

MONTHLY

ABC CERTIFIED

Volume 9 Issue 3 & 4  
MARCH-APRIL 2020

# ECONOMIC

## Affairs

### NEW ECONOMIC WORLD ORDER

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# IMPACT ON CHINESE ECONOMY



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**C** OVID-19 has a significant impact on Chinese businesses and industries as it is home to more than 18 million small and medium-sized enterprises, which have been severely affected by the deadly outbreak. The capital of these businesses becomes fragile as extensive production have been interrupted, costs of inventory raised and need to bear the fixed expenditure like rents, wages and interest. This reason was supposed to be a reason for bank failure.

For controlling the spread of virus and immediate business risk, Chinese government has already put in place varied swift measures. For mitigating short-term economic risks, Chinese government has promoted small enterprises by providing financial assistance, deferred tax payments and lowered mortgage interest.

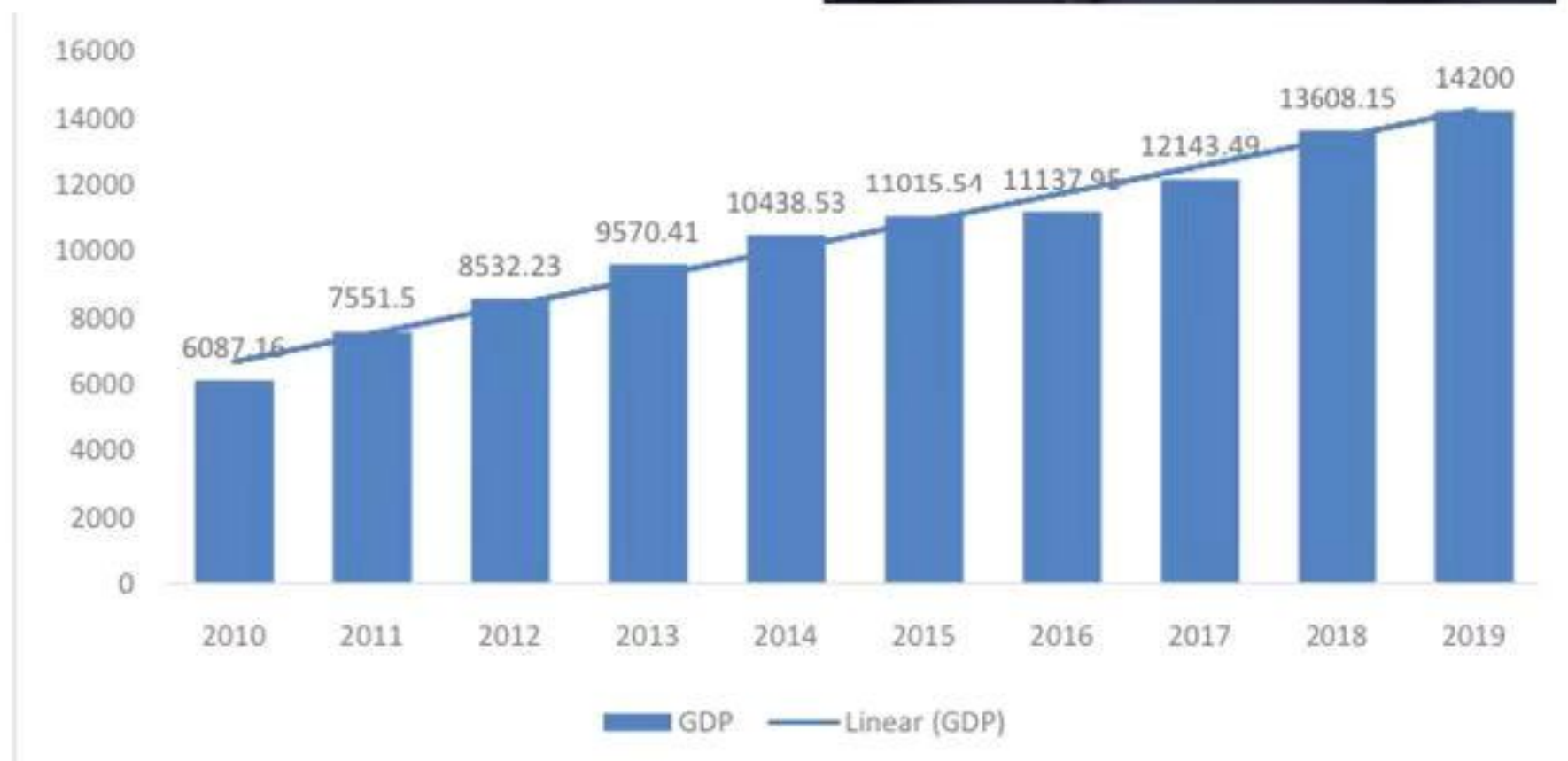
For these immediate actions, Beijing has been appreciated enough at home and abroad. Chinese government becomes a role-model for the rest of the world for facing the outbreak with transparency, activeness, appropriate technology, courage and strengthening public-private partnership. Presently, China is preparing for the bounce back with new opportunities. According to President Mr. Xi Jinping, China has controlled the epidemic and started to manage economic & social development, and attempted its best to reduce the impact of the pandemic.

Novel coronavirus struck China at a time when its economy was witnessing exponential growth and Beijing had established more fabulous relationships with the world. The current strain of China's expansion will also hit hard the global economy. The following four charts show how China's economy has been compressed by the COVID-19;

#### Gross Domestic Product (GDP)

Based on official data from the World

Bank, the GDP of China was valued at US\$14,200 billion in 2019. Chinese GDP signifies 11.72% of the world economy. Average GDP of China is US\$ 2362.38 billion from 1960 to 2019, which is based on the highest value (in 2019) US\$ 14,200 billion and the lowest value (in 1962) US\$ 47.21 billion. According to global macro models and analysts expectations, the GDP of China is anticipated to reach approximately US\$ 1,5100 billion by the end of 2020, US\$ 15,700 billion in 2021 and US\$ 16,500 billion in 2022.



Source: The World Bank



#### Balance of Trade

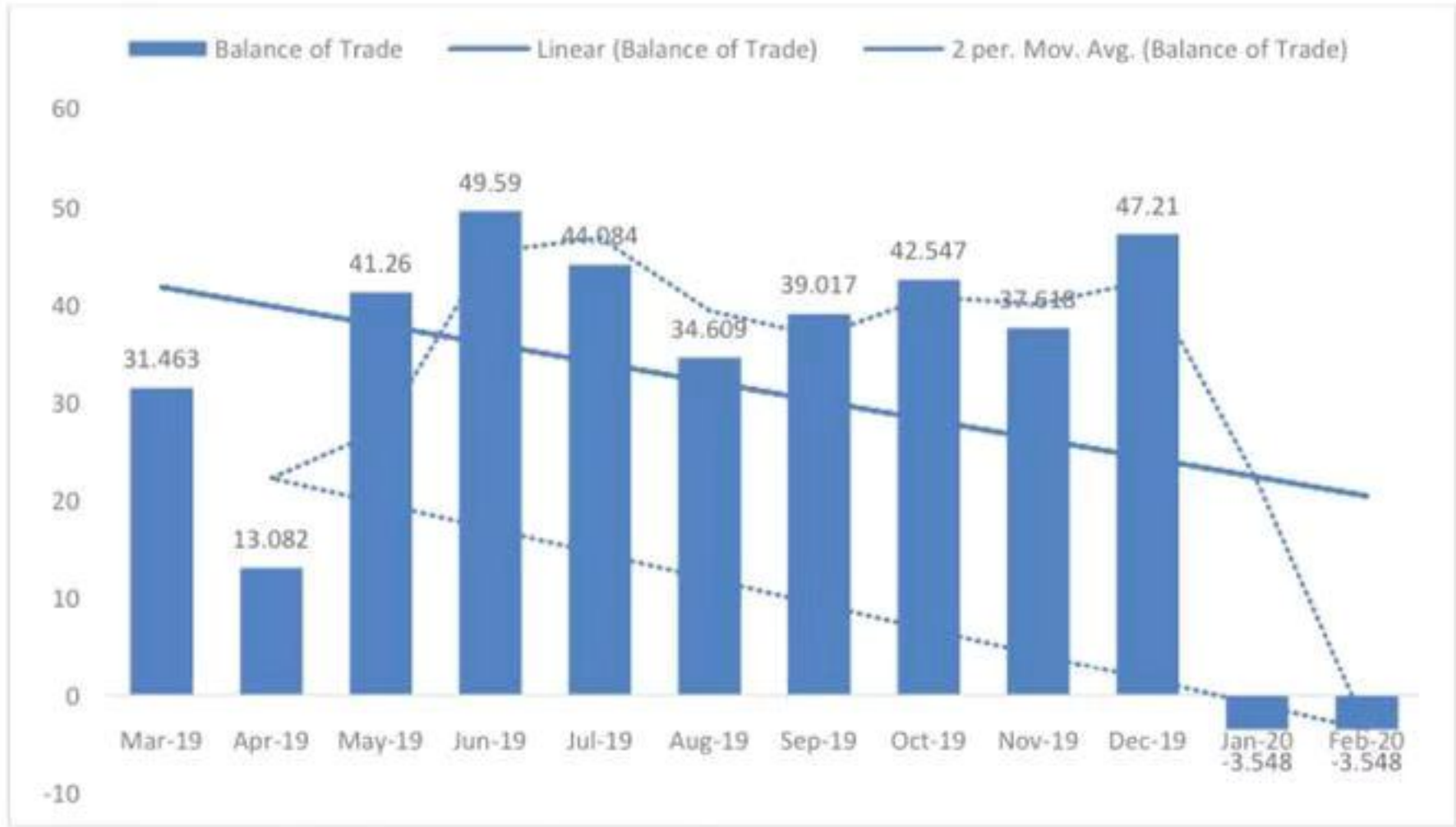
China unpredictably described a trade deficit of US\$ 7.09 billion in January-February 2020 combined, which was the first trade difference since March 2018. It reflects the acute impact of the rapid spread of

COVID-19 outbreak on the economy of China. Average Balance of Trade of China; from 1981 until 2020 is US\$ 101.40 HML (hundred million), considering the highest record of US\$ 612.86 HML (in October 2015) and the lowest record (in February 2012)



of US\$ 320.02 USD HML. Balance of Trade in China was anticipated to be US\$ 150 HML by the end of the first quarter of 2020, according to the global macro models and analysts'anticipations. Looking

Beijing has enough potential to bounce back and recover from the meltdown as quickly as possible



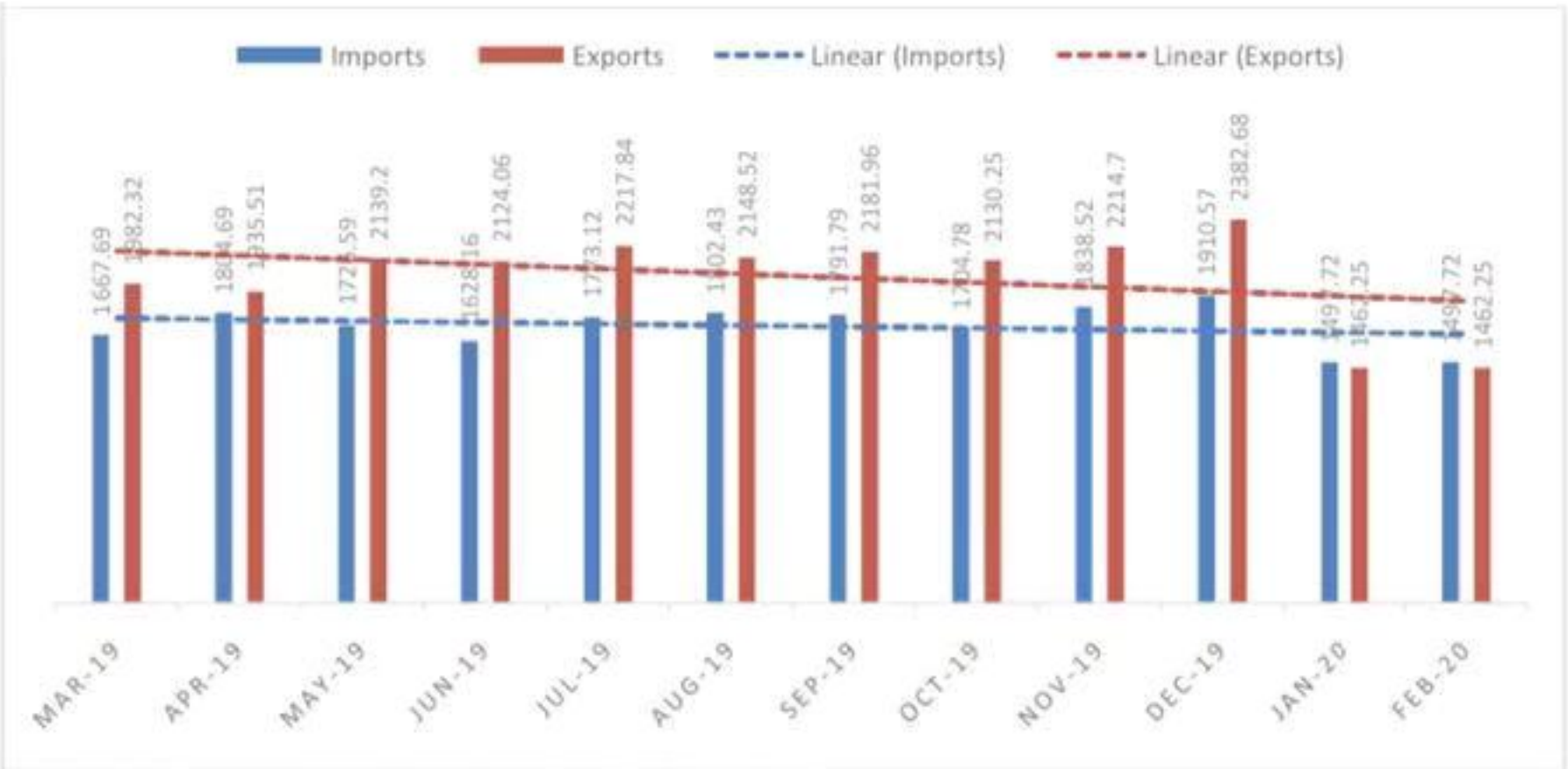
Source: General Administration of Customs, China



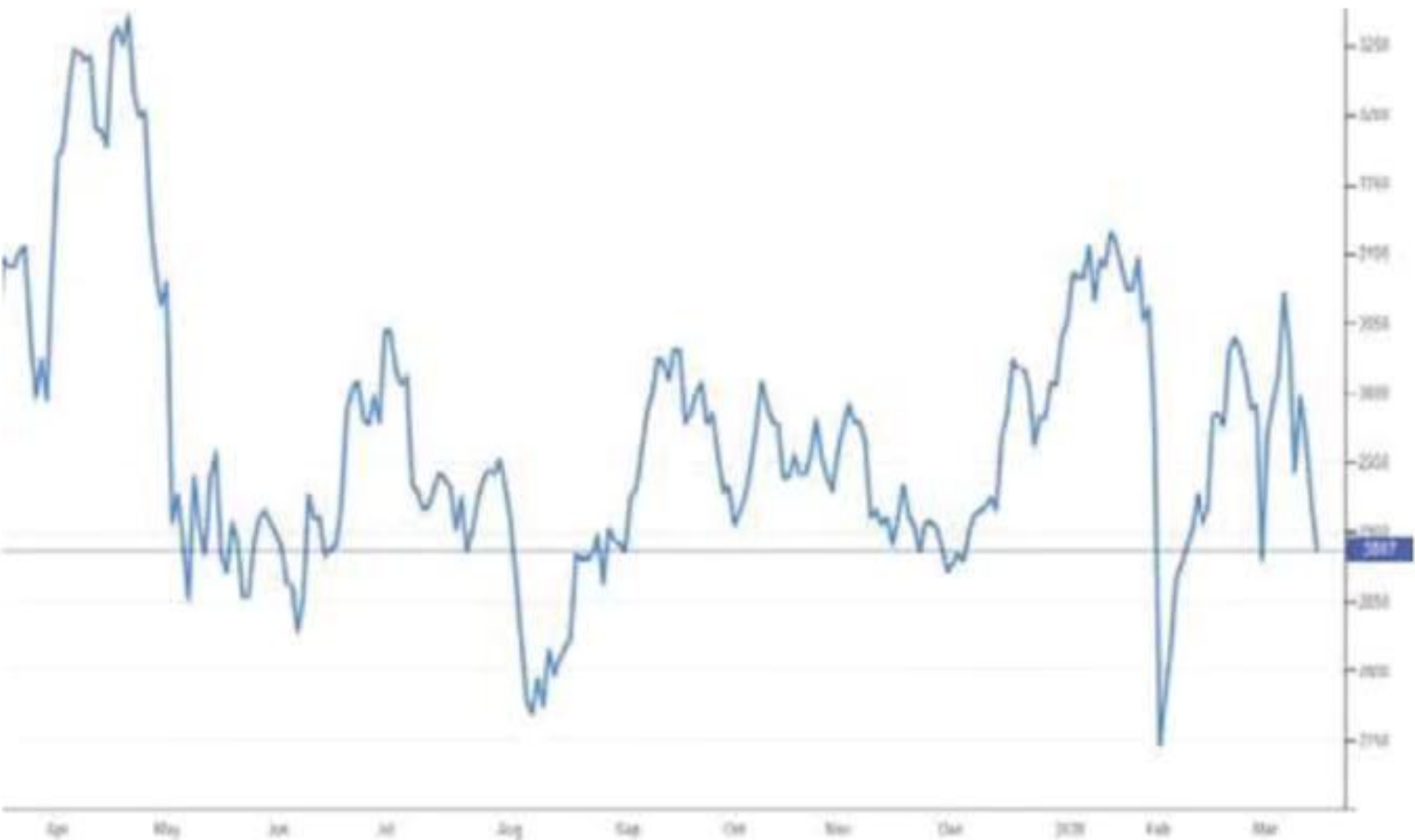
forward, it can be estimated thatthe Balance of Trade in China to stand at US\$ 130 HML in 2020. According to econometric models, in the long-term, China's Balance of Trade is projected to trend around US\$ 110 HML in 2021 and US\$ 410HML in 2022.

Imports and Exports

Due to the outbreak of the epidemic, imports in China dropped 4% year-on-year to US\$ 299.54 billion and exports from China fell 17.2% year-on-year to US\$ 292.45 billion in January-February 2020 as combined. According to the global macro models and analysts' expectations, imports of China are estimated to be US\$ 1,600 HML by the end of the first quarter of 2020, US\$ 1,740 HML in 2020 and US\$ 1800 HML in 2021. On the other hand, exports of China are forecast to be US\$ 1850 HML by the end of first quarter of 2020, US\$ 2,230 HML in 2020 and US\$ 2210 HML in 2021.



Source: General Administration of Customs, China



Source: Shanghai Stock Exchange

Shanghai Stock Exchange Composite Index

The SSECI was 36 points lower or 1.2% to close at 2,887 on Friday





(March 20, 2020), lessening its previous losses. Investors resumed expecting that Democrats and Republicans of the US could pass a stimulus package aiming to struggle against the impact of the epidemic and as global central banks introduced liquidity into their financial systems. This week, the index fell 4.8%. Among various sectors, stocks of healthcare dropped the most i.e. -2.2%, basic materials fell 2.1%, utilities reduced by 1.7%, consumer non-cyclicals tumbled 1.7% and consumer cyclicals fell 1.5%. Not only the Hang SengIndex dropped 324 points or 1.3%, combining its earlier losses but also other major Asian markets trimmed their losses (for example, the index of Nikkei ended 6% and the index of KOSPI closed 3.4%). According to global macro models and analysts'anticipations, by the end of the first quarter of 2020, the SSECI Index of China was anticipated to trade at 2854.59 points.

Though China's economy has been hit hard coronavirus epidemic, yet Beijing has enough potential to bounce back and recover from the meltdown as quickly as possible. China has a vivid history to combat catastrophes. ■

**Dr. Bablu Kumar Dhar** is Assistant Professor & International Faculty Member, Department of International Trade and Economics, Yantai Vocational College, Yantai, Shandong, China.

