

# Analysis of the Impact on Chinese Economy and Countermeasures of the COVID-19

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## ABSTRACT

At the beginning of 2020, the COVID-19 pandemic swept the world at an unexpected speed, causing varying degrees of impact on countries' economy. The Lockdown of towns and shutdown of factories soon had huge and obvious influences on various countries. Due to the epidemic, the estimated GDP growth has been continuously reduced and steep falls in stock prices triggered circuit breakers four times in a short time. This paper is organized into three parts to analyze the impact on the Chinese economy and the countermeasures of the COVID-19. Then the Chinese government policies would be discussed.

**Keywords:** COVID-19, Chinese, economy, economic impact

## 1. INTRODUCTION

By researching, it integrated a simple epidemiological model with basic economic analysis. There is only so much we can produce at any given point in time. So now all countries have to make trade-off between public health and the less of the economy. When public health is already prioritized, pushing the system further to gain even more health is relatively "expensive" in terms of reductions to the

economy. Pandemic constrains even further what we can do with our scarce resources. In the face of a pandemic, the most important way is to keep a distance from society, which means that people cannot interact physically. Therefore, people can no longer produce the economic results that we could achieve to a large extent. As the virus continues to spread, the availability, ability and health of employees have all declined. As a result, this pandemic caused a large reduction in economic activity in all countries.[1]

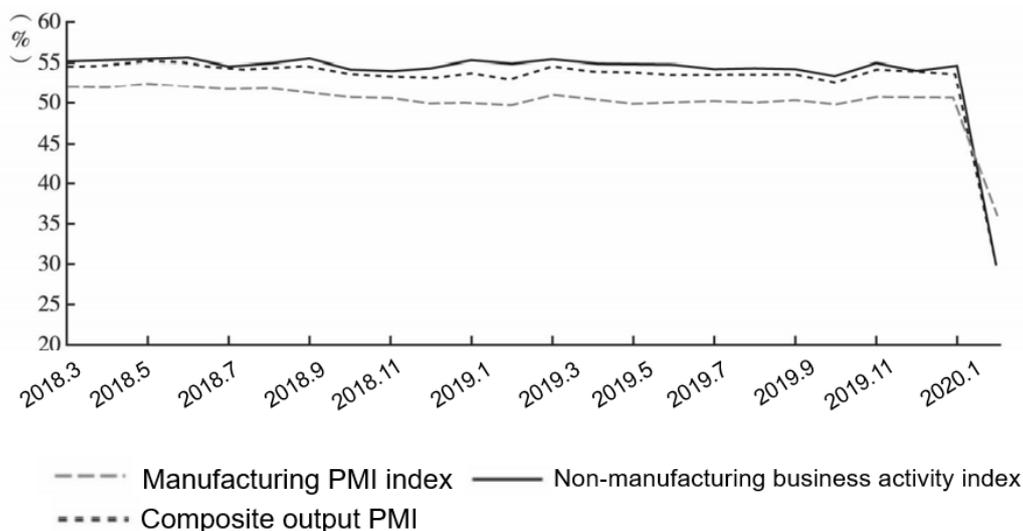


Figure 1 2018.3-2020.2 Chinese PMI index[8]

## **2. IMPACT ON DIFFERENT SECTORS**

### **2.1. The Primary Sector**

Although the contribution of industry to China's GDP has been decreasing year by year, it is the cornerstone of China's steady economic growth. Since the outbreak of the epidemic, road closures in some areas in response to the epidemic prevention and control requirements have blocked the transportation of agricultural production materials, making it difficult to import and export feed for livestock and poultry breeding, and prevent mature vegetables from entering the market. As a result, vegetables are rotting on the ground and livestock are slaughtered and buried, causing great losses. The epidemic will mainly affect poultry farming and vegetable cultivation.

However, in general, the capacity of agriculture, forestry, animal husbandry and fishery is relatively strong, and China has wealth experience in ensuring the smooth operation of the primary industry. As the Ministry of Agriculture and Rural Affairs, The Ministry of Communications and other departments require the strict implementation of the "green channel" policy, and it is strictly prohibited to set up unauthorized roads and other behaviors. The transportation problem of production materials has been quickly solved.[2]

### **2.2. The Secondary Sector**

After the COVID-19 outbreak, if industrial manufacturing can rebound as quickly as it did during the SARS epidemic, the GDP decline of the secondary industry will be eased in the first quarter of 2020. The GDP growth rate of the secondary industry in the first quarter also depends on the delayed resumption of work after the Spring Festival holiday. And GDP growth depends on the unbundling of global value chains. What is worrying is that by the end of March 2020, the epidemic has spread to more than 190 countries and regions, including Japan, the Republic of Korea and Italy. China is an important partner in the global value chain and the epidemic situation is grim. Once the epidemic continues to develop globally, it will have a more lasting impact on China's secondary industry. If the global epidemic maintains its current status and 90% of jobs are returned to work by the end of March, the GDP growth of the secondary industry is expected to slow by about 2% in the first quarter of 2020 compared with the same period of last year, affecting 0.8% of GDP in the first quarter. [3]

### **2.3. The Service Sector**

The service sector has historically been the hardest hit by the epidemic. The epidemic is bound to have a disastrous impact on transportation, accommodation, catering, tourism and film industries in the short term.

Firstly, as the outbreak occurred during the Spring Festival travel rush, the number of passengers transported by air, rail and land plummeted. Secondly, the frozen tourism market has further aggravated the catering industry. Thirdly, the China Real Estate Association issued a call to suspend sales activities at sales offices during the epidemic. Affected by COVID-19, the land transaction area of 40 cities in China decreased by 27.1% year-on-year in February 2020, and the GDP of the real estate market nearly froze in the first quarter. However, the consumption of real estate is a kind of rigid demand consumption, which will rebound quickly after the end of the epidemic to make up for the past deficit.[3]

## **3. TARGETED COUNTERMEASURES**

From a dialectical point of view, this epidemic is also an opportunity to promote the high-quality development of China's economy. Therefore, it is necessary to form targeted countermeasures from the perspective of short, medium and long term.

### **3.1. From the Perspective of Short Term**

In the short term before the complete end of the epidemic, it is necessary to follow the unified deployment of the central government and should not only do a good job in epidemic prevention and control as always, but also do a good job in economic recovery in an orderly manner within the scope of controllable risks. The government should do the resumption of work and production by region, industry, and time period. Areas with more severe epidemics focus on epidemic prevention and control. For areas with moderate risks, resumption of work and production will be promoted in a safe and orderly manner. For areas with low epidemics and low rates of resumption of work supervise and increase efforts to resume work.

It should be ensured to make efforts to the construction of major projects. Major projects are the foundation and key to supporting regional economic development. Intensify project support and guarantee, and focus on the scientific and orderly resumption of construction of projects. Only by ensuring prevention and control can we promote the smooth operation of the economy.[4] Finally, full play to the hedging role of residents' new consumption should be given. This epidemic has the greatest impact on the service industry, but actively expanding consumer demand, promoting consumption replenishment and potential release is also one of the important points of hedging the impact of the epidemic. The first step is to expand online consumption to hedge the impact of offline physical consumption and the second is to stabilize offline consumption and try to reduce the impact of the epidemic.

### 3.2. From the Perspective of Medium Term

In the medium term, the government should orderly guide the economic recovery rebound and then accelerate the development of epidemic-related industries. For the latter one, it involves the vaccine industry, non-contact industry, health industry, emergency industry. In vaccine industry, given the highly infectious nature of the new coronavirus, once the vaccine is successfully studied, its global market prospects are immeasurable. China can seize this opportunity to prevent and control the new crown pneumonia epidemic, vigorously implement a number of major scientific research and industrialization projects for new vaccines, and promote breakthrough development of the vaccine economy, and speed up the development of non-contact industries.

During the epidemic, people are frightened by the contagious nature of the virus and people try to minimize contact activities. China can seize this opportunity to prevent and control the new crown pneumonia epidemic, speed up the unmanned delivery of express delivery and the development of online virtual tourism, actively cultivate the non-contact new economy, and accelerate the development of the health industry. Accelerating the development of the pharmaceutical industry should be the first. The

epidemic will inject great vitality into the medical and pharmaceutical industries. In particular, Chinese medicine has participated in the treatment of more than 80% of confirmed cases.[5] The combination of Chinese and Western medicine has obvious effects and will be effective to stimulate the development of the Chinese medicine industry, the second is to accelerate the development of the health protection product industry, and the third is to accelerate the development of the general health industry.

### 3.3. From the Perspective of Long Term

From ancient times to the present, mankind has encountered countless plagues. The plague seems to have brought humanity to the extreme, but after the disaster, there are endless opportunities and vitality. From a dialectical point of view, although the epidemic has caused a great short-term impact on China's macro economy, meso-scale industries and micro-individuals, it is also a rare reflection, correction, and reform of deep-seated contradictions and problems in economic development. It is an opportunity to promote the long-term and healthy development of China's economy and achieve a high-quality leap.

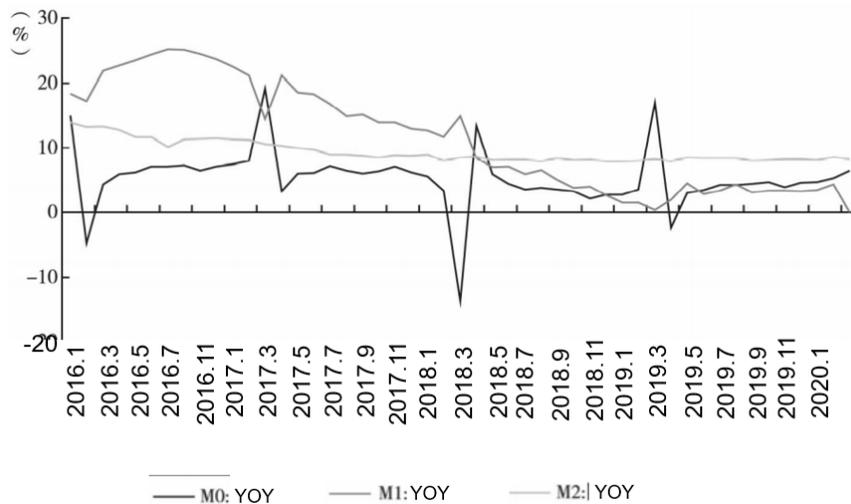


Figure 2 2016.1-2020.1 Chinese money supply[8]

#### 3.3.1. Deepening of system reform

Government should deepen the reform of the urban-rural integration development system and mechanism. In terms of the two-way flow of urban and rural population, the reform of the rural collective land system, the inflow of industrial and commercial capital, the transformation of scientific and technological achievements into the countryside, and rural financial services, the institutional barriers should be removed to release the inherent potential of economic development.

Deepening the reform of the market access system needs putting into consideration, promoting market-based access reforms in basic fields such as energy, power, communications, finance, and transportation, breaking administrative monopolies, cultivating new economic growth points, and intensifying opening up to the outside world in the fields of education, medical care, culture, and entertainment.

The reform of the development system of the technology-supported industry also needs deepening,

implementing the new national, provincial, and district-wide system of key core technologies for economic development, creating educational technology R&D special zones, supporting integration and innovation of large, small and medium-sized enterprises and various entities, and improving the basic capabilities of the industry and the modernization level of the industrial chain.

### *3.3.2. Consolidation of the microeconomic foundation*

Small and medium-sized enterprises are an important force in economic development and are also the market players most affected by the new crown pneumonia epidemic. The epidemic has further exposed the importance and vulnerability of SMEs in economic development. In order to ensure the survival and transition of small and medium-sized enterprises in this epidemic, a series of policies recently introduced by various localities have effectively eased short-term unemployment and consolidated the micro foundation for economic recovery. On the basis of coordination and improvement, we can consider converting these short-term policies into long-term policies to further optimize the development environment for SMEs. On one side the government could set financial support policies protraction, and the other is to make tax reduction and exemption policies protraction. [6]

### *3.3.3. Optimization of industrial layout*

In the process of promoting economic integration, it is also necessary to build a self-circulating system within the regional economy, enhance the level of regional industrial clusters, and enhance the ability of the regional economy to withstand emergencies such as natural disasters, epidemics, and economic sanctions, build a relatively independent regional industrial ecosystem and strengthen the small cycle within the regional economy.

## **4. CONCLUSION**

Research shows that if the spread of this virus cannot be eliminated through social isolation, subsequent economic recovery will be more difficult. Pursuing public health can be consistent with superior long-run economic performance. After the epidemic has eased, the downward pressure on China's economy will still exist. In the long run, consumption's contribution to the economy needs to be further brought into play, but only consumption supported by investment and economic vitality is sustainable. Therefore, it is necessary to consolidate economic fundamentals and expand effective investment and financing, so that ordinary people can have better expectations and reduce preventive savings, and can more actively use current income and even mobilize savings for consumption.[7]

## **ACKNOWLEDGMENT**

This thesis would not have been possible without the help and guidance from my professors and teaching assistants who contributed and extended their valuable assistance in the preparation and completion of my study. Finally, I would also like to thank my parents. Their support, encouragement, quiet patience and unwavering love are the driving power of my work.

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