

A Comparative Study of the Impact of SARS and COVID 19 on China's Economy

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ABSTRACT

In the 20th century, two of the most significant pathogenic pandemic, COVID-19 and SARS emerged. The aftermath of both virus have brought a huge impact on the Chinese economy. As the movement of people and relevant logistics are limited to some extent due to the epidemic, the price of commodities, food and other things is greatly affected, as well as export and import and real estate. This paper, through an analysis of relevant data and literature, will closely analyze the main impacts on prices, real estate, import and export. The paper finds that SARS has short-term impact on China's economy, while COVID-19 has long-term impact on China's economy. In particular, in the aspect of price, real estate, and export and import, COVID-19 epidemic has brought significant bad influence, affecting the future development.

Keywords: COVID-19, SARS, China, real estate, export and import

1. INTRODUCTION

When coming back to the early twentieth century, SARS was a great bomb to China who was under the most bad influence at that time. But COVID-19 is different from SARS. As the COVID-19 pandemic appears, its devastating nature is visible to China and the world. From the perspective of economy, the rooted influence brought by the pandemic refers to the conflict of supply and demand. For example, as people are limited to work for production, the price of food and related goods would be affected. Besides, the real estate market would be under great influence as the movement of people is limited and construction schedules are delayed. Furthermore, the exports and imports would certainly be influenced to a great extent.

In another word, the emergency and spread of both pandemic have had large repercussions on the Chinese economy and it is experiencing a downtrend while the disease continues to proliferate. As relevant studies in this field focused on the economic situation under the COVID-19 pandemic, while rare researches went for the economy both under SARS and COVID-19 pandemic. Therefore, in this paper, the author will monitor the extent and examine the underlying causes of both Covid-19 and SARS pandemics from the aspects of prices, real estate, import and export. It hopes to provide several available prospects for the research in this field,

and offer a detailed economic situation for further analysis.

2. PRICES

2.1. The impact of COVID-19 on prices

China's consumer price index (CPI) rose 5.4% in January 2020 [1], reached the highest in eight years. Hyperinflation, skyrocketing prices, the reason behind it is that the government is printing too much money and there is too much money circulating in the market, which leads to a general increase in the price of almost everything. A closer look at the January data in China during the pandemic shows a wide range of price increases for different commodities — food prices rose 20.6 percent, with pork prices surging 116 percent, and non-food prices rose only 1.6 percent [1].

As food prices are soaring, macro analysts concern that because people are worried that the outbreak could leave them trapped at home, so there is a panic hoarding of essential goods, temporarily pushing up prices. In other words, food prices shot up in January as demand for vegetables and meat soared without a corresponding increase in supply. Prices for hairdressing, home service and vehicle repair and maintenance rose 5.2 percent, 4.7 percent and 4.6 percent, respectively [2]. The price of some services has increased significantly as urban

workers return home before the Spring Festival, and it is more difficult to return home after the holiday, so prices will continue to face upward pressure.

China began reform and opening up in 1978 and experienced three periods of sharp inflation, two of them was 18.8% in 1988 and the last period was 18% in 1989 [2]. At that time, China implemented a dual-track price system, which means some commodity prices were fixed according to the planned economy, and some prices floated according to the market supply and demand. In 1988, the Chinese government decided to lift the price control and carry out “price jumping”. After the liberalization of the planned economy, the prices of commodities generally rose, triggering panic of purchasing by the public.

In 1994, China experienced its worst inflation since reform and opening up, hitting 24% for the year. After a gradual fall to a moderate 2.7% in 1997, China entered a 23-year period of low inflation, with CPI growth above 5% in only two years (2008 and 2011). Most of the rest hovered between 1-3%. since the outbreak of COVID-19. It is the third time in 23 years that the 5.4% rise in CPI has exceeded 5% [2]. Overall, because the pandemic is lasting for a lengthy period. In the long term, it will cause the price to go up, and impact the economy as a whole.

2.2. The impact of SARS on prices

In the early days of the epidemic, CPI (Consumer Price Index) and PPI (Producer Price Index) growth rates rose, especially in the case of PPI, mainly due to temporary and structural shortages caused by panic buying and logistics disruption. Rising prices are mainly resulted from the imbalance between supply and demand. The scarcity of medicines, medical care, and food, has increased significantly because of the pandemic. Prices fell as the outbreak was contained and panic abated [5]. However, the economic recovery after SARS (Severe acute respiratory syndrome) accelerated a new round of price increases, and will not cause a huge problem afterward.

SARS period inflation level

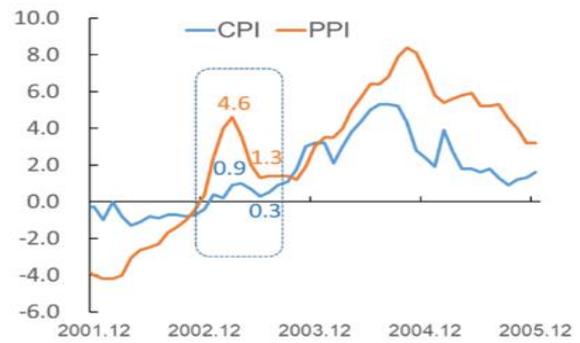


Figure 1. Inflation in China during the SARS period

3. THE REAL ESTATE

3.1. The impact of COVID 19 on real estate

In 2019, the growth rate of Investment in real estate development in China was relatively stable. However, the sudden outbreak of COVID-19 at the end of the year and its rapid spread across China caused a great impact on the real estate industry and a significant decline in the growth rate of investment in real estate in China. As shown in Figure 1, from January to February 2020, the completed investment amount of China’s real estate development was 1011.1542 billion yuan, down 16.3% year on year [4]. Among them, residential investment fell by 16%, investment in public buildings by 17.8%, and investment in commercial and business housing by 25.6% [4]. With China’s new epidemic control, real estate development investment decline gradually narrowed. In May, China’s real estate development investment in the total amount is 4.592 trillion yuan, fell 0.3% year on year, compared with April which narrowed 3% among them [4]. The residential investment is flat, compared to the same office building investment that fell 1.2% year on year [4]. Investments in commercial housing fell 6.9% year on year. From January to March 2020, during the traditional Spring Festival holiday and the peak of COVID-19, real estate development projects were in a “standstill state”. As shown in Figure 2, the total construction area of China’s real estate in February was 10,369.62 square meters, down 44.9% year on year [4]. Real estate development projects have begun to resume production in an orderly way. By May, the newly started construction area of China’s real estate totaled 69,532.81 square meters, down 12.8% year on year, and down 32.1 percentage points compared with February[4].

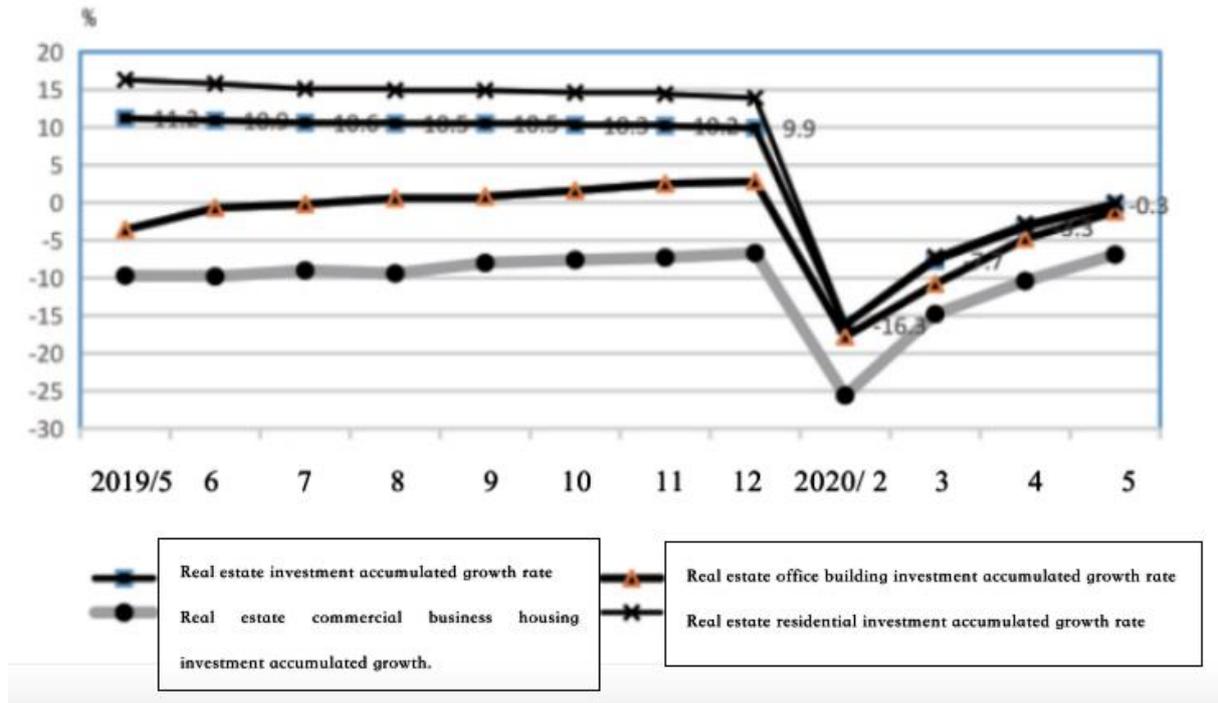


Figure 2.Changes in the growth rate of national real estate development investment

The data comes from the website of the National Bureau of Statistics <http://data.states.gov.cn/easyquery.htm?cn=A01>

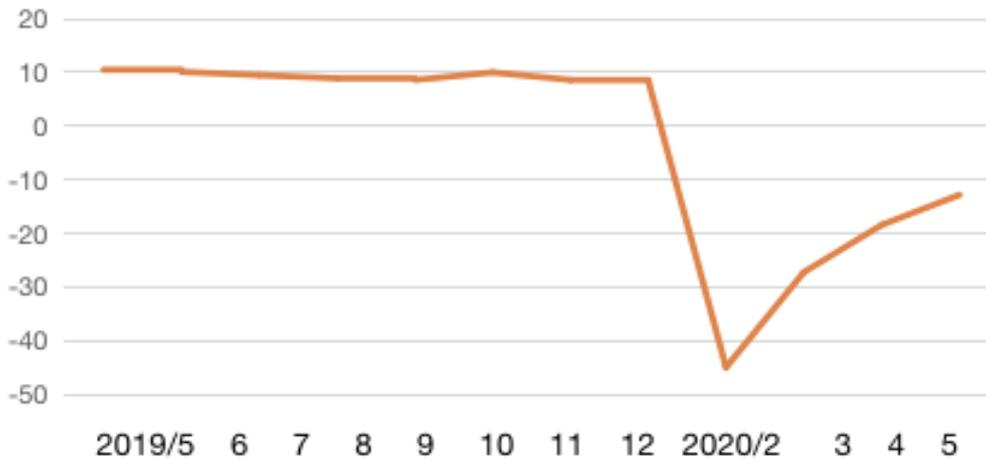


Figure 3 Changes in the growth rate of newly started construction area (cumulative) of real estate nationwide

The data comes from the website of the National Bureau of Statistics, <http://data.states.gov.cn/easyquery.htm?cn=A01>

In the short term, the COVID-19 pandemic has a great impact on the supply of the real estate market, mainly reflected in three aspects. First one is the real estate development and construction. As a large number of construction workers went back to their hometowns for the Spring Festival and could not return to their posts on schedule after the outbreak of the epidemic, a large number of projects under construction were halted and

could not be completed and delivered on schedule. Some new projects could not be started as planned. The resumption of construction and the delay of the planned start of construction will inevitably reduce the supply of real estate commodities. Second one is real estate sales. Due to the strong spread of COVID-19, during the peak of the epidemic, many cities in China issued "suspension of operation" notices to real estate development enterprises, explicitly banning sales offices and intermediary stores from continuing to operate.

By mid-February 2020, most sales offices and intermediary stores in China were basically closed. Due to the particularity of real estate products, it is difficult to carry out online sales, and the transactions of second-hand houses are also stagnant due to the need for on-site inspection. The epidemic has blocked the real estate sales link, resulting in a sharp drop in effective supply in the real estate market, and the transaction volume of real estate enterprises plummeted by 95% compared with the previous Spring Festival period [5]. Third, in terms of real estate suppliers, hit by the epidemic, the sales collection of real estate enterprises has been blocked, the cost of development projects has risen due to the delay of resumption of work, and many real estate enterprises have faced great pressure of capital turnover, leading to the adjustment of real estate enterprises' investment plans, and their ability and willingness to launch new projects will be greatly reduced in the short term. Based on the graph and statistics, in the short term, the COVID-19 lead to a huge impact on the real estate economy, but as time goes by, in the long term, the economy will gradually recover.

3.2. The impact of SARS on real estate

Contraction in the first quarter of 2003 showed a trend of adjustment since April, because the SARS epidemic was aggravating, the national real estate market was influenced by factors such as capital, personnel dismissal, investment, and new construction area. Workers are expected to return to work area, completed area, land development area, and the purchase of some important indexes such as area of growth was reduced, the demand curve move backward.

In 2002, the average growth rate of investment in real estate development in the capital of China was 28%. If there were no SARS and other special circumstances, the growth rate in 2003 should not be less than 20% [5]. Therefore, the SARS epidemic in May affected the growth rate of investment in real estate development in the capital of China Beijing by at least 10 percentage points, about 2.55 billion yuan [5]. In April and May, the growth rate of real estate development investment in Beijing declined, partly because the construction progress of the projects started slowed down. According to statistics, due to the impact of SARS, the construction progress only reached 85% of the planned requirements.

4. IMPORT AND EXPORT

4.1. The impact of COVID 19 on import and export

According to the statistics of China Customs, the volume of import and export of goods rose quarter by quarter in 2019. In December, the total value of import

and export reached 3.01 trillion yuan, up 12.7% year on year, hitting a monthly record high[6]. However, due to the impact of the outbreak and holidays, according to the statistics of the Ministry of Commerce of China, the import, export and total import and export value in the first two months of 2020 have decreased by 2.4%, 15.9% and 9.6% respectively [6]. Secondly, import and export enterprises will lose a certain amount of overseas orders. From January to February 2020, all business entities in China are generally facing difficulties and challenges. Exports of private enterprises, foreign-funded enterprises and state-owned enterprises decreased by 12.8%, 20.4% and 12.4% respectively [7].

In the first two months of 2020, China's export of labor-intensive products fell by 18.8%, and the import and export of processing trade fell by 16.4%, showing a sharp decline in production and processing trade [7].The dramatically decreased after the COVID caused a hardship on Chinese economy.

4.2. The impact of SARS on import and export

In April 15th to April 20, 2003, the Spring Canton Fair turn volume is \$ 4.4 million. A total of 16,400 customer participated the Fair. Compared to the number of participants in 2002, a total of 120,000 participants and turn volume of \$ 16.8 billion [8]. It clearly shows that due to the pandemic, the export volume decline.

Secondly, due to the SARS epidemic, various countries imposed export restrictions on China. Some countries drafted documents restricting the entry of Chinese people, so that it was difficult for Chinese businessmen to get business opportunities.

Although there will be a surge in imports of some goods such as face masks, because of the SARS period, China's processing trade accounts for more than 50% of the total trade, which has impacted the development of China's processing trade[8].Therefore, a drop in imports due to the processing trade setback will keep China's total imports down slightly in the near term. Therefore, the SARS in 2003 caused the export volume declined and less business opportunities.

5. CONCLUSION

The paper analyzed and compared the impact of COVID-19 and SARS epidemic on price, real estate, export and import in China. From the analysis above, it found that SARS has short-term impact on China's economy, while COVID-19 has long-term impact on China's economy. In particular, in the aspect of price, real estate, and export and import, COVID-19 epidemic has brought significant bad influence, affecting the future development, as the epidemic lasts for a long time and the virus is so changeable that it can not be prone to be controlled. Nevertheless, the paper has some flaws,

such as it lacked some specific cases to prove the impact on those aspects. They will be analyzed in the following studies. It hopes that this area would attract more attention to make further study.

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