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China releases economic data on COVID-19 impact

Earlier today, China's National Bureau of Statistics released the COVID-19 impact report for the first two months of 2020¹. According to the document, the country's economic development has been affected by the outbreak epidemiological. However, this impact will only be "short-term, external and manageable". According to the report, up to today it has been possible to stop the spread of the virus and the living conditions of the population remain stable. Unfortunately, the reality is that the Chinese economy has not experienced a similar contraction in the last 30 years, ringing alarm bells of policy makers and authorities from other countries currently fighting the epidemic outbreak of the possible effects of the epidemic in the global economy.

Among other economic indicators, the document reports a drop in the total value of industrial production of 13.5% on a year to year basis, while medium and large-sized manufacturing companies recorded a rate of resumption of activities of 85.6% as of February 25. On the other hand, the service production index fell by 13% annually, registering increases only in the financial services and information technology sector.

Retail sales also registered a 20.5% drop from the previous year, reaching a total of 5.2 trillion yuan in consumer products. Retail sales in urban areas registered a decrease of 20.7%, or 4.4 trillion yuan, while sales in rural areas fell by 19.0%.

The report also highlighted a decrease in investment in fixed assets of 24.5%, while investment in high-tech industries and social sectors, including the health sector, fell by 20%. Market prices were stable, and product prices for the industry dropped 0.4% during the January-February period.

Another worrying indicator is the reduction in total trade value, which contracted 9.6% during the period, with a registered drop of 15.6% less in total value of exports and 2.4% in imports, or a trade deficit of 42.6 billion yuan.

Conclusions

The data published by the National Bureau of Statistics shows a difficult start to the year in China. Considering that international trade, industrial production, investment in fixed assets and consumption decreased during this period, it is highly feasible that China's GDP for the first

¹ 2020 National Bureau of Statistics. National Economy Withstood the Impact of COVID-19 in the First Two Months.

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quarter of 2020 will be below the 5% forecasts. This does not only affect the Chinese economy, but this scenario may be repeated in several economies that are currently facing the crisis caused by COVID-19.

Among the main challenges that China will have to solve in the coming weeks to resume economic growth is the reopening of the tourism sector, as well as the reactivation of small companies, which are currently suffering not only from lack of personnel, but also from capital to restart operations. Another important challenge will be to increase the exports of components to reduce the negative impact on the production capacity of other economies, such as the European Union, Japan and Mexico.

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