

The Economic Impact of COVID-19 on China's Catering Industry

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Abstract: The COVID-19 pandemic is sweeping the world, exerting a huge impact on the economic development and social order of all countries in the world. In order to understand the impact of COVID-19 on China's economy, the author will take the data of China's catering industry in eight specific months from the first quarter of 2022 to the second quarter of 2022 as the main sample to analyze the specific impact of COVID-19 on a single industry and pave the way for other studies to summarize the impact of the macro economy under the epidemic. In many cases, the economic problems of the catering industry also reflect the current situation of the individual economy in the whole market economy, which is particularly worthy of our research and thinking. In particular, the economic development of countries in the post-epidemic era is also an issue that cannot be ignored. Especially in developing countries like China, it is particularly important to maintain the balance between epidemic control and economic development. It is for this reason that the author thinks it is necessary to carry out some exploration and research in this aspect, and so as to lay a foundation and provide direction for the deeper research, so as to provide the adaptability and preparation that the catering industry needs to make in the face of the normalized epidemic, so that the market can find a way to bring benefits to society and the industry in the difficult situation. In the research and analysis of this paper, it is found that the impact of the novel coronavirus pandemic has had a lot of negative impacts on the catering industry. This paper will also conduct comparative analysis according to the specific time nodes of the epidemic in China and the specific data of the catering industry at specific time points in order to make the data more direct and comparable to draw a correct and convincing conclusion. This paper will deeply explore the impact of the novel coronavirus epidemic on China's catering industry, and provide some references for the development direction of the food industry under the epidemic. Finally, the conclusion of this paper is that the epidemic has had a large number of negative economic impacts on the food industry and, to some extent, put the catering industry in danger.

Keywords: Impact of COVID-19, Economic-benefit, COVID-19 Pandemic, Macroeconomics, Post-pandemic Era

1. Introduction

China has always been famous for its strict and efficient epidemic handling policies. It is in this context that the long-term and large-scale quarantine policy may have a lot of potential impacts on

the country's economic development. It is in this context that the author decided to study the extent of the economic impact on the catering industry under the impact of the epidemic. The author will use the method of graph and logical analysis to study the above problems. The purpose of this study is to analyze the specific impact of the epidemic on the development and operation of China's catering industry and pave the way for future research on the economic benefits of various industries under the epidemic. Under the macro background of the development of digital technology and the transformation and upgrading of the catering industry, the O2O catering model is popular in China's catering market, but the problems of strong loss and high cost also come one after another. How to solve the cost control problem of catering enterprises has become a pain point of the industry, and the arrival of the epidemic makes it difficult for the catering industry or enterprises in some areas to maintain operation.

2. Macroeconomic Impact on the Catering Industry During the Pandemic

First, unlike in 2003, when the Chinese economy was in a period of rapid economic growth, the period from 2020 to 2022 will be marked by weak domestic and external demand, increasing international uncertainties such as China-U.S. trade frictions, and great downward pressure on the economy. Second, with the continuous growth of China's per capita GDP, the transfer of industrial structure has accelerated. At this time, the added value of the tertiary industry has taken up 53% of the national GDP from 40% in 2003 [1]. The pandemic has delayed the normal operation of the tertiary industry, which will significantly inhibit GDP growth. In this context, the catering industry has also been hit by a huge impact, especially due to the repeated epidemics and strict control policies. A large number of self-employed catering businesses have been forced to close down their in-store meals. In addition, due to the impact of the epidemic, the take-out industry in China is also at a standstill most of the time, resulting in the inability of catering businesses to generate any economic benefits, so a large number of self-employed catering businesses have been forced to go bankrupt. And a series of enterprises operated by catering management companies also face a series of economic risks such as capital chain breaks, which greatly increase the decline of the catering industry in the post-epidemic era [2]. For example, Haidilao International Holdings Co., Ltd. (06862.HK), one of China's most famous catering formulas, announced its 2022 interim results announcement. According to the financial report, the total operating revenue of Haidilao in the first half of 2022 was 16.764 billion yuan, while that of the same period in 2021 was 20.94 billion yuan, which decreased by 16.6% year-on-year this year, mainly due to the impact of the epidemic [3]. The net loss for the year was 267 million yuan, compared with a net profit of 96.5 million yuan a year earlier. Another example is Yum China (YUMC.US; 09987.HK) announced its second quarter 2022 financial and interim results. Revenue was \$2.228 billion, down 13% from a year earlier. Net income was \$83 million, a 54% decrease from \$181 million in the same period last year, primarily due to lower operating profit, partially offset by the company's mark-to-market net gain on its equity investment in Meituan-Dianping [4]. Therefore, it can be concluded that under the unfavorable overall market economy and the repeated and continuous impact of the epidemic, the profit and operations of leading catering groups in China have been greatly affected. It can be seen that the epidemic can indeed deal a serious blow to the in-room and even take-out businesses of the catering industry, especially the small private catering enterprises that may face capital turnover. They would have the possibility of mass layoffs and even bankruptcy [5].

3. Icon Analysis of the Real Situation of China's Catering Industry During the Epidemic

Figure 1. is a chart from the National Bureau of Statistics of China showing the year-on-year growth rate of retail sales by consumption type for January-May 2022. The blue line is income from

commodity retailing, the yellow line is Income from catering. We can find that, divided by consumption types, from January to May, the retail sales of goods were 15,541.5 billion yuan, down 0.7% year-on-year. The revenue of the catering industry was 1,627.4 billion yuan, down 8.5 percent. In May, the retail sales of goods were 3,053.5 billion yuan, down by 5.0% year on year. The revenue of the catering industry was 301.2 billion yuan, down 21.1 percent [6].

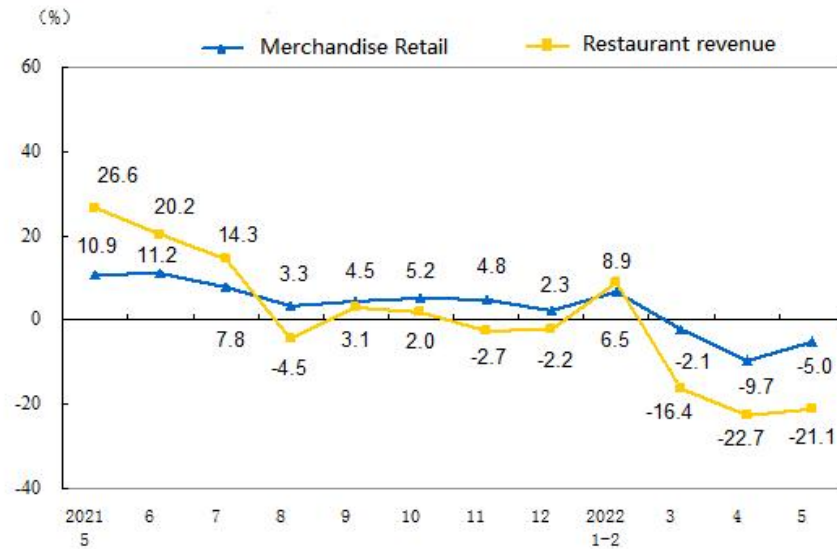


Figure 1: China's year-on-year growth rate of retail sales by consumption type from June 2021 to May 2022 [6].

By comparing the number of newly infected people in China from January to May (Figure 2), we can clearly find that there is a negative correlation between the increase in the number of newly infected people and the year-on-year growth rate of catering income. The impact of the epidemic can be said to be quite obvious. When the epidemic repeats briefly, a large number of people will be quarantined at home. Most of the time, the closed management policy implemented by the Chinese government will deal a huge blow to the surrounding businesses and restaurants.

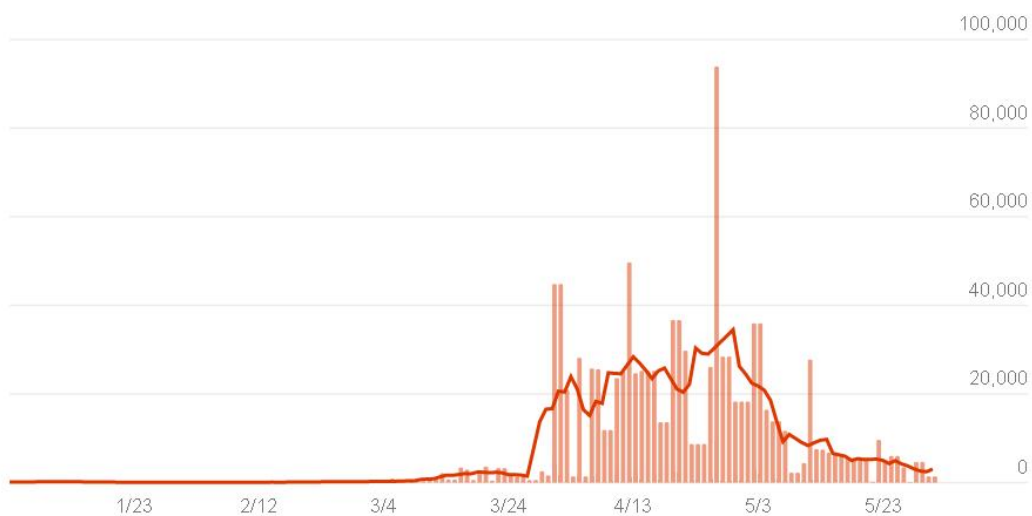


Figure 2: Daily number of new COVID-19 infections from 2022.1.1-2022.6.1 [7].

Residents living in other areas not affected by the epidemic will also stay away from places where people gather, such as restaurants, for fear of infection. As a result, the income of the catering industry will reap little economic benefit during repeated epidemics (As shown in Figure 3 and Figure 4).

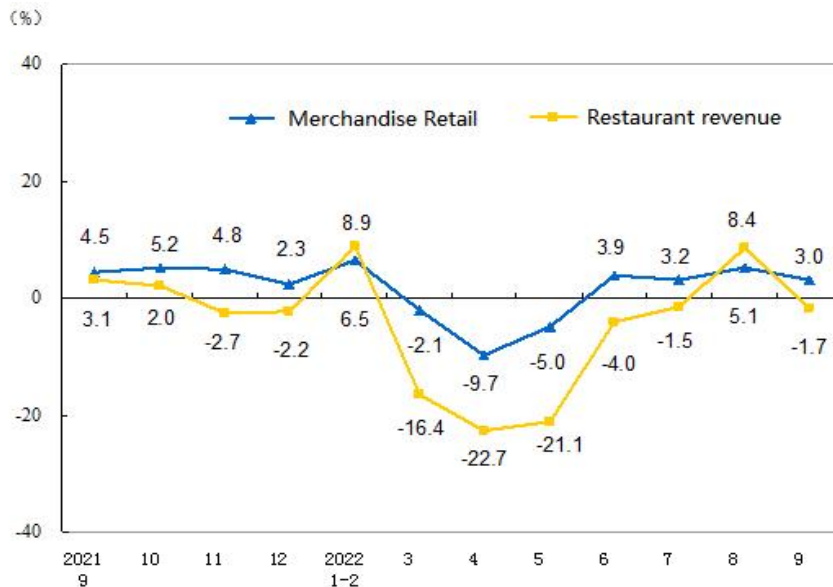


Figure 3: China's year-on-year growth rate of retail sales by consumption type from September 2021 to September 2022 [6].

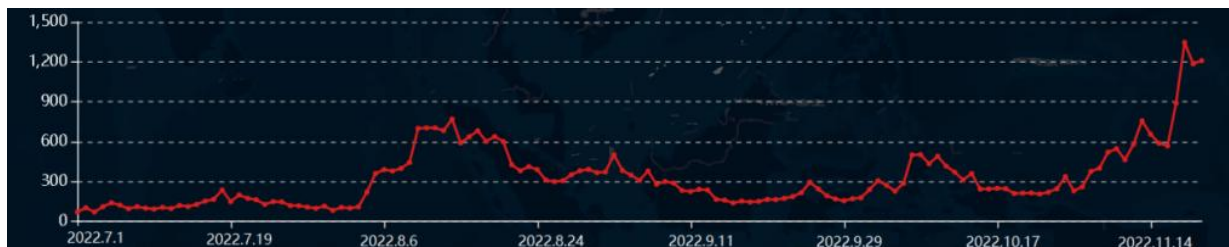


Figure 4: Daily number of new COVID-19 infections all around china form 2022.7.1-2022.11.4 [7].

Of course, we also see a lot of episodes in July-September that don't fit the negative correlation, because the outbreaks in January-May were not local but almost nationwide, However, from July to September and even to November, the outbreak of the epidemic occurred in some areas, which resulted in the normal profit of the catering industry in most provinces and cities of China without being affected by the epidemic [5, 8]. However, the catering industry in provinces and cities with severe epidemics will be severely hit. We can obtain the corresponding relationship by comparing the data of specific Chinese provinces and cities. For example, Chengdu, Sichuan Province was hit hard in September (As shown in Figure 5), while the country wasn't, restaurant revenue fell 1.7% year on year. If you just focus on the data released by the Chengdu Bureau of Statistics, the city's catering revenue in September was 6.07 billion yuan, down 44.7% from a year earlier [9]. This obviously reflects that the impact of the epidemic on the catering industry in different regions varies in size and duration in different time and space. Theoretically, as long as people are willing to go out of their homes to have dinner and entertainment in crowded places, the catering industry can quickly recover its profitability. However, if people stay in closed management and voluntarily stay at home for a long time, it is impossible to run most large food and beverage stores solely on

delivery revenue, because the additional costs are very high. In general, it is necessary to better monitor the data of the catering industry and epidemic data in various provinces and cities, and formulate some feasible and practical normalized policies to face and deal with various problems in operation and management during the epidemic, so as to help enterprises and self-employed people out of difficulties. We can earn as much money as we can in the midst of the epidemic to ensure the economic and business status in the period without the epidemic [10-12].

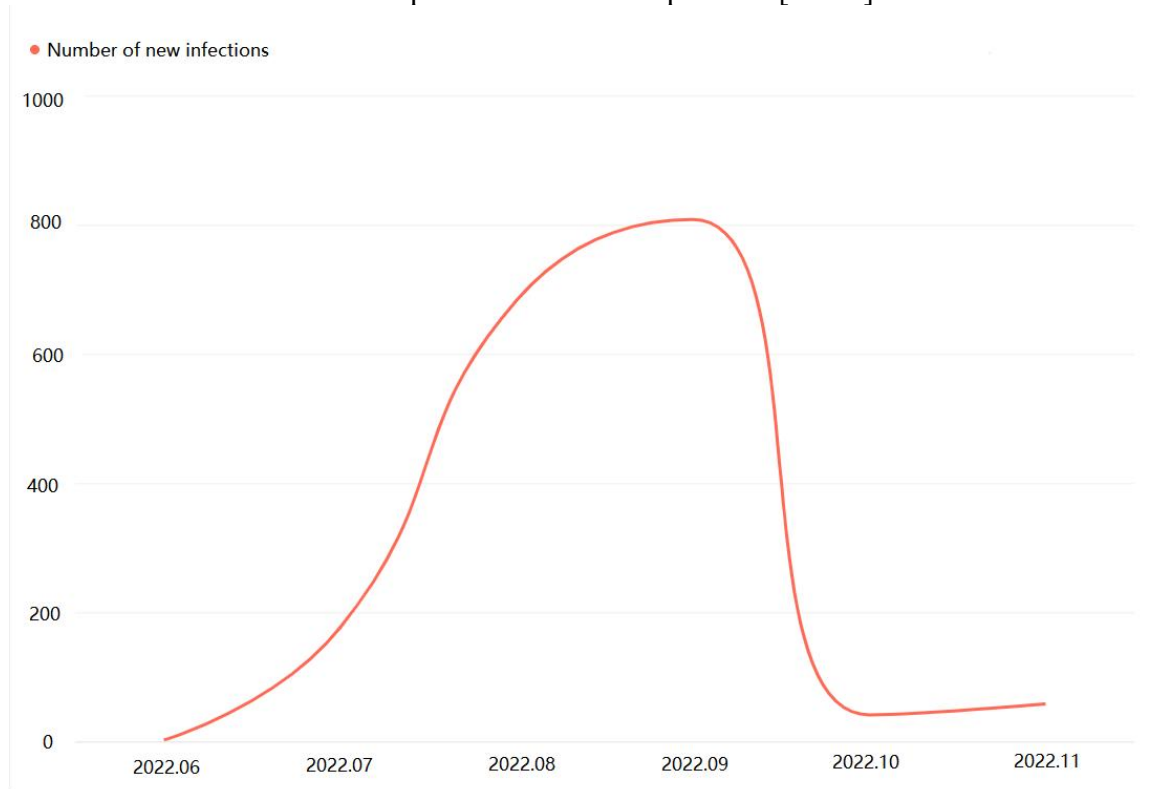


Figure 5: Number of new infections recorded by month in 2022 in Chengdu, Sichuan Province, China [9].

4. Conclusion

This paper mainly analyzes data, charts, and market phenomena to show that China's catering industry has suffered a large number of negative economic impacts from the epidemic, no matter from the overall economic environment or specific industry data. However, this paper is still unable to solve many other practical data problems perfectly, and more relevant researchers are needed to do further research and specific data demonstration. In the near future, the author will focus the research on the relationship between China's economic development in the post-COVID-19 era and the continuing impact of the epidemic. In the end, the author also put forward some suggestions about the catering industry based on the research. First, we should pay attention to the development of takeaway business and increase the relevant promotion when the epidemic is repeated, so as to make takeaway food become a means of profit during the closed management of the epidemic. In addition, catering enterprises can offer more discounts during the recovery period to attract more young people who have retaliatory entertainment consumption after the closure of the epidemic. From a certain point of view, some of the difficulties facing China's economy and catering industry are difficulties in the process of development. In other words, they are inherent problems in the development process that have only recently been fully exposed and highlighted. Therefore, to adjust management policies and deploy feasible economic policies to ensure the steady

development and stable survival of enterprises and individuals in the economy, it is necessary to start from the impact of the epidemic in the "post-epidemic era", and more importantly, to make long-term planning from the overall perspective of development, so as to effectively respond to future public health emergencies. This paper is just a simple logical sort and data analysis. In the near future, the author will apply specific models and data to make more accurate predictions and research.

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