The Study of the Reason for Continuously Growth GDP in China under COVID-19 through a Company’s Perspective

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ABSTRACT
Under COVID-19, the GDP of different countries is affected in different states. For China, GDP continued to grow during this period. This paper provides a summary and analysis of different literature and statistics on the impact of COVID on different aspects, including the impact of low income and the majority of consumption of consumers on essentials rather than entertainment, and the huge impact of businesses on their supply chains and the impact of demand decrease on expansion. In addition, the article also explains the reasons for continuous growth and future development, and gives suggestions for future market strategies for enterprise development, including maintaining a certain cash flow, increasing the application of digital office models, etc.

Keywords: COVID-19, company, economy, GDP

1. INTRODUCTION

The Epidemic update and risk assessment of 2019 Novel Coronavirus from the Chinese center for disease control and prevention claim the specific process of the event. On December 29, 2019, four staff members of the Huanan Seafood Market were taken to a hospital in the health department of Wuhan, Hubei, because of cluster pneumonia of unknown cause. On December 30, 2019, the health department began the survey about the strange phenomenon. December 31, 2019, the National Health Commission of the People’s Republic of China and the Chinese Center for Disease Control and Prevention participate in the survey. At the same time, Wuhan announced the news of the outbreak of the disease.

In 2021, the epidemic was still growing: at midnight on December 31, according to the reports from 31 provinces of China (including both autonomous regions and municipalities directly under the Central Government) and the Xing Jiang production and Construction Corps. 2,886 cases were confirmed (including 15 severe cases). Accumulated 94,792 cases were cured and discharged, 4,636 cases deaths, 102,314 cases were confirmed. The record from Baidu Encyclopedia shows that the epidemic is still very serious in China in 2021, but the GDP is still growing.

The nominal GDP of China is 181042.9549 dollars in 2021. Through the summary and analysis of data and literature, this paper gives an analysis of the reasons for China's GDP development during the epidemic, and provides market strategies that companies can refer to for the above reasons, hoping to help predict future market trends and the company's development and survival.

2. INFLUENCE OF COVID-19

2.1. Influence of consumers

All the high requirement products are daily necessity production like medicines, rice, nappies, etc. The price of those things had increased by 1.1 per cent. The Office for National Statistics (ONS) indicates that in the third and fourth week of March, the prices of medicines had increased dramatically by about 11%. Huge changes make it more difficult for consumers to survive [1][2]. The consumer price index (CPI) reflects the influence on the household in the “Market Bucket” over time when price changes have become different. The greater social distancing caused due to the COVID-19 and the closure of many stores has made it more difficult for the government to collect primary data on society to help them formulate new policies to resist the hard
circumstances consumers face now. But there are still other problems: 2021 and 2022 typically use 2020's market basket, which may give a very inaccurate understanding of spending over the next few years; Some cost increases are not recorded. The authenticity advertisements from consumers focus on reality during COVID-19 too because the income of consumers had decreased largely so they avoid much payment on the luxury or the entertainments like travel [3]. The closure of many businesses has reduced jobs, it has become more difficult for citizens to find jobs, and unemployment has risen. Such a situation has made the gap between the rich and the poor even greater, and the social classification has become more and more obvious [4].

2.2. Influence of enterprises

The epidemic has had a comprehensive impact on the industrial chain of all industries in China. In the case of epidemic control and limited movement of people, the attendance rate of employees in the enterprise is low[5]. The production capacity is declining to result in the cost of raw materials in downstream enterprises has risen. For foreign, daily consumption expenditure, including epidemic prevention items, has further increased led the higher input. The main reason for this situation is the shutdown of the entire product market during the epidemic, the interruption and isolation of commodity circulation channels, and the stagnation of transactions at consumer terminals, making the income of small and medium-sized enterprises almost zero. During this period, small and medium-sized enterprises are faced with great challenges. In the case of such extreme contrast between revenue and expenditure, most small and medium-sized enterprises are in the dilemma of making ends meet.

For traditional industries, the decline in consumer spending power has led to a reduction in the production scale of enterprises and a reduction in the demand for manpower and raw materials[6]. This change will be fed back to upstream companies, resulting in a backlog of products for upstream companies and the unemployment of some employees. The impact on thousands of small and medium-sized enterprises is particularly evident. The profitability of small and micro enterprises is unstable, the capital chain is fragile, and they are extremely vulnerable to the impact of the economic environment.

Affected by the COVID-19, the decline in operating income and the rise in production costs forced many small and micro enterprises to reduce production scale, lay off staff, or even stop production. According to the conducted statistics from Cameroonian about the impact of small and medium-sized enterprises during the epidemic. Compare to the influence on large size company (27%) the small and medium size company have 34% more influence. The influence mainly reflect on its production (79.4%), turnover(95%), production price(44%) and the reduction in the number of employees(52.1%) [7].

3. REASON FOR THE GROWTH GDP IN CHINA

3.1. Valid anti-optic action

The effective resistance to disease helps the increase of Chinese GDP, although strong anti-optic action such as sealing city greatly affected China's economic growth in a short time[8]. But soon control the spread of the epidemic. There are many anti-optic strategies that Chinese government used. For example, in Hubei Wuhan, the government quickly lockdown the province in order to prevent the faster prevent as well as to protect other provinces[9]. The situation in China is still the best country in a global outbreak control given the domestic industrial and economic development provides a good environment, workers’ work still needs to wear masks and other measures based on the anti-optic actions. However, there is no need to constantly worry about the threat of the virus. Production order in many areas has been restored to the same extent as before the outbreak, giving China a foundation to resume economic growth. Nucleic acid testing is arranged in each community, and all employees must be tested for nucleic acid. The government quickly requires the wearing of masks and popular knowledge of prevention, such as opening windows to ventilate the house to keep the house clean and sterilized more. Many cities led by Hubei quickly closed their cities to prevent the spread of the epidemic.

3.2. Changes in the market

3.2.1. Reshaping the healthcare industry

The medical industry will be reshaped, and it will also face profound changes. In the face of an epidemic in the spring of 2020, the prevention and control almost require the support of all the national medical systems. This also shows that the medical system is insufficient in supply and needs to be improved. Therefore, after that, the government increased the supply to the medical industry and increased the proportion of public medical investment.

At the same time, related drug research and the development of medical devices are also ongoing. The various projects that can penetrate the community and help the society to carry out grid management are emerging as the times require.
3.2.2. Increase credit support for epidemic prevention and control, and advocate banks to transfer profits to entities

In the "China Monetary Policy Implementation Report for the Fourth Quarter of 2019", it is pointed out that China is currently in a critical period of transforming the development mode, optimizing the economic structure, and transforming the growth drivers[10]. Banks took advantage of their higher profits to further increase their assistance to the real economy, especially small and medium-sized companies. They use the method of doing big things at a small cost to transfer more financial resources to the real economy and small or medium-sized companies, smoothing the virtuous circle of economy and finance.

Stimulating the vitality of small and micro enterprises also helps promote high-quality economic development, which is beneficial to both the real economy and banks, and ultimately contributes to the long-term sustainable growth of bank profits.

3.2.3. the accelerated speed of 5G deployment

The mode of online service and offline distribution has made the development of network infrastructure, logistics, and supply chain systems more complete. At the same time, users' usage habits have changed and the new retail concept is accepted by more offline stores.

Online services like online offices, telemedicine, online consultation, online education, etc. also accelerate development in such a large environment.

3.2.4. the improvement of the logistics system

Corresponding to online is offline logistics and distribution. After years of e-commerce development, our China Post, CaiNiaoWangLian, JD Logistics, and SF Express have played a major role in this epidemic. During the epidemic, offline logistics has become particularly important, whether it is actually helping to transport medicinal materials or providing the people with necessities. The state has also paid more attention to this aspect, increasing the scale and regularization of offline logistics and transportation.

3.2.5. Increased support for small, medium, and micro enterprises

The epidemic has further revealed the importance and vulnerability of small, medium, and micro-enterprises in economic development.

The government has imposed some policies to help small and micro-enterprises, such as lowering taxes and interest rates, increasing bank credit, eliminating short-term debts, diluting long-term debts, extending the life of small and medium-sized enterprises, encouraging enterprises to provide jobs, and recovering unemployed employees. Based on coordination and perfection, the government considers transforming it into a long-term policy.

3.2.6. Create new business models and lifestyles

During this epidemic, many new work styles, lifestyles, and even business models have emerged, such as online entertainment, online education, online scientific research, online approval, and online meetings.

Some large-scale events that were held in the past by mobilizing the public can now be completed simply and quickly online, which not only improves efficiency but also saves energy and reduces emissions. After the epidemic, normalization may be encouraged, which will lead to the development of a number of new industries and businesses.

3.3. Export

The other is China's powerful industrial power, the higher exports of the outbreak are both challenge and opportunity for China, the opportunity is in other countries because of the outbreak suffered severe losses, the decline of the domestic industrial production capacity, China has a good domestic environment and strong industrial production capacity, became the world's major industrial producer, According to statistics, nearly 60% of the world's epidemic prevention materials are produced in China. The export of a large number of epidemic prevention materials and other materials has brought China rich foreign exchange income and become the most powerful driving force among the "troika" driving economic growth.

4. FUTURE

If China wants to maintain the good economic development momentum, China still needs to adhere to strict epidemic prevention measures, after all, now outside the epidemic has been completely out of control, the proliferation of the variation of strain results in the decrease of vaccine efficacy, only continue to adhere to strict epidemic prevention measures, China to maintain the good momentum of economic development now, even to take this opportunity to surpass the United States, to become the world's most economically powerful nation[11].

4.1. Pursue cash flow profit and profitable income

First, the top priority of enterprises in business development is to increase the emphasis on the stability of cash flow. Recently, due to the impact of the
epidemic, in less than a month, even the benchmarks in the domestic catering industry, Xibei Noodles, and Haidilao, have experienced huge pressure on cash flow. Therefore, it is necessary for enterprises to reasonably adjust their financial strategies to ensure the stability of cash flow. At the same time, in the sales process, it is necessary to improve the quality of contract business, improve the acceptance and payment terms, and strengthen payment collection to ensure positive cash flow from operating activities.

Second, focus on value markets, value customers and value products, and pursue profitable income. Value markets and value customers are markets and customers that can bring long-term stable cash flow income and profits to enterprises. After the epidemic, there will inevitably be adjustments to the industry structure and market structure. Enterprises should further strengthen the forward-looking management and planning of the market, actively understand the trends of the market and the industry, devote resources to the value market, value customers and value products, and pursue income that has both cash flow and profit.

4.2. Reduce costs and make long-term plans

With the gradual manifestation of the negative impact of the epidemic, demand will inevitably face pressure on funds and income due to the response to the epidemic, which will affect purchasing power. Therefore, enterprises must reduce operating costs to enhance competitiveness.

Enterprises can strengthen supply chain management and reduce raw material costs by cooperating with upstream suppliers. Reduce manufacturing costs and enhance product market competitiveness through lean production[12].

4.3. Find strategic opportunities suitable for corporate development in the face of adverse trends

The company should dare to invest counter-cyclically within a controllable range. Enterprises should grasp strategic opportunities within a controllable range and realize leapfrog development through investment in strategic opportunities. When the economy is in an obvious downturn, counter-cyclical investment can be made in individual fields such as channel development, technology research, development, manufacturing, etc. After the national financial, taxation, and other preferential measures are gradually implemented, when the market vitality is stimulated, these counter-cyclical investment companies will experience explosive growth or even change the market structure.

For example, the case of Huawei's counter-cyclical investment. Huawei seized the opportunity to invest counter-cyclically during the Internet bubble in 2000. Once this economic crisis passed, Huawei stood on the world stage.

4.4. Increase digitization, actively change and improve production and office models

Digital and remote transformation is both a trend and a requirement. The epidemic has a wide-ranging and far-reaching impact, and at the same time will bring about a series of changes in society[13]. Production digitization, automation to reduce labor, and remote office workers are not only powerful means to prevent and control epidemics, they can effectively help enterprises reduce risks, and they are also the trend of future development. In the future, if telecommuting or working from home cannot be realized for certain positions, not only will there be no recruits, but even the operating costs of the company will be directly affected.

5. CONCLUSION

This article shows some of the impacts of the pandemic on consumers and businesses. Then, it introduces the reasons for the continuous growth of China's GDP during the epidemic and concludes that companies need to continue to discover that they need to give timely feedback in response to different environments and make strategic adjustments in time with the development of the times. So as to survive in the constantly changing market environment. down. However, this paper only combines the current literature and related data reports, without visiting and in-depth investigations on related companies or specific industries, lacking the support of primary data. In the future, it will be further improved with reference to different industries and China's economic policies, and other related content.

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REFERENCES


