

Covid-19 Pandemic, China and Global Economy: Stylized Facts and Prospect

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Abstract: This article studies the huge impact on the global economy due to the spread and development of the novel coronavirus. As the first country affected by the pandemic, China has reflected the impact of the epidemic on the global economy through its policy analysis and investigation during the epidemic, which is reflected in the disruption of international trade, the turmoil of the stock market, and the increase in unemployment. COVID-19 virus appears for the first time in China. The extremely high infection rate and extremely fast transmission speed have made China's political economy turbulent. The Chinese government has implemented a closed policy to control the spread of the epidemic. After the epidemic was brought under control, the Chinese government revived the economy by subsidizing enterprises and the unemployed. It is found that the government must respond quickly, and each country can help each other to restore the economy and better reflect the global economic integration.

Keywords: COVID-19, lockdown, trade, global economy

1. Introduction

COVID-19 has been receiving global attention, due to its emergence and spread, which has had a severe impact on the global economy. The Corona Virus Disease 2019 is a respiratory infectious disease, it is also called COVID-19. Infection with the COVID-19 can lead to lung infection, which can lead to severe pneumonia. On December 8, 2019, it was first discovered in Wuhan, Hubei, China. On December 31 of the same year, China announced the existence of the epidemic. The World Health Organization issued a report on March 11, 2020, identifying the COVID-19 as a pandemic. As COVID-19 spreads rapidly around the world, various countries have implemented closed policies, and China is the first country to stop international activities. The closure of the country has a severe impact on communications, manufacturing, commerce, employment and consumption. According to research papers, international flights must cut because the global lockdown to fight the epidemic, then restricting international travel, international trade and economic development, and lockdown of fight is also causing a sharp increase in trade costs. According to the International Air Transport Association, the uncontrolled spread of the COVID-19 will cost the travel industry US\$113 billion [1]. The economy is in recession, prices are rising, and stocks are falling badly. The global economic recession triggered by the epidemic is another major economic crisis after the recession in 2008. Therefore, the epidemic not only affects people's living standards, but also hinders the economic development of each country. This is a great challenge to the global economy. With the new crown

epidemic under control, the World Health Organization, World Trade Organization and leaders of various countries are faced with studying how to re-run the economic cycle, stimulate the global economy, and promote the economic development of various countries.

Regarding this article, section 2 introduces the Chinese government's containment policy at the beginning of the outbreak and the efforts made by the Chinese government to restore the economy after the epidemic is under control. Section 3 introduced that due to the rapid spread of the epidemic, the global economy has declined, and most countries have suspended international trade and domestic production, resulting in an increase in the unemployment rate in the country and a severe decline in the stock market. Section 4 is the conclusion of this article.

2. China's Economy under Covid-19 Pandemic

2.1. Lockdown

On December 8, 2019, Covid-19 was first discovered in Wuhan, Hubei Province, China. The COVID-19 is an acute respiratory infectious disease, which is highly contagious and fatal. When people are infected with covid-19, they will have fever, dry cough, shortness of breath, loss of taste and smell, muscle aches and other main symptoms. The time from infection to the appearance of obvious symptoms is 1-14 days. Fewer patients with mild symptoms were asymptomatic, most patients had mild pneumonia with moderate symptoms, and some patients with severe symptoms showed severe hypoxia, respiratory failure, shock or multiple organ failure symptoms. COVID-19 is easily and quickly spread across the globe through respiratory droplets that are expelled when an infected person coughs, sneezes, or talks closely with others. These droplets can contain the virus and infect others who are in close proximity. According to statistics released by the National Health Commission of China, as of February 20, 2020, a total of 75,465 cases of the new crown epidemic have been reported in China [2]. Due to the highly contagious and deadly nature of COVID-19, China had reported 84,373 confirmed cases and 4,643 deaths as of April 30th, 2020. This virus has also had a significant impact globally, with the World Health Organization reporting a total of 3,090,445 confirmed cases and 217,769 deaths as of that same date [3]. As the first country to experience the epidemic, the Chinese government quickly responded to the epidemic and adopted an emergency policy against the spread of the epidemic in Wuhan, which also laid the foundation for the subsequent prevention and control of the epidemic nationwide. Because of the rapid spread of the epidemic, the people of Wuhan have fallen into panic. As the number of confirmed cases continues to increase, the Chinese government issued an emergency policy on January 23, 2020, immediately imposing lockdown measures on Wuhan City. The lockdown measures are reflected in the prohibition of residents from traveling freely and the closure of internal and external public transport facilities in Wuhan. The implementation of the emergency policy marks that China has entered a new stage of prevention and control of the spread of the epidemic [4]. Because the first peak of the epidemic in China was during the Chinese New Year, which is the period with the largest flow of people in China [4]. Workers and college students from all over the country have to go home for the New Year. This will undoubtedly increase the difficulty of controlling the epidemic. In order to prevent the spread of the epidemic across the country, and also to buy time for countries around the world to prevent and control the epidemic, the Chinese government has shut down almost all factories in China, like banned travel, postponed school opening and resumption of work, and even cut off international airlines. Therefore, all of China went into pause mode. China's lockdown measures have not only blocked people's social activities, but also hindered the development of all walks of life, with the most obvious impact on the catering and sales industries.

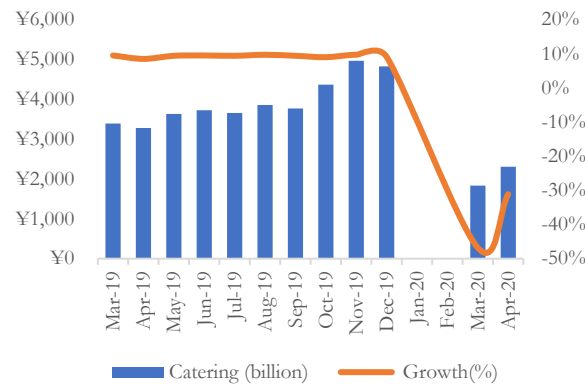


Figure 1: Catering from Mar-19 to Apr-20 in China.

Data source: National Bureau of Statistics
Photo credit: Original

According to the survey on the total sales of social consumer goods, the growth rate of retail sales of goods and the growth rate of the catering industry remained stable in 2019. Starting from January 2020, due to the government's enhanced prevention of the epidemic, residents are prohibited from participating in any social activities, going out to travel and other measures, resulting in a sharp decline in the growth rate of China's tourism and catering industry. From January to March, China's catering revenue down 43.1%. With the closure of any sales establishments and the home quarantine of residents, China's retail sales of goods fell by 17.6%. It can be seen that the closure of the epidemic has had a great impact on the Chinese industry. (Please see Figure 1 and Figure 2).

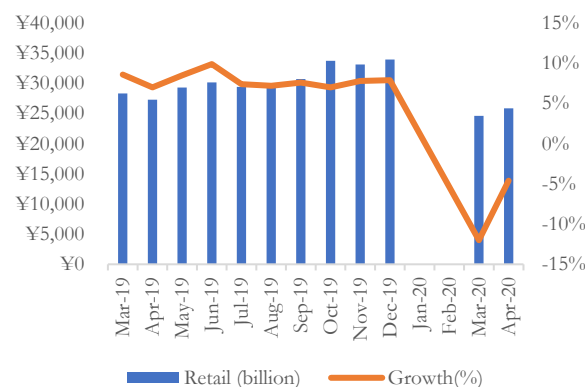


Figure 2: Retail sales of social consumer goods from Mar-19 to Apr-20 in China.

Data source: National Bureau of Statistics
Photo credit: Original

2.2. Normalized Prevention and Control

Under the impact of the epidemic, the policy of the suspension of work and production and the decline in productivity have seriously hindered the growth of the Chinese economy, and the Chinese economy is facing severe challenges. With the research and control of the epidemic in China, the national epidemic ushered in the first downward trend after the first stage. After 12 consecutive days of declining new cases, the Chinese government began to issue policies to resume production [5]. Because the suspension of work and production has a greater impact on small and medium-sized

enterprises, and even some small enterprises have gone bankrupt, local governments have made huge allowances in terms of enterprise recruitment, tax reduction, and deferment of payment [5]. The lockdown of the epidemic has affected many industries, especially the tertiary industry, such as tourism and transportation. However, there are also some industries that have brought business opportunities due to the epidemic, such as the medical industry. For residents, since the most common route of virus transmission is close contact or communication between people, masks, protective clothing, and medical disposable gloves have become necessities for people to travel. For doctors, due to the continuous increase in confirmed cases, in addition to basic medical products, the demand for medical equipment is also increasing, such as ventilators and oxygen tanks. For the country, in order to prevent the reproduction and mutation of new viruses, the research and development of vaccines is also very urgent. It can be seen that the increase in demand for medical products has driven the development of the medical industry, which has also stimulated the recovery of China's economy to a certain extent. Due to the excessive demand for medical products, the demand for labor in factories will increase, which will also lay the foundation for the resumption of production in China. While the Chinese government is controlling the spread of the disease, it is also constantly stimulating the economy out of the recession cycle.

2.3. The impact of Covid-19 on China's Employment and Economy

The service industry of the tertiary industry is the industry most affected by the epidemic, especially the impact on the tourism and transportation industries. In order to comply with the government's epidemic prevention requirements and avoid gatherings of people to expand the transmission route, all tourist attractions are closed, which has had a huge impact on the entire tourism industry. According to the National Bureau of Statistics of China, compared with 2019, the added value of the tourism industry in 2020 will drop by 10.6%, among which the impact on tourism accommodation will be the greatest, with a drop of 28.8%, followed by tourism, with a drop of 12.1%. The closure of tourist attractions has greatly reduced the travel activities of residents, which means that the passenger capacity of various transportation has also dropped sharply. Compared with 2019, during the Chinese New Year in 2020, the total passenger flow of transportation dropped by 50.3%, of which the passenger flow of shipping dropped by 58.6% [6]. Due to the government's restrictions on civil aviation, the passenger flow of civil aviation dropped by 47.5% [6].

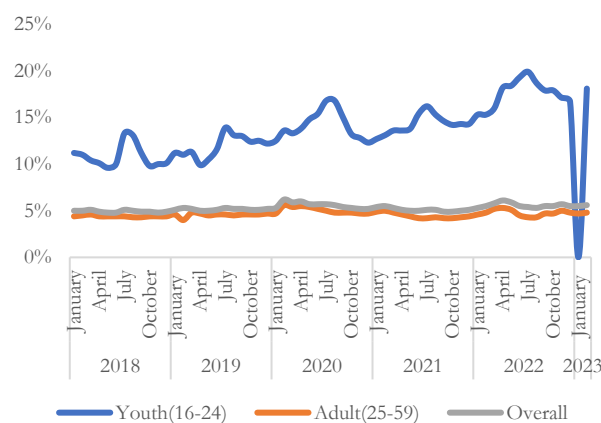


Figure 3: Urban surveyed unemployment rate in China.

Data source: National Bureau of Statistics
Photo credit: Original

Judging from the surveyed urban unemployment rate, in 2019, China's unemployment rate remained stable, and the employment situation was generally stable. In January 2020, due to the impact of COVID-19, Chinese companies stopped working and production, the whole country entered a state of lockdown, and China's economic activities were restricted. In particular, the unemployment rate rose to 6.2% in February for the year. . With the epidemic situation in China under control, various industries began to resume production, so China's unemployment rate fell to 5.2% in the second half of 2020, basically the same as the average unemployment rate in 2019. After China's national economy continues to recover in 2021, China's employment will remain stable, and the unemployment rate will remain at around 5.1%. In 2022, affected by the new round of the epidemic, the total unemployment rate rose to 5.8% in March and continued to rise to 6.1% in April, with the most obvious impact on fresh graduates.) The unemployment rate rose to a high of 19.9% in July. As China adapts to the development and control of the epidemic, it has fallen back to 5.3% in August. However, the epidemic has a great impact on the world economy. From November 2022, China's unemployment rate will begin to fluctuate with economic turmoil. In 2023, with the recovery of the world economy, the Chinese government's effective control of the epidemic and measures to actively promote economic and social development, China's urban surveyed unemployment rate will be controlled at 5.6%, of which the youth unemployment rate will drop to 18.1%, and the economy will continue to grow. rebound trend.

3. Global Economy under COVID-19 Pandemic

3.1. International Trade

With the rapid spread of COVID-19, on March 11, 2020, the World Health Organization identified the COVID-19 as a pandemic. This global public health emergency has had a great impact on the global economy, and it is also a major economic crisis after the Great Recession in 2008. Global economic integration is related to the economic development of every country. The spread of a pandemic is not only a health crisis for the human body, but also a political and economic crisis for the entire society. In the early stage of the outbreak, some countries did not take any measures because they did not fully understand the virus, and allowed the virus to expand, resulting in a sharp increase in the number of confirmed cases. Due to medical shortages, severe patients could not be treated in a timely manner, which caused the public to have great dissatisfaction with the government. Protests, political turmoil in the country. What's more, some sovereign countries refused to respond to the call of the World Health Organization, and frequently quit and entered the organization. This reflects the current situation of the epidemic, the imperfect international coordination mechanism and the weak strength of the WHO organization [4]. As the epidemic continues to grow around the world, countries have taken measures such as suspending work and reducing production, shutting down international traffic and other measures, causing international trade and logistics to stagnate, which has a great impact on the global industrial chain and supply chain. For example, the closure of major factories in China, the world's largest manufacturer and exporter, has led to a significant reduction in exports and a drop in the flow of goods in global supply chains. In the first quarter of 2020, global imports and exports fell by 7.8% and 6.8%, respectively; in the second quarter, international trade fell by 19% year-on-year as countries imposed strict restrictions; in the third quarter, the economy started slowly as the pandemic subsided recovery, international trade rebounded [7].

As one of the representative countries of the Americas, the United States is the most developed country and is a world leader in medical care, science and technology, and economy. However, since the impact of the Sino-US trade war in 2019, the PMI index has declined. In 2020, the outbreak of the new crown epidemic in the United States has led to a significant drop in demand in the US market. The US stock market has experienced four circuit breakers and is facing serious unemployment

problems. Due to the impact of the epidemic, the US government has an active policy to promote the import and export of medical supplies. As of June 2020, U.S. imports of medical supplies more than tripled to \$5.42 billion, the share of medical supplies in imports rose to 2.5 percent from 0.7 percent in January, and the trade surplus for medical supplies increased to 39 percent. One hundred million U.S. dollars. It can be seen that more than 40% of the US trade surplus is formed by the trade surplus of medical products. At the same time, in terms of Sino-US trade, the two sides signed the first-phase agreement, agreeing to significantly reduce tariffs on mutual trade and expand trade. For the United States, tariffs on imported goods from China can generate billions of dollars in tariff revenue [8]. The combination of stimulating internal production and tariff reductions for medical export products in the United States has stimulated economic development to a certain extent, but they have not sufficiently changed the economic downturn and the trade war between China and the United States.

3.2. Stock Market

With the emergence of COVID-19, we have witnessed one of the largest stock market crashes in history. Within four days of the market opening in March 2020, the Dow Jones Industrial Average fell 6,400 points, or nearly 26% [9]. Its greatest quarterly decline since 1987, the FTSE 100 dropped by 25%. The S&P 500 experienced a 20% decline during this time, the largest decline since the financial crisis of 2008. While the DAX index decreased by nearly 17%, the stock market volatility of Nasdaq and CRI A decreased by 65% and 57%, respectively [10]. This shows how the pandemic has significantly impacted the stock market's profile. Due to the drop-in stock trading activity brought on by the stock market downturn, the unemployment rate in the nation is raised even further. To lessen the effects of the pandemic, the government raised subsidies to encourage the restart of labour and production at businesses, and at the same time, it took steps to ensure the stability of market operations and the fair and orderly development of the securities market.

4. Conclusion

The novel coronavirus spread rapidly from China to the whole world. It not only had a huge impact on people's physical and mental health, but also brought the global economy into a period of recession. As the first country affected by the epidemic, China responded quickly and implemented a prevention and control policy of suspending work and production, and closing down travel bans. As the pandemic spreads to the world, major developed countries led by the United States have also been captured, and they have also started a real-time blockade policy. The containment policy has mostly stopped the virus from spreading, but it has had a significant negative impact on global trade and the economies of many nations. Due to a decrease in work and production, employees lose their jobs, and small and medium-sized businesses risk going out of business. The demand in importing countries has increased, but the supply in exporting countries has decreased, resulting in a shortage of supply in the international market. The stock market ushered in one of the largest stock market crashes in history, and major stock indexes fell sharply. In order to stimulate the economy, the medical market has ushered in development, and the demand for medical products such as masks and protective clothing has increased. Governments of various countries have increased subsidies and reduced or postponed tax payments to help companies resume work and production, thereby reducing unemployment. Countries increase international trade by relaxing tariffs and increasing the import and export of products. Only when all countries unite their goals and work hard to restore economic development can they consume the impact of the three-year epidemic and implement global economic integration.

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