**Effect of Corona Virus on the Chinese foreign Exchange Rate**

**Abstract**

There is a solid relationship between the pandemic and its impact on the economy, as observed by economists and health experts. Since the announcement of the spread of the disease, China has experienced a lockdown that has greatly affected all the industry's economic activities. The research addresses coronavirus's effect on the foreign exchange rates in China and the performance of the stock market in the country. This paper investigates whether there is an interrelationship between the confirmed cases and the country's economic growth effect. The interpretation provides how Covid-19 has affected the Chinese Yuan's currency value, which is an indicator of the impact of the pandemic on the stock exchange rate. The periods of the breakout and the lockdown have been analyzed to detail its impact on the economy.

**Introduction**

Since the outbreak of the disease in December, which broke out in Wuhan, the spread has continued worldwide. In China, the cumulative confirmed cases have risen to over 40000 cases. The COVID-19 has shocked the worldwide economy inside a limited focus period (Novel 2020). Numerous nations worldwide have committed to forcing, travel limitations, fringe closures, staying indoors measures, and social separating to control the disease spread. According to He and co-authors (2020), these measures affect channels, financial exercises, and global exchange at all flexibility scale. In the 2020 Outlook of the global economy in April, the global financial Fund anticipated that international economy might shrink by 3% in the end of the year. Financial business sectors are also seeing an enormous interruption with a forceful revaluation and change measure worldwide in the midst of this worldwide pandemic (Topcu & Gulal 2020). Securities exchanges are in unrest as the pandemic has seriously confined financial movement because assurance measures and suspension of significant functions. Covid-19 has threatened the economy of the whole world. Flight restriction and lockdown have affected people's income in society, which has greatly affected the national GDP. Countries spend most of their finance on activities to help.

Covid-19 has presented a significant disadvantage for global markets, and so far, it has present short-term effects on China's economy. The origin of the disease was in Wuhan, China. The government implemented a factory and most business closure during the outbreak. Travel restrictions and quarantine measures were implemented across the country, which lowered the energy demands and export production, which affected the global commodities and foreign exchange in China. Coronavirus is making a shaky inclination to speculators in the value market, and the conversion standard is likewise getting influenced because of market notions. An investigation on the impact of COVID-19 on VIX, also known as the financial volatility index, reasoned that the pandemic's spread is expanding the monetary unpredictability. Another examination to see the short-term impact of coronavirus on the driving financial exchanges on the planet a sharp decrease in the financial exchanges since the infection episode.

One of the controlling elements of any infection’s situation – nature of sound life, which incorporates cleansed water, disinfected lodging, adequate nutritious food, great medical care, and so forth is fundamental in any economy. Yet, the reasonableness relies upon both finance strength and admittance to required information to improve and keep up a person's well-being. In this manner, the connection between a pandemic and the simultaneous economy is actually like the connection saw between well-being and riches as a rule. An economy will improve economic exercises, productive distribution of capital, activation of homegrown investment funds, the assistance of trade of products, and ventures by recognizing and financing gainful activities with better speculation openings, which is actuated by a very much represented financial exchange. It has likewise been seen that changes in the financial arrangement have a shockingly huge effect on loads of banking and money related administrations just as the realty area, however different areas like media, metal, drugs, data innovation or quick-moving customer merchandise seem, by all accounts, to be inert (Fernandes 2020). The pandemic can hamper financial turns of events and trigger calamitous functions, in this manner lessening the abundance of well-being and decreasing assurance against additional well-being dangers.

In any economy, both gracefully and the interest are influenced by the scourge, resulting in a persevering and huge financial disaster everywhere in the world. Be that as it may, as per McKenzie, there is no significant connection between Foreign Trade unpredictability and worldwide exchange (Peng et al. 2020). Vaguely, this implies that the changes in the unfamiliar conversion scale don't influence the global exchange in a standard situation. An article researched the connection between conversion standard and stock costs utilizing time-series information of 24 nations and it was analyzed that there might be a short-time interaction between the two aspects; however, the interelation does not last longer (Novel 2020). This work means to see if the changes in China's worldwide exchange, brought about by the pandemic, is reflected in the unfamiliar swapping scale of the nation.

The stock market and foreign exchange are the greatest indicators of coronavirus's effect on the economy of China. According to scholars, China will miss the 2020 growth target due to the impact of the pandemic (McKibbin & Fernando 2020). The government of China is taking measures to limit the effects of Covid-19 to achieve stabilization; china will focus on fiscal easing and monetary aggressiveness, which will come at a certain cost. Foreign exchange reserves are not efficiently covering the outflows in the country. It will exert pressure on the Chinese yuan (He et al., 2020). The Chinese Yuan depends on the USD for its value. Therefore, the effect on the economy of the entire world has resulted in the undervaluation of the Yuan and other currencies. The currency is an indicator of the foreign exchange rate, and examining the effect of covid-19 on currency is an advanced effect on the country's foreign exchange rate. The global or a country's size for foreign exchange is measured by the total amount of turnover in the country's finances. There has been a decrease in the Chinese economy's turnover since the outbreak of the pandemic in Wuhan.

The breakdown of the resource utilization and the effects of constraints in the pandemic has resulted in a change in the exchange rate between the USD and Yuan, which have greatly affected the importation and exportation of goods in the country. The level of experience in the year 2020 has been due to the outbreak of China's disease. After issuing the number of infected by the WHO, different organizations have restricted movement and other business activities (Aslam et al. 2020). China's lockdown affected the economy greatly both directly and indirectly, which affected the foreign exchange within the country. The number of infected cases in the country is directly proportional to the effect on the economy's stock market. People's Bank of China has recorded a drop in the stock market as the imports and exports are affected by the company.

Chinese Yuan has changed at 6.71327 based on the US dollar after a set of onshore at 6.7195. investors have remained cautious, based on the number of rising cases worldwide (Al-Awadhi et al., 2020). Meanwhile, the People's Bank of China infused CNY 120 billion into the monetary framework by means of seven-day turnaround repos at a loan cost of 2.2% in a transition to keep up sufficient liquidity in the financial framework. With CNY 80 billion of converse repos developing around the same time, this prompted a net liquidity infusion of CNY 40 billion (He et al. 2020). Recently, the PBoC eliminated the 20% save necessity proportion for dollar buys in the subordinate’s market to hold the Yuan within proper limits and energize controlled surges through its certified homegrown institutional financial specialist plot, demonstrating the national bank is becoming worried about the movement of appreciation (Topcu & Gulal 2020). Yuan does not have free trading, which the government does not allow its movement against the US dollar. The People Bank of China is not independent, and they face interferences whenever there are big moves in the economy like the effect of a pandemic in the economy. Yuan's devaluation has greatly affected the exchange rates. The research is focused on the analysis of the number of cases and the exchange rate with the stock market as an indicator.

**Methodology**

Secondary data collected from several cases of infections and the exchange rates from different sources to justify the research. The Exchange Rate of China against USD had the middle value of 6.811 (USD) in Sep 2020, different from the 6.927 USD in earlier (Evenett 2020). The Exchange Rate against USD information is summarized from time, accessible from Jan 1957 to Sep 2020.

A foundation of China's monetary approach is processing the yuan conversion scale to high revenue its fares. China does not have a skimming conversion standard that is dictated by market influences. Rather it fixes its cash, the yuan, to the dollar. The yuan was fixed at 8 to the dollar for over a decade, beginning in 1994 (Barua 2020). Throughout the preceding years, the yuan was allowed to increase in value by about 20% to a degree of 6 to the dollar. In July 2008, China ended the yuan value as overall interest for Chinese items drooped because of the worldwide money related emergency.

The rapid growth of export by china with a low wage has increased the rapid forex accumulation to the economy, keeping the exchange rate lower, raising exports, and affecting investments and saving (Ozili & Gulal 2020). The ratio of GDP to the exchange rates dropped from 2013 to 2020 due to the pandemic effects.

One known indicator of the currency is the stock market. The data collected for the study is divided into periods.

1. Declaration of the pandemic
2. Lockdown period(complete)
3. Lockdown period (Incomplete)

**Declaration of the pandemic**

The first case of Covid-19 was traced to the 17th of November in 2019, a 50-year citizen. The cases rose more rapidly over the coming months, which led to a lockdown announcement. China's average exchange rate was 3.143 trillion by September from a previous 3.267 trillion; this was below the market ( Al-Awadhi et al. 2020). The Chinese Yuan became undervalued after the declaration of the first lockdown in the country. The daily value of SENSEX also dropped rapidly after the announcement of the lockdown in the country.

**Lockdown (Complete)**

This period incorporates the entire period of lockdown. It has been checked out that the expansion of staying indoors adequately decreases the development pace of affirmed data by close to 8%. During staying indoor period, demise cases were expanding at over 19% every day, and it decays to 7 during the second staying indoor2.0. Be that as it may, recouped cases' development pace falls from 18% to 14%. If we take a gander at the financial exchange execution, at that point, we will see that the day-by-day development rate decrease by close to 0.3% from staying indoor measures1.0 to 2.0 (He et al. 2020). The normal esteem is 0.5% for the whole staying indoor measures, elsewhere the equivalent was 0.6% for lockdown and 0.30% for lockdown complete. After lockdown, the normal development pace of conversion standard was negatively affected; however, it was positively and negatively affected after the augmentation. After the expansion, the normal diminishing pace of conversion scale is practically two occasions of the normal expanding pace of conversion standard.

**Conclusion**

Market productivity is critical in both asset distribution and capital arrangement, which leads to an economical turn of events and security. The discoveries of this investigation explain changing degrees of foreign exchange rate market effectiveness previously and during the pandemic episode. Speculators in the market can structure their venture and danger the board systems to abuse market shortcomings. The outbreak of the Coronavirus in China has affected the exchange market of the economy. There is a slight decrease in the country's GDP growth rate as the export and import services are greatly affected. The stock market is an essential factor in a country; it is one of the indicators for the impact of Covid-19 on the foreign exchange of the country. Investors in the country are indicators for the effect of the disease on the economy of China. International market was greatly affected by the pandemic; china is one of the international trade; the global market led to a change of foreign exchange. China's economy holds a greater part in the international market, and an effect on the foreign exchange or even the stock market affects other countries in the market. The research has analyzed the pandemic's effects on foreign exchange and the stock market, which is also an indicator of foreign exchange in the economy.

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