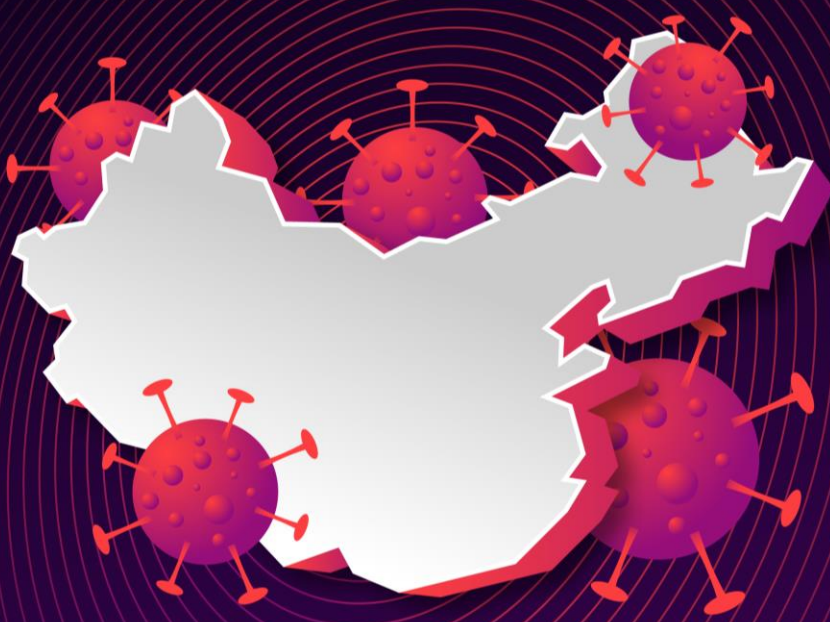


# COVID-19 Impact on China's Economy



Being the first country to be engulfed in the COVID-19 pandemic, China's business and economic activity slowed dramatically and the economy shrank for the first time since 1976 as the novel coronavirus spread. Experts believe that the effects on the China's economy could be an indicator of what the rest of the world can expect.

**1.1%**

GDP Growth %  
(For FY21)

**3.0%**

Inflation Rate %  
(for FY 21)

**3.5%**

Fiscal Deficit  
% of GDP (FY 21)

**0.54%**

Current Account  
Balance (% of GDP)

**49.4** | **50.1**  
(Apr 2020) | (Mar 2020)

Purchasing  
Managers Index (PMI)

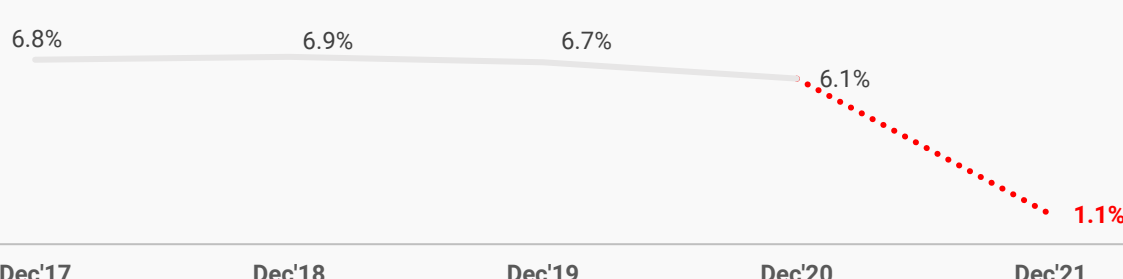
**4.3%**

Unemployment  
Rate

Source: IHS Markit

Note: All indicators for the year 2020 as estimated in April 2020 unless specified.  
Source of GDP, Inflation, Current account balance & unemployment rate : IMF estimates

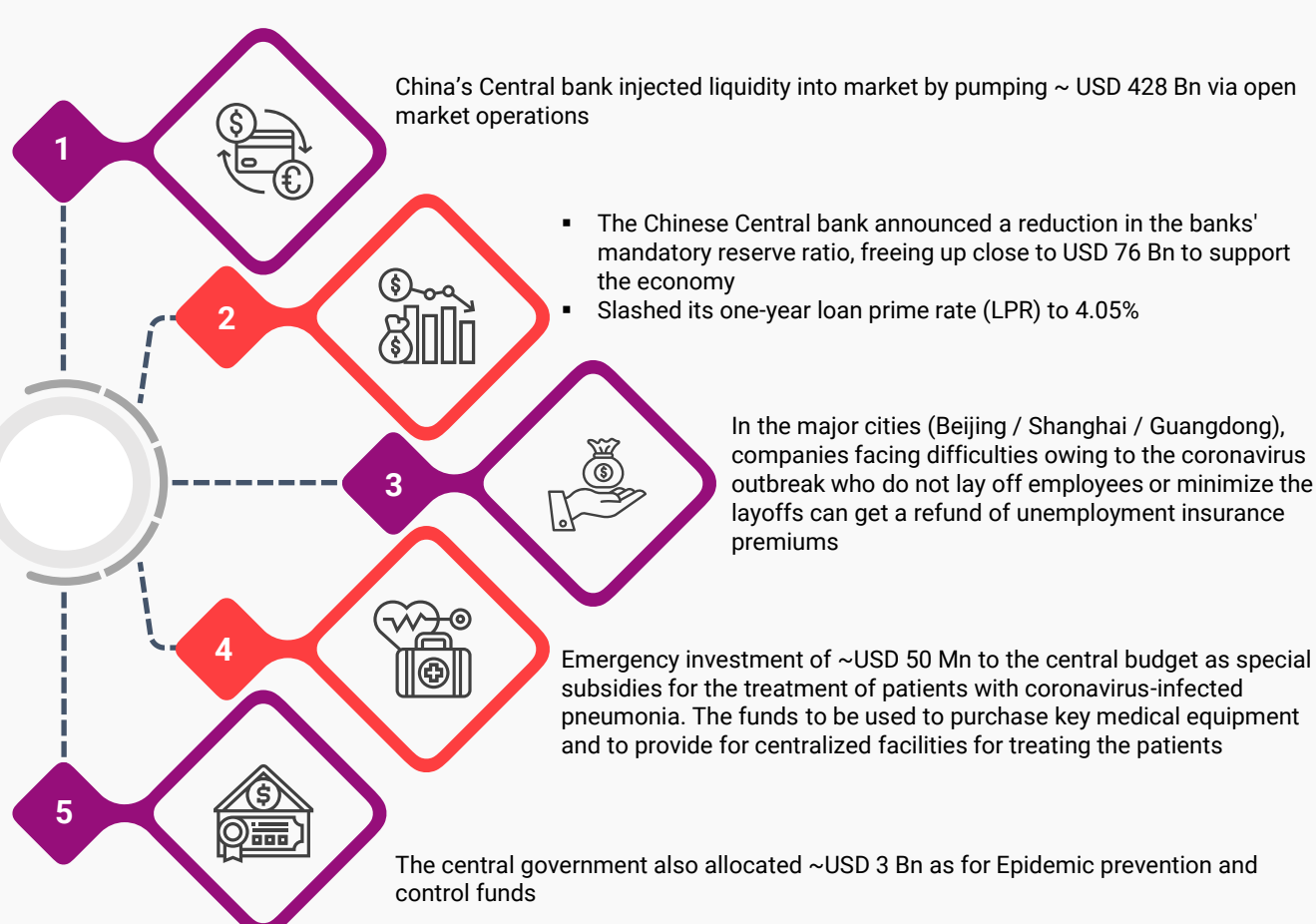
## Impact on Annual GDP Growth Rate



Source: IMF

- The GDP witnessed a 6.8% fall in Q1, 2020 as reported by the National Bureau Of Statistics (NBS); first time since 1976
- The Q1,2020 data indicated that the output of the service sector, which accounted for nearly 60% of the total GDP, dropped by 5.2 percent, while the primary and secondary industries saw a decline of 3.2% and 9.6% respectively
- As per Nomura estimates, the GDP growth in Q2, 2020 may also stay negative for China

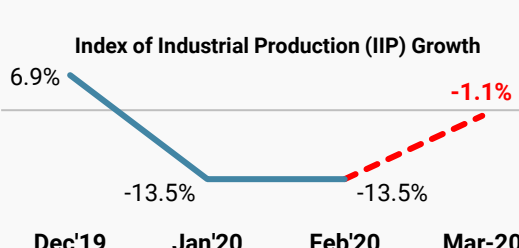
## Key Government Measures...



With a significantly lower export demand, falling domestic consumption and with the private investments expected to remain low in times to come; there is an additional pressure on the public sector which needs to bear the burden and possibly contribute to a leading share in growth of the economy

## Impact on the key sectors contributing to the economy

- 1 AGRICULTURE:** China's agriculture sector witnessed robust performance in Q1, 2020 despite the impact of the COVID-19 pandemic; recorded a 3.5% increase year on year in the country's planting industry
  - While the value chain disruptions, labor shortages and transport blockages, resulted in disruption of the spring planting activities initially; China is currently optimistic and believes it has favorable conditions to achieve a summer grain harvest as the spring planting has progressed smoothly since March 2020.
  - Some of the key measures to aid the sector has been
    - The Ministry of Finance announcing to reduce credit guarantee fees in 2020 for agricultural entities that are affected by the Covid-19 crisis
    - Allocation of ~USD 200 Mn from the agricultural production disaster relief funds to support pest control for major crops - rice and wheat, with preferred allocation to Hubei province
- 2 INDUSTRIAL:** China's manufacturing sector was the worst hit by the pandemic and continues to bear the brunt even as factories in the world's second-largest economy resumed production. This is due to the global economic impact of the coronavirus pandemic slowing the demand for exports from China
  - While manufacturing output China has been increasing at steady pace, export orders have been falling amid the sluggish demand. Also, the recovery in domestic consumption has been limited and slow paced
    - The Ministry of Industry and Information (MIIT) helped the SME's to resume work at a faster rate with various measures to increase adoption of technology. This led to a total of 71% of SMEs using cloud-based platforms for resuming production in March 2020 as compared to 29.6% in February 2020
    - A range of policies have been announced for SMEs including deferred tax payments, reducing rent, waiving of administrative fees, subsidizing R&D costs, social insurance subsidies, subsidies for training and purchasing teleworking services, and lowering lending rates
- 3 SERVICES:** As per NBS, the output of the service sector, which accounted for nearly 60% of the total GDP, dropped by 5.2 % as of Q1, 2020. The sectors most negatively impacted include accommodation and food services, tourism, wholesale and retail, transportation, etc.
  - While certain sectors have shown signs of recovery, post covid in China, the rate of recovery has been very slow.
  - Malls are open but are sparsely populated; Restaurants are open, but with very few customers. The country is witnessing a kind of reluctance among people to go out. While the experts believe that many may be still struggling financially, habits may well have changed permanently
    - The officials have been working towards cutting of taxes and fees, and have asked banks to extend loans at reduced interest rates.
    - There are also measures directed as additional monetary and fiscal stimulus including bank reserve ratio cuts and special treasury bill issuance to boost consumer spending



Source: Trading economics

For a more detailed assessment of the impact of COVID-19 on China's Economy please reach out to [marketing@datamaticsbpm.com](mailto:marketing@datamaticsbpm.com).