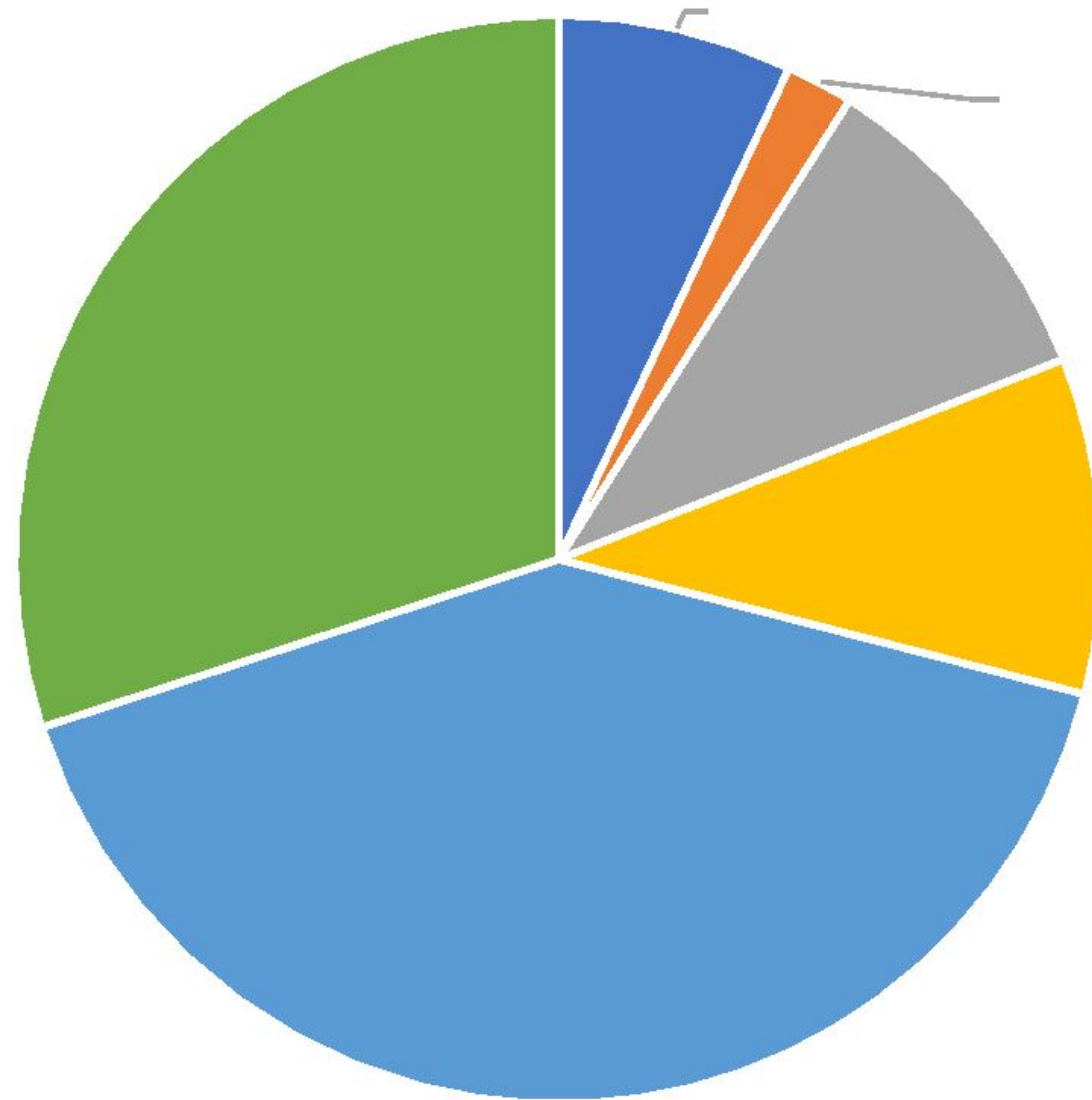
PACE OF RECOVERY

- T+15, starting recovery;
- T+30, accelerating recovery;
- T+60, industrial production to 80-90% level
- T+90, catering and travel service to 80-90% level

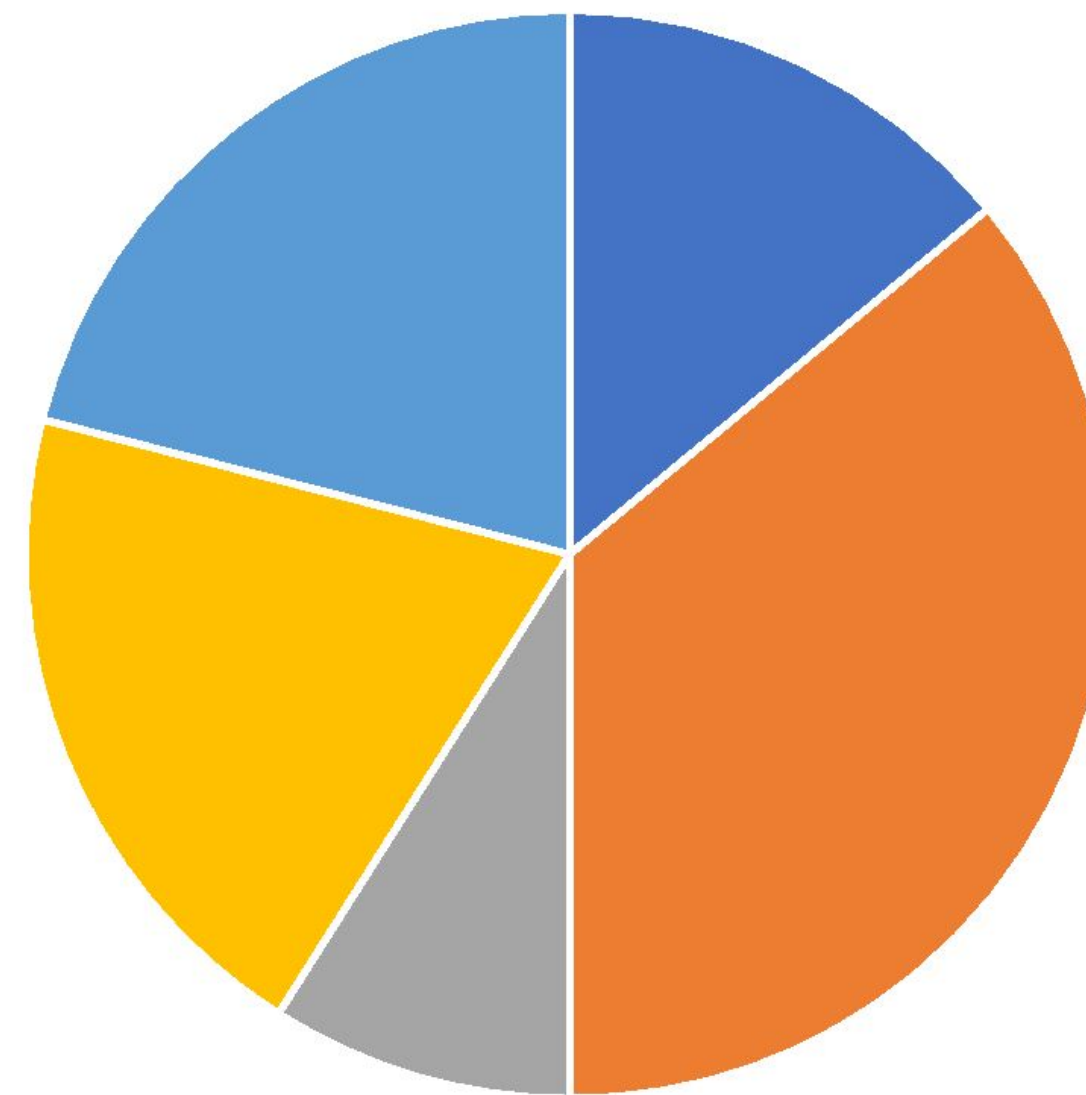


SMALL AND MICRO-ENTERPRISES HIGHLY INJURED

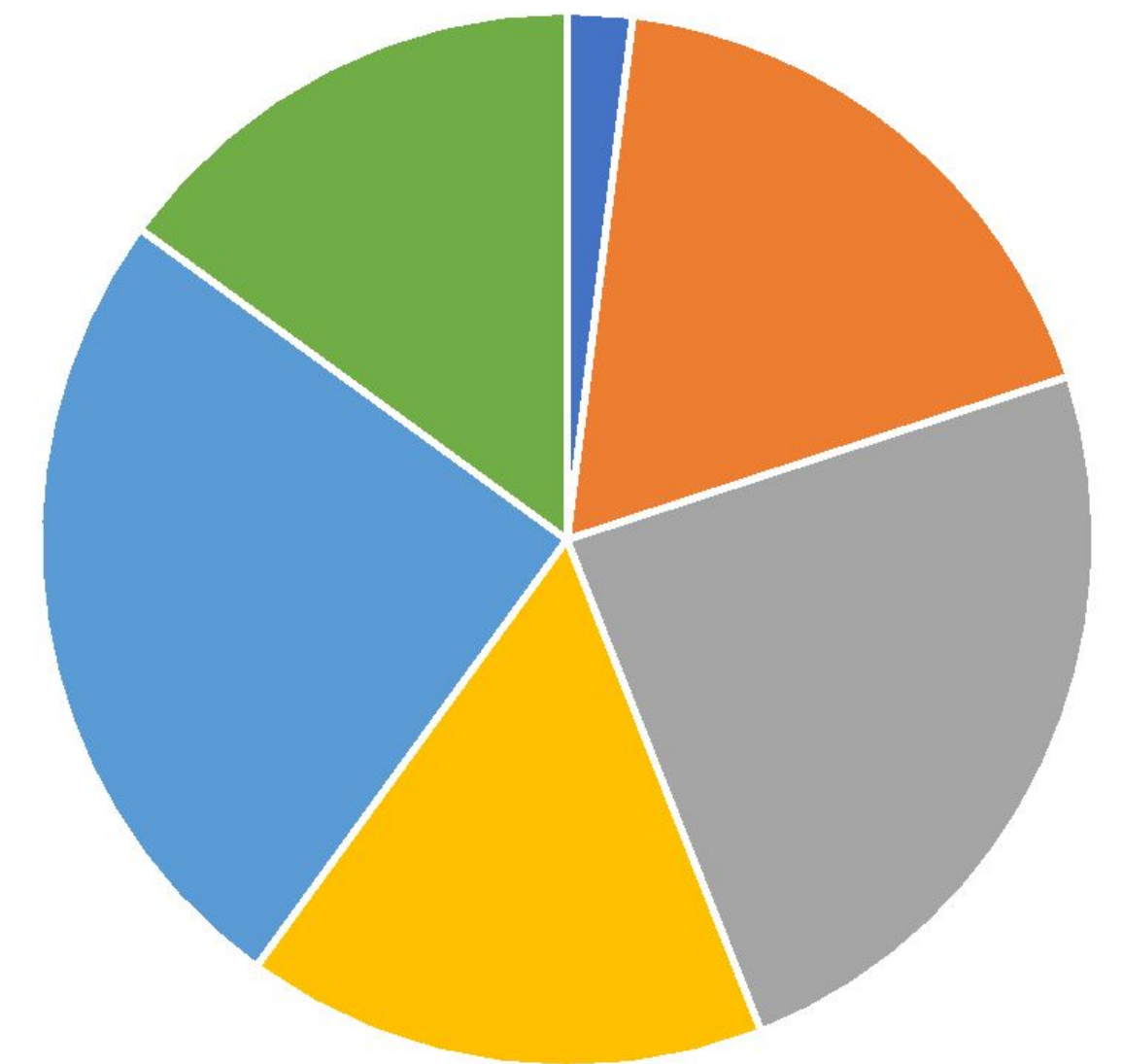
Revenue of 2020 compared with 2019



How long cash flow can support operation



Anticipate proportion of layoffs



Source : Enterprise Survey for Innovation and Entrepreneurship in China

DEEP “V” IN Q1

- Jan-Feb, 2020
- Industrial value added -13.5%
- Service sector production index -13.0%
- Total social retail sales -20.5%
- Fixed asset investment(non-agri) -24.5%
- Consumer Price Index 5.3%
- Producer Price Index -0.2%
- Surveyed unemployment rate 6.2%

Total merchandise trade
591.99 bn\$
-11%

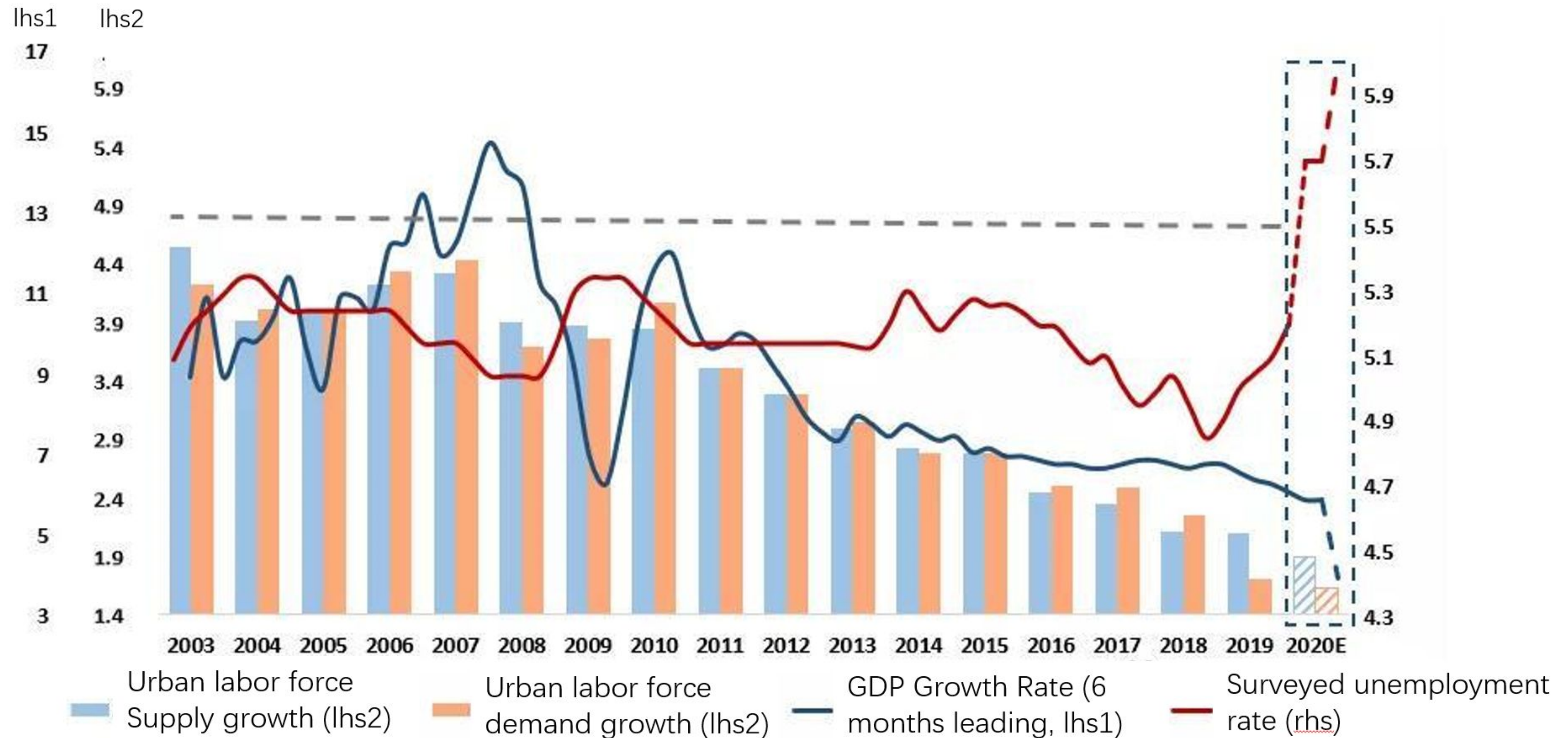
Total export
292.45 bn\$
-17.2%

Total import
299.54 bn\$
-4%

Total deficit
7.09 bn\$

Trade balance of Jan-Feb
2019 is 41.45 bn\$ surplus

IMPACT OF RISING UNEMPLOYMENT

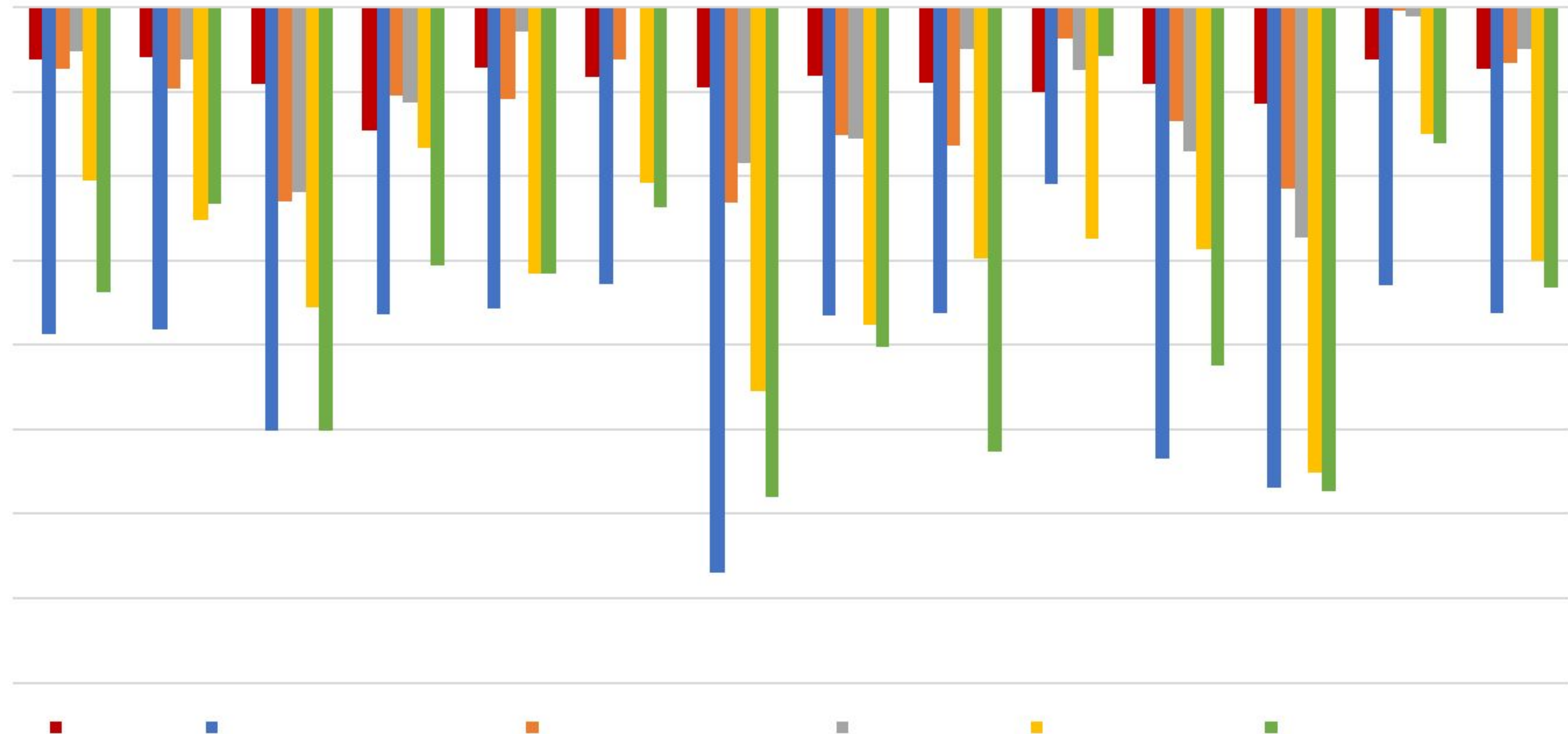


SECTOR SCENARIOS

	Worse	Medium	Conservative
Wholesale Trade	-3.31	-2.91	-2.68
Retail Trade	-5.37	-5.08	-4.86
Freight Transport	-3.12	-2.70	-2.36
Accommodation	-1.82	-1.51	-1.32
Food and Beverage Services	-9.01	-8.43	-8.12
Amusement and Recreation Activities	-17.80	-17.02	-16.27
Pharmaceutical Products	11.58	11.99	12.25
Health Care	12.75	13.24	13.54
Services to Households	4.28	4.66	4.85
Education	1.93	2.22	2.42
Social Security	1.56	1.83	2.02

Source: Shouyang Wang, Hongbo Duan & Cuihong Yang, Coronavirus: limit short-term economic damage, Nature 578, 515 (2020), 25 FEBRUARY 2020.

COVID-19 SHOCK OUTSIDE CHINA (VA, %)



Source: Yuning Gao and Tao Zhang's Estimation based on GTAP model

NEW SOURCE OF FUND

- **Monetary policy:** 500 billion Yuan more quota of refinancing and rediscount to support the small and micro enterprises
- **Fiscal policy:** by the end of February, local government bond issuing reached 1223 billion yuan, 66.2% of the quota of 2020; special purpose central government bond up to 1 trillion Yuan
- **Land Policy:** the authority of turning permanent basic farmland to construction land was issued by the state council to 8 pilot provinces (4 municipalities included) for 1 year.

NEW INFRASTRUCTURE

- 5G telecom infrastructure
- Ultra-high voltage grid
- Inter / inner city rail traffic
- Charging pile for e-vehicle
- Big data center
- Artificial Intelligence
- Industrial internet

	Total Prject Number	Total Investment (bn Yuan)	Year 2020 Investment (bn Yuan)
Guangdong	1230	5900	700
Yunnan	525	5000	440
Sichuan	700	4400	600
Fujian	1567	3840	500.5
Shanxi	7181	3787.9	815.1
Shaanxi	600	3382.6	500
Henan	980	3300	837.2
Hubei	894	3157	
Shandong	1021	2900	
Chongqing	924	2720	344.5
Gansu	2236	2200	150
Guangxi	1132	1962	167.5
Hebei	536	1883	240.2
Jiangxi	335	1883.3	239
Tianjin	346	1119.5	210.5
Hunan	105	1002.5	
Zhejiang	537	1000	147.3
Heilongjian	300	886.4	200
Ningxia	80	885.6	51
Jiangsu	240	226.8	541
Guizhou			430
Beijing	300		252.3
Xizang	179		187.2
Shanghai	152		150
Anhui	251		125.4
Total	22351	49553.6	7628.7