

The Impact of COVID-19 on China's Online Economy and the Offline Real Economy

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Abstract: The sudden emergence of COVID-19 has greatly disrupted people's normal production and life, making people's production and life have undergone earth-shaking changes. The effective implementation of isolation has effectively curbed COVID-19 epidemic in China. This paper mainly studies the impact of Covid-19 on China's online economy and offline real economy. The purpose is to provide suggestions for the subsequent development of the Chinese economy. By comparing and analyzing the data before and after Covid-19, it was found that Covid-19 has had an impact on the real economy. But it also promotes the development of the online economy. It is recommended that subsequent enterprises adjust their strategies as soon as possible and focus on the development of both online and offline economies.

Keywords: COVID-19, online economy, offline real economy, long-term effects

1. Introduction

The novel coronavirus pneumonia COVID-19 in 2020 had a great impact on our life and work. Various industries have also been hit to varying degrees. A developed real economy is a reliable guarantee of long-term social stability. The emergence of COVID-19 had a direct impact on the major domestic consumption and service industries, such as accommodation, retail, catering, entertainment and tourism. Delayed resumption of work will also have a certain impact on industrial production and even exports. However, the development of online economy and the emergence of COVID-19 have also accelerated the process of digitalization in China to a large extent [1]. This paper will analyze the composition of China's economy before and after COVID-19, and the impact of COVID-19 on both online and offline economies. This article will analyze the composition of China's economy from the proportion of online and offline economies in the past five years. In addition, the impact of Covid-19 on the online economy will be analyzed from new business models such as live streaming and remote work. This paper will analyze the impact of Covid-19 on the offline economy from the physical industry, catering industry, tourism industry, and foreign trade industry. Based on the background of the COVID-19 outbreak, it is necessary to sort out and summarize the previous major infectious disease outbreaks and their regularity. It helps to summarize the mechanism of the impact of the stages of Covid-19 on the micro, meso, and macro levels of the economy. Summarize experience and propose countermeasures to minimize the impact of Covid-19, providing a basis for scientific decision-making by the government.

2. Composition of China's Online and Offline Economy

2.1. Before COVID-19

According to data from the National Bureau of Statistics of China, the proportion of online consumption in the entire consumer market has been increasing year by year in the past five years (Figure 1). Offline consumption has been decreasing year by year over the past five years. The reason for this trend may be that consumers' consumption habits and behaviors are gradually shifting towards online consumption.

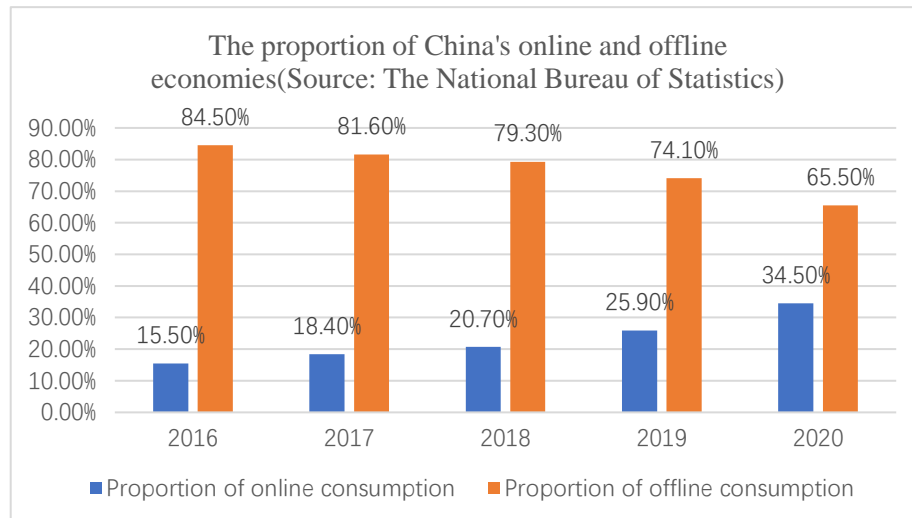


Figure 1: Proportion of China's online and offline economy before Covid-19 [2].

2.2. After COVID-19

As shown in figure 2, the total retail sales of consumer goods in China in 2021 reached 44082.3 billion yuan, an increase of 12.5% compared to the previous year, with an average growth rate of 3.9% over the past two years. From the monthly data, the growth rate showed a rapid slowdown trend, and by December, the growth rate had contracted to 1.7%, which was basically the same as the same period [2].

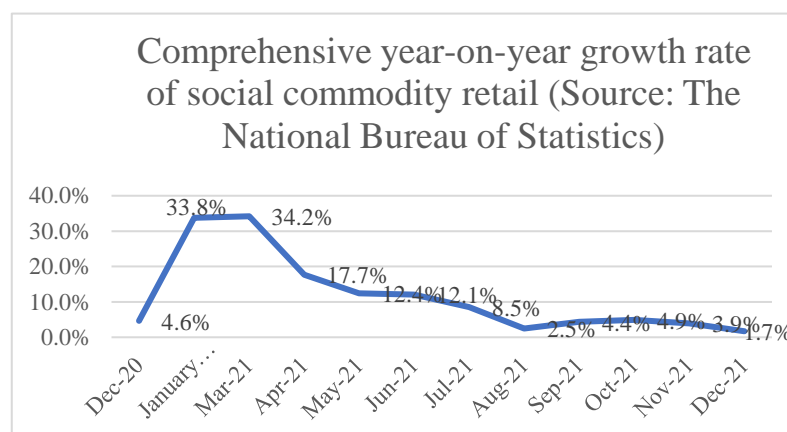


Figure 2: Comprehensive year-on-year growth rate of social commodity retail [2].

In terms of online and offline consumption, the growth rate of online consumption in 2021 increased by 11.29% year-on-year compared to 2020, and a significant increase of 23.1% compared

to 2019. It can be seen that with the outbreak and normalization trend of COVID-19, online consumption habits have further popularized and deepened. However, offline consumption is not very optimistic, with only a slight increase of 1.51% in 2021 compared to 2019, basically unchanged.

In other words, compared to 2019, the increase in total social zero in 2021 was mainly driven by online consumption, while offline consumption remained at the level of 2019 without significant improvement. This also reflects the further cultivation of online consumption habits and the further erosion of online to offline sales share. It is particularly noteworthy. In 2021, compared to 2019, the total amount of social components increased by 7.09% overall, while the offline growth rate was only 1.51%, which is basically the same as 2019 [3].

In terms of offline business formats, the consumption of catering is basically the same as in 2019 (a slight increase of 0.37%). However, it should be noted that in 2021, there were multiple outbreaks of COVID-19 in various parts of the country, which had a huge impact on offline catering. Under such circumstances, a slight increase can be achieved, indicating that the proportion and importance of catering consumption in offline entities are becoming increasingly significant.

3. The Impact of COVID-19 on China's Online Economy and Offline Commerce

3.1. The Impact of COVID-19 on China's Online Internet Economy

Due to the global development of COVID-19, many companies have been forced to operate online, resulting in the rise of the internet economy during this period. E-commerce platforms in China, such as Taobao and JD.com, have become the preferred shopping destinations for many people. At the same time, industries such as internet office, online education, and gaming have also experienced rapid growth. This is an opportunity for internet companies and has also promoted the development of the entire internet industry [4].

3.1.1. Live Streaming with Goods to Boost Economic Development

Under COVID-19, live streaming sales have become one of the important ways to promote consumption. Spending free time browsing live streams has become a pastime for most people. Top traffic figures such as Li Jiaqi and Luo Yonghao in live streaming sales can reach sales of tens or even billions of yuan per live streaming sales. In the current era where the real economy has suffered a heavy blow, it has become the norm for almost every merchant to be a live streamer and live streaming.

An Opportunity for Unsold Agricultural Products. Affected by the COVID-19, the three agricultural products are unsold [5]. Live streaming and sales assistance for agricultural products have also actively opened up the "Internet+" era, making up for the shortcomings of traditional sales methods. Since February 2020, Pinduoduo has taken the lead in exploring a new e-commerce poverty alleviation and agricultural assistance model nationwide, with city and county leaders serving as anchors and farmers selling more goods. The use of live streaming sales technology and the "ultra short chain" agricultural product circulation model has effectively accelerated the circulation efficiency and scale of agricultural products in impoverished areas. The concept of "consumers spending less and farmers making more money" has been implemented to assist agriculture. In addition, CCTV anchors have teamed up with influencers to hold multiple live broadcasts on agricultural public welfare. Using live streaming to drive consumption poverty alleviation and assist rural economic development. According to relevant monitoring data, in 2020, the online retail sales of agricultural products reached 1.79 trillion yuan, a year-on-year increase of 8.9%, which effectively promoted the national strategy of rural revitalization and poverty alleviation [6].

New Career Opportunities for Unemployed Individuals. The rapid development of online live streaming and sales has also driven the low employment rate that was originally caused by the impact

of COVID-19 [7]. According to the 2020 Spring Live Industry Talent Report released by Zhaopin Recruitment, within one month after the resumption of work during the Spring Festival, the overall number of positions and recruiters for enterprises decreased by 31.43% and 28.12% respectively year-on-year. However, the recruitment demand in the live streaming industry has grown against the trend, with the number of job vacancies increasing by 83.95% year-on-year within a month, and the number of recruiters increasing by 132.55%, with an average monthly salary of 9845 yuan. According to reports, a sock factory in Yiwu has offered an annual salary of one million yuan to recruit a live streamer for sales. Some schools have also taken the opportunity to launch live streamer courses. From source selection to operational guidance, from product display to the use of marketing language, comprehensive professional training is provided. The employment prospects of this major are also very clear, and students are usually booked by various companies before graduation.

Driving the Express Delivery Industry to Grow against the Trend. The rapid development of live streaming and sales has promoted a rapid rebound in the consumer market, and also enabled the postal and express delivery industry to gradually shake off the impact of Covid-19, showing a trend of rising against the trend. According to statistical data from the National Postal Administration, in 2020, the total business volume of express delivery service enterprises in China reached 83.36 billion, a year-on-year increase of 31.2%. The accumulated business revenue reached 879.54 billion yuan, a year-on-year increase of 17.3%. The hosting of various activities such as Double 11, Double 12, and New Year's Goods Festival, relying on the live streaming traffic of major shopping platforms, still created online sales records during the economic downturn. The growth of business volume in the express delivery industry has driven the employment prospects of the industry and also increased the per capita income of express delivery personnel.

3.1.2. Telecommuting Led to a New Trend of Employment

During the pandemic, people relied more on the internet for work, study, shopping, and entertainment [8]. Due to the impact of COVID-19, many enterprises have fallen into difficulties, resulting in a certain impact on revenue from internet advertising, e-commerce, and other industries. In addition, due to logistics and supply chain issues during the COVID-19, the operations of some internet companies have also been affected. But the rise of digital office with the explosion of online formats is also very surprising. According to online data from DingTalk, in 2020, the user download volume of DingTalk exceeded 400 million, and over 17 million schools, enterprises and organizations began digital new infrastructure construction.

3.2. Impact of COVID-19 on China's Real Economy

3.2.1. The Dilemma of the Catering Industry During COVID-19

According to data, the national catering revenue in 2019 was 4672.1 billion yuan, a year-on-year increase of 9.4%. Compared to the growth rate of total retail sales of consumer goods during the same period, catering consumption has become an important force in the domestic consumer market. However, due to the impact of COVID-19, catering stores are unable to operate, resulting in the inability of catering staff to work. However, enterprises still need to pay employees' wages and housing rent, and catering enterprises will face severe challenges [9]. The Spring Festival has always been a peak period for consumption. This time, people across the country have been collectively isolated from their homes, and most consumption activities have stopped. According to relevant reports, compared to the 2019 Spring Festival, during COVID-19 period, 78% of catering enterprises suffered revenue losses of over 10%. Most other enterprises also suffered losses of over 70%. COVID-19 has plunged China's physical catering industry into operational difficulties.

3.2.2. Severe Challenges for the Tourism Industry

Data shows that in 2019, the comprehensive contribution of China's tourism industry accounted for 11.05% of the total GDP. From 2014 to 2019, the comprehensive contribution of China's tourism industry to the total GDP has been steadily increasing. In 2019, there were 6.006 billion domestic tourists and a total of 300 million inbound and outbound tourists [10]. It can be said that the tourism industry can drive the development of the national economy and is also a major driving force for domestic demand economy. Usually, the Spring Festival is the main tourism period in China, and it is a golden period for business development in the tourism industry. During this period, a large number of tourists went to other tourist attractions. During COVID-19 period, the tourism industry has almost stagnated. Affected by COVID-19, the government has taken many strong control measures: city closures, road closures, and home quarantine. Therefore, residents are unable to go out, and the flow of people is greatly reduced [11]. Therefore, the tourism industry has lost its source of income, and financial pressures such as employee salaries, housing rents, and initial investment losses have become the last straw that has crushed some tourism companies. The tourism industry is facing a very severe test.

3.2.3. The Foreign Trade Industry has been Greatly Impacted

According to data from the National Bureau of Statistics, China's total import and export trade in 2019 was 4575.126 billion US dollars, steadily increasing its proportion in world goods trade. The COVID-19 broke out and quickly swept the world. China's foreign trade industry is facing an unprecedented severe situation due to the impact of COVID-19 [12]. Countries with severe global COVID-19 have also adopted measures of lockdown to curb the spread of the disease, but at the same time, these measures have also led to many enterprises and factories around the world being unable to operate normally. The most direct consequence of this is that overseas orders cannot be completed in a timely manner, and the goods cannot be delivered in a timely manner, resulting in a breach of contract.

4. The Long-term Effects of COVID-19 on China's Economy

In 2023, the Global Health Organization announced the end of COVID-19 pandemic. But for China, the negative impact of three years of COVID-19 prevention and control has not dissipated, and the long tail effect on the economic level may continue to highlight. Medical experts refer to the long-term harm caused by COVID-19 to patients' health as 'long covid'. Similarly, there is a "scar effect" at the economic level. Reflected in: insufficient domestic demand and changes in consumer mentality.

The latest data from the National Bureau of Statistics of China show that the CPI increased by 0.1% year-on-year in April 2023, reaching a new low since February 2021 and lower than market expectations. Consumers lack confidence in the future, and a rebound in bulk consumer demand takes time, leading to a brief retaliatory rebound in the consumer market [13]. This long tail effect is also manifested at the economic level, such as the loosening of the land stall economy in multiple cities. This is not only a measure taken by the government under the pressure of finding a way to survive for the economy and people's livelihood, but also reflects the lack of practical policies for revitalizing the economy. The signals of insufficient domestic demand and weak economic desire are manifested in various aspects, and policy efforts are needed to boost the economy.

5. Conclusion

This paper mainly discusses the composition of China's economy before and after COVID-19 and discusses the impact of Covid-19 on both online and offline economies. It was found that COVID-19

has had a certain impact on the offline real economy, causing a continuous decrease in the proportion of the offline economy. But it also brings certain development opportunities to the online economy. There is still room for improvement in data collection in this paper, and future research can use first-hand questionnaires or interview data for more targeted analysis. Future research directions can be what strategies companies need to develop in the post-COVID-19 era to achieve better development.

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