

Impact of Covid-19 Epidemic on China's Gdp

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Abstract: Novel coronavirus is raging all over the world. Although it is difficult to judge the specific impact of the epidemic on the world economy and its globalization, there is no doubt that the COVID-19 epidemic has impacted and will continue to impact economic globalization. This paper uses statistical data to analyze the impact of epidemic on China's GDP from the perspectives of production, demand, income and price. In addition, this paper also discusses the new opportunities under the epidemic prevention and control, and looks forward to the future development of China's economy, hoping to provide reference for maintaining China's economic vitality and sustained and healthy development under the epidemic prevention and control state.

1. Introduction

With the aggravation of the global COVID-19 epidemic, China, which has completed the basic anti-epidemic task, has embarked on the road of economic construction again. However, under the influence of the COVID-19 epidemic, people have made new changes in social interaction, production education, daily life and other aspects different from the previous ones. Important macroeconomic indicators such as the growth rate of national GDP, people's living price level and social employment rate have fluctuated significantly under the influence of the epidemic [1-5]. Many extraordinary measures have been taken to prevent and control the epidemic, which is very important to effectively control the epidemic, but it also has a significant impact on China's macro-economy and social life. There has been no fundamental change in the medium-and long-term fundamental situation of the whole economic growth, but it has brought disturbance to the short-term economic operation and may “infect” different fields. We must pay close attention to it, analyze it objectively and calmly, and put forward corresponding countermeasures in a targeted manner to resolve problems and risks in time.

The impact of COVID-19 epidemic on China's GDP and the economic recovery after the epidemic are the core topics that scholars pay attention to at present. This paper analyzes the impact of COVID-19 epidemic on China's GDP from the perspectives of production, demand, income and price, discusses the new opportunities of economic development under the situation of COVID-19 epidemic prevention and control, and looks forward to the future development of China's economy.

2. Impact of Domestic Epidemic on Macroeconomic Operation

2.1 Overall Dimension of Economy

Statistical Analysis of the Impact of COVID-19 Outbreak on China's GDP COVID-19 Outbreak has the greatest impact on consumption, especially the Spring Festival consumer market. Although it can rebound to normal level in the following quarters, it is difficult to compensate for the lost part. In the short term, the COVID-19 epidemic will have a restraining effect on investment, but in the later period, it can catch up with the progress or even increase through additional investment. In terms of import and export, under the condition that the COVID-19 epidemic does not spread internationally,

China's total import and export volume can be compensated in the following quarters, and the total import and export volume in the whole year can be basically unchanged or slightly decreased.

2.2 Crowd Dimension

Two groups of people are seriously affected by the epidemic. First, the migrant workers who need to go out to work, they need to work to earn money, but they are afraid and unable to go out, which also corresponds to the difficulty of resuming production and work in small and medium-sized enterprises. Second, the employed people in the life consumption industry seriously affected by the epidemic situation, especially those employed in private small and medium-sized enterprises [6]. The working characteristics of this group are usually face-to-face service, with unstable employment, strong seasonality, low social security level and low average income level. With the effective prevention and control of the epidemic in China, the manufacturing and construction enterprises have basically resumed production and resumed work, and most of the consumer service industries have resumed production and resumed work, so the income of the affected people will obviously improve in the following three quarters.

2.3 Enterprise Dimension

Private small and medium-sized enterprises are the most affected, mainly because it is difficult to resume production and return to work, the poor industrial chain and supply chain lead to tight cash flow of enterprises, and some enterprises can not afford the cost of delaying the resumption of production and return to work, and may go bankrupt and close down. State-owned enterprises will also be affected in the first quarter, but they can still be maintained, and their production capacity can basically be compensated in the following quarters.

2.4 Industrial Dimension

In the whole year of 2020, the consumer service industry, such as catering, tourism, sports and training industries, will be most negatively affected. The data decline of the real estate industry is not mainly caused by the COVID-19 epidemic, but because it is in a downward trend, which just overlaps with the time when the COVID-19 epidemic occurred and should not be misjudged.

3. Epidemic Impact and China's Economic Development Trend

Since 2012, China's economic growth has shown a continuous downward trend. Of course, due to the inherent resilience of China's economy and the cooperation of prudent macroeconomic policies, the process of China's economic downturn is slow and steady. This has enabled China to ensure a satisfactory employment level during the economic slowdown in recent years.

3.1 Development and Prevention of Epidemic Situation in China

It mainly lasted about one and a half months from late January to early March in 2020. In terms of consumption, because the Spring Festival holiday is the peak period of consumption, it is still seriously impacted by the epidemic situation, especially the service consumption such as catering, accommodation, tourism, sports and entertainment, most of which can't make up for consumption. Of course, with the gradual lifting of the epidemic, consumption will slowly recover.

3.2 Investment Aspect

The outbreak of the epidemic in China and its prevention and control work have delayed the return of most enterprises. However, by the beginning of March 2020, all enterprises in other regions except Hubei Province have basically returned to work, and the utilization rate of production capacity has gradually recovered to the level before the outbreak. It is predicted that with the lifting of the epidemic, many enterprises will increase their horsepower and speed up production, thus showing the situation of production and investment, and boosting China's economy to return to its original growth trend.

3.3 Foreign Trade

Since the date when world trade returns to normal is expected to be extended from the end of the first quarter to the end of the second quarter or even the third quarter, the situation facing China's foreign trade in 2020 is hardly optimistic. However, the successful signing of the first-stage trade agreement between China and the United States in mid-January 2020 laid a good foundation for easing and eventually eliminating trade friction between the two sides. Under optimistic circumstances, import and export trade is expected to show a recovery growth trend from the third quarter. In 2021, it is expected to take advantage of the expansion of world trade to restart the upward growth trend.

3.4 Overall Economic Situation

The prevention and control of the epidemic was timely and effective, except for the delay of fighter planes due to improper local response in the early stage of the epidemic. Therefore, although the economies of various regions in the country have been impacted to varying degrees, and this impact is estimated to continue until the global epidemic basically ends, on the whole, the economy of Hubei Province, which is in the epidemic area, is the most impacted. Therefore, from the perspective of economic importance, if the epidemic can be eliminated earlier, the epidemic may not be as good as the SARS period in lowering China's GDP growth.

4. Impact of Covid-19 Epidemic on China's Gdp

4.1 Impact of Covid-19 Epidemic on Gdp Growth Rate

GDP growth is mainly driven by investment, consumption and export troika. The outbreak of pneumonia in Covid-19 coincides with Spring Festival travel rush, showing the characteristics of large number of people, strong momentum and wide range. In the face of the epidemic, it will face a great impact in the short term. However, China's economic development has broad leeway, which involves the key tasks of decisive battle against poverty and building a well-off society in an all-round way. Once it is decomposed, it will be completed and produce benefits, which will also form new kinetic energy [7].

The first quarter of 2020 happens to be the initial stage of the outbreak in China. The normal production and living order in all parts of the country is in a stagnant period, and the production level is also at an extremely low level in history. Therefore, it can be expected that due to the influence of the lower base of last year, with the gradual recovery of China's economic order this year, a higher year-on-year growth will be realized in the first quarter. Moreover, as China's economy is gradually recovering in 2020, cardinal utility is getting weaker and weaker, so the year-on-year growth rate is bound to gradually weaken. This cannot be simply interpreted as the weakening of China's economic recovery, but reconfirms the basic fact that China's economy gradually recovered last year. Year-on-year GDP growth rate in the first quarter of past years (Figure 1).

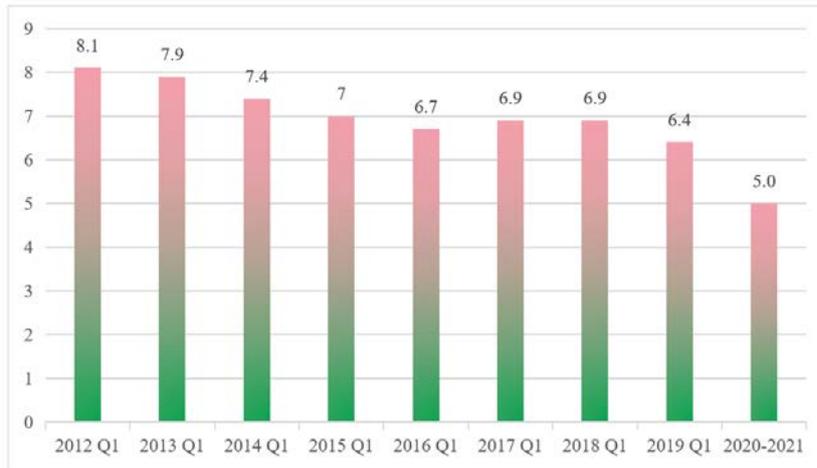


Fig.1 Year-on-Year Gdp Growth Rate in the First Quarter of the Calendar Year

The month-on-month growth rate also confirms the above judgment, as shown in Figure 2 below. From 2015 to 2019, the seasonally adjusted quarter-on-quarter growth rate of GDP in the first quarter of each year was about 1.9%, which was slightly lower at 1.6% in the first quarter of 2016. During this period, the month-on-month growth translates into an annual growth rate of 7.4%-8.2%. Similarly, it was slightly lower in the first quarter of 2016, which was about 6.6%. According to the statistics of the Bureau of Statistics, the first quarter of 2021 increased by 0.6% compared with the fourth quarter of 2020, equivalent to an annual growth rate of only 2.4% [8]. This growth rate is only slightly higher than the annual growth rate of 2.3% in 2020. This shows that as of the first quarter of this year, China's macro economy has generally continued the growth trend at the end of 2020, and has not yet achieved a comprehensive economic rebound.

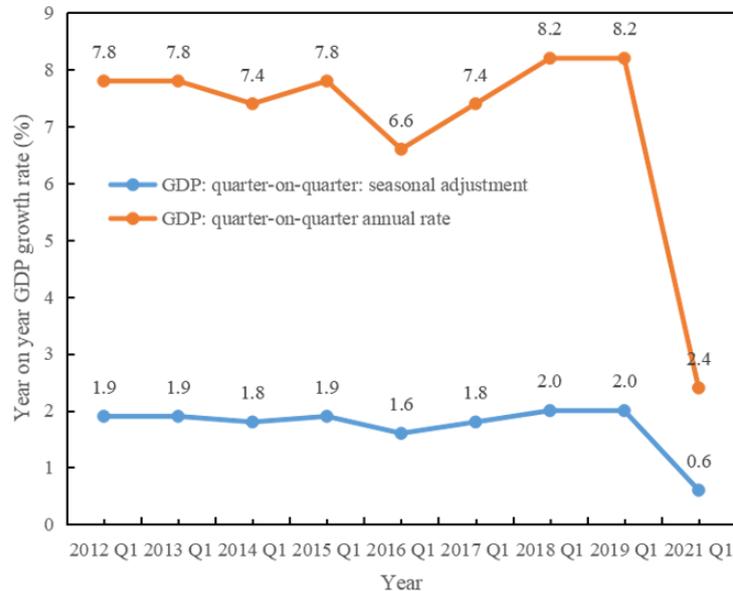


Fig.2 Growth Rate of Gdp in the First Quarter of Previous Years (%)

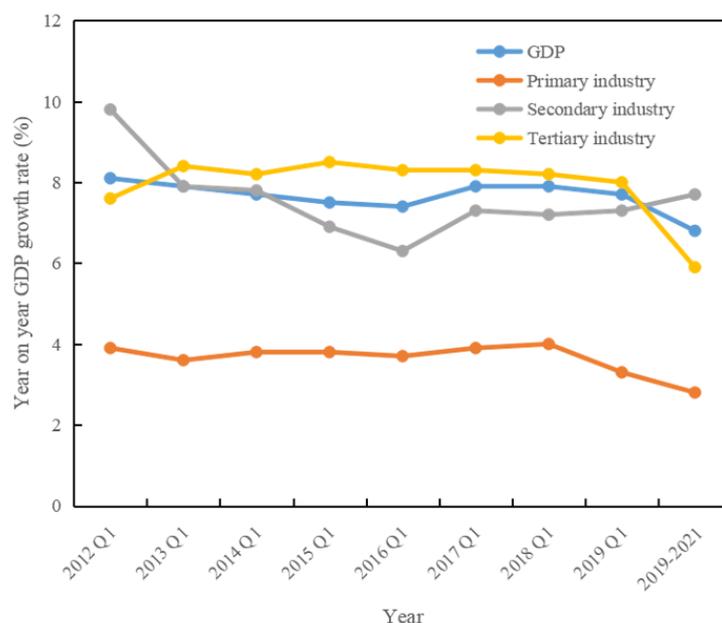


Fig.3 Year-on-Year Growth Rate of Gdp and Its Components (%)

From the specific industries (Figure 3), the primary industry increased by 8.1%, the secondary industry increased by 24.4% and the tertiary industry increased by 15.6%. Compared with the same period of last year, China's three major industries have risen to varying degrees. Among them, the average growth rate of the secondary industry from the first quarter of 2019 to the first quarter of 2021 was 6.0%, which basically recovered to the average level before the epidemic, and played an important role in stabilizing the macro economy and employment. The third industry has the biggest gap when the distance returns to normal level. The data shows that the average growth rate of the tertiary industry in the first quarter from 2013 to 2019 was about 8%; From 2019 to 2021, the cumulative average annual growth rate was only 4.7%, even lower than the growth rate of the secondary industry in the same period.

4.2 Consumer Demand, Investment Demand and Net Export Demand All Dropped Significantly

Affected by the COVID-19 epidemic, consumer demand, investment demand and net export demand all dropped significantly compared with the same period in 2019, which together led to the overall economic decline [9]. In GDP of expenditure method, consumption demand is called final consumption expenditure, including resident consumption expenditure and government consumption expenditure. According to the household survey data of the National Bureau of Statistics, in the first quarter of 2020, the per capita cash consumption expenditure of the national residents fell by 8.2% in nominal terms and 12.5% in actual terms, and the growth rate dropped by 15.5 and 17.9 percentage points respectively compared with the same period in 2019 (see Figure 4).

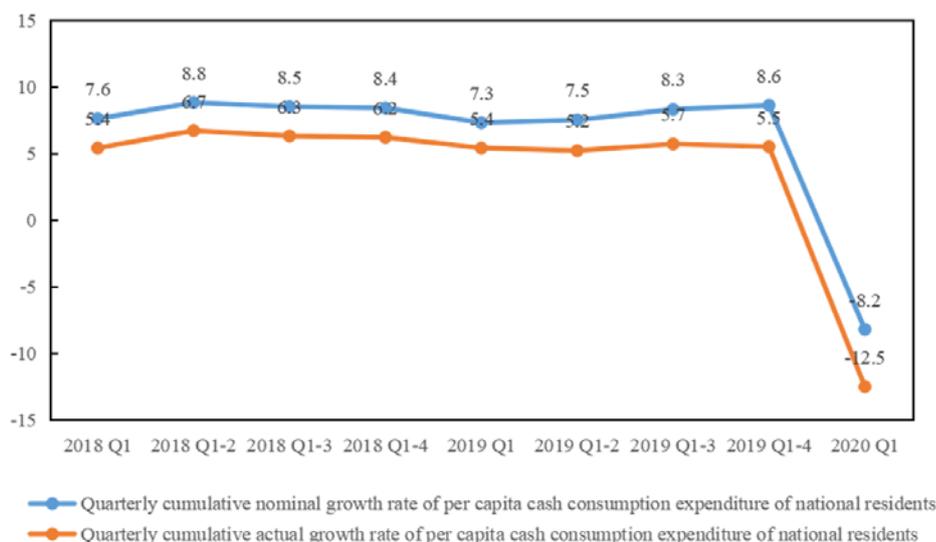


Fig.4 Cumulative Nominal and Real Growth Rate of Per Capita Cash Consumption Expenditure of National Residents from 2018 to 2020

Except that the per capita consumption expenditure of food, tobacco and alcohol and the per capita consumption expenditure of residence showed a slight increase of 2.1%, the consumption expenditure of other categories showed a downward trend. This shows that residents' consumption expenditure in GDP of expenditure method has dropped obviously. In the first quarter, the national general public budget expenditure decreased by 5.7%. As the government increased the expenditure on epidemic prevention and control, the expenditure on general public services, national defense, public safety, education and health care related to government consumption expenditure decreased only slightly year on year. Therefore, in the first quarter of 2020, government consumption expenditure decreased slightly compared with the same period in 2019. The performance of residents' consumption expenditure and government's consumption expenditure leads to a significant year-on-year decline in consumer demand. In the first quarter of 2020, the contribution rate of consumer demand to economic growth was -64.1%, which drove the economy down by 4.4 percentage points.

4.3 Influence of Epidemic Situation on Residents' Income Level

According to the data of China Labor Statistics Yearbook 2019, in 2019, the average wage of the total employed workers in the country was 5,750 yuan. According to the data of the central bank, the deposit balance of individual depositors in China was 82.14 trillion yuan in 2019, and the per capita deposit was 58,000 yuan based on the total population of 1.4 billion. However, with the impact of the epidemic, the debts of enterprises are high, and there is no effective cash flow support, which makes enterprises insolvent. Many enterprises have failed to enter this summer, and most enterprises that can maintain upgrading also implement the policy of layoffs and salary reduction. The unemployment rate in the first quarter of 2020 is 5.8%. According to the labor force of 800 million people, 46 million people in the whole country will be unemployed, while the per capita consumption expenditure of residents in the first quarter of 2020 is 5,082 yuan.

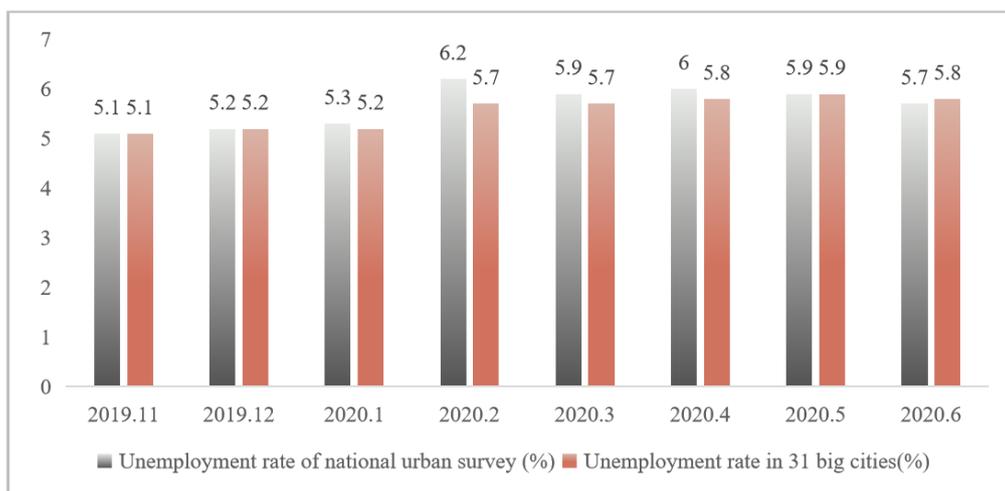


Fig.5 Impact of Epidemic Situation on Employment of Residents

The above figure 5 shows that in February 2020, the unemployment rate in both big cities and rural areas increased sharply, rising by about 1% simultaneously. Considering China's labor base, this shows that the epidemic has caused millions of workers to lose their jobs. With the control of the epidemic, it only showed a slight decline, and did not return to the level before the epidemic, indicating that the impact of the epidemic on the employment rate is long-term. In addition, the unemployment rate in big cities is better than that in other regions, but the difference is not obvious.

5. Suggestions on the Economic Impact under the Influence of Covid-19 Epidemic

5.1 Rely on the Coordinated Development of Investment, Consumption and Export to Drive Economic Growth

First, do a good job in ensuring land, materials, equipment, capital, energy use and employment, support the commencement and resumption of major projects such as airports, railways, highways and waterways, and speed up the construction progress of new projects under construction. Give full play to the positive role of 5G construction in stabilizing investment, and vigorously develop the construction of new communication infrastructure. It is to encourage various forms of consumption, appropriately relax the purchase restriction of real estate and automobiles in some cities, appropriately increase the quota of automobile license plates, actively stabilize traditional bulk consumption such as automobiles, and drive consumption of automobiles and related products [10]. Third, help foreign trade enterprises stabilize foreign suppliers and important customers, improve production efficiency, make up for the lost time of epidemic prevention and control, and deliver goods on time to satisfy customers.

5.2 Construct a New Pattern of International Development

This epidemic has impacted the global economy, thus accelerating the integration of global industrial chains. When the domestic market is depressed, we should face the international market to seize the opportunities. By strengthening international cooperation, Chinese enterprises will be promoted towards internationalization. At the same time, strengthen the supply-side structural reform in China to ensure the healthy growth of high-end manufacturing industry and realize the smooth transformation of China's economy.

5.3 Pratt & Whitney and Precision to Ease the Pressure of Smes

At present, small and medium-sized enterprises are calling for tax reduction and negative reduction. According to the survey results of small and medium-sized enterprises by an institution, it is found that the main expenditure pressures faced by the company are employees' wages and five insurances and one gold. The central government has introduced such inclusive measures as reducing

social security premiums, delaying payment of housing provident fund, providing financial support and credit support, etc. At the same time, it has adopted quantitative targets, reformed and improved the policy environment and restraint mechanism, improved service capacity, and promptly issued practical guidelines for resuming production and epidemic prevention, thus ensuring the simultaneous development of epidemic prevention and economic recovery. At the same time, technology and finance can be used to guide banks, insurance and other financial institutions to innovate financial products, realize the organic combination of scientific and technological innovation chain and financial capital chain, and encourage enterprises to carry out scientific and technological innovation.

6. Summary

Because the epidemic situation at home and abroad has not been eliminated, and the downward pressure on the economy caused by the epidemic situation still exists, it is necessary for the government to consider formulating measures to stimulate economic development from the perspectives of fiscal policy and monetary policy. In the risk trend of the world economic downturn, expanding domestic demand has become the basic strategic point of China's economic development. At present, most of the domestic markets can achieve a virtuous circle in the production distribution and circulation of China. At present, the partially recovered world economy will eventually turn to overall recovery, which will also promote the overall recovery growth of China's economy. On the whole, with the improvement of global economic prospects, the substantial increase of fiscal stimulus measures in major global economies and the steady deployment of vaccines in several major countries, the above developments have greatly enhanced the confidence of enterprises and consumers, which has begun to affect the growth of production and expenditure at a faster rate.

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