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Will the Coronavirus Cause a Major Growth Slowdown in China?

Shang Jin Wei, published in *Project Syndicate* on 27 Jan, 2020

Some fear that China's coronavirus outbreak will be a major drag on China's and global growth rates. But three important factors may limit the virus's impact.

The panic generated by the new coronavirus, 2019-nCoV, which originated in Wuhan, China's ninth largest cities and a major domestic transport hub, reminds many of the fear and uncertainty at the peak of the 2003 SARS crisis. China's stock market, after rising for months, has reversed itself in recent days, and global markets have followed suit, potentially reflecting concerns about the epidemic's impact on the Chinese economy and global growth. Are these worries justified?

My baseline projection is that the coronavirus outbreak will get worse before it gets better, with infections and deaths possibly peaking in the second or third week of February. But I expect that the epidemic to be under control by early April.

Under this baseline scenario, my best estimate is that the virus will have only a limited negative economic impact. Its effect on Chinese GDP growth rate in 2020 is likely to be small, perhaps a reduction on the order of 1/10 of a one percentage point. The effect in the first quarter of 2020 will be big, perhaps lowering growth by one percentage point on an annualized basis, but this will be substantially offset by above-the-trend growth in the rest of the year. The impact on the world GDP growth will be even smaller.

Such a prediction is parallel to the experience of the 2003 SARS crisis. That crisis produced a big decline in China's GDP growth in the second quarter of that year, which was then largely offset by higher growth in the subsequent two quarters. While the whole year growth rate in 2003 was about 10%, many investment bank economists at the time over-predicted the negative growth impact of the health crisis. If one looks at the time series of annual real GDP growth rates from 2000-2006, it will be very hard to see a SARS effect in the data.

Some fear that the epidemic's timing – at the start of the week-long Chinese New Year celebration, and in the middle of traditional school-break travels – will exacerbate the economic fallout by keeping many people away from shops, restaurants, and travel hubs. But three important factors may limit the virus's impact.

First, in contrast to the SARS outbreak, China is now in the Internet commerce age, with consumers increasingly doing their shopping online. Much of the reduction in offline sales owing to the virus will likely be offset by an increase in online purchases (after the resumption of the delivery service). And most of the vacations canceled today will probably be replaced by future trips, because better-off households have already set aside a holiday travel budget.

Many factories have scheduled production stoppages during the Chinese New Year holidays anyway, so the timing of the epidemic may minimize the need for further shutdowns. Similarly, many government offices and schools had planned holiday closures independently of the virus outbreak. The government has just announced an extension of the holiday period, but many companies will find ways to make up the lost time later in the year. The short-term negative impact is thus likely to be

concentrated among restaurants, hotels, and airlines.

Second, all reports indicate that the Wuhan coronavirus is less deadly than SARS (although it may have a faster rate of transmission initially). By implementing aggressive measures to isolate actual and potential patients from the rest of the population, the authorities have also improved their chances in containing the epidemic much sooner. That, in turn, increases the likelihood that the lost economic output this quarter will be offset by increased activity in the remainder of the year.

Third, whether or not China's trade negotiators realized the severity of the Wuhan virus when they signed the "phase one" trade deal with the United States on January 15, the timing of the agreement has turned out to be fortunate. By greatly increasing its imports of facial masks and medical supplies from the US (and elsewhere), China can simultaneously tackle the health crisis and fulfillits promise under the deal to import more goods.

The virus's impact on other economies will be even more limited. During the last half-decade, many major central banks have developed models to gauge the economic impact of a slowdown in China on their economies. These models were not built with the current health crisis in mind, but they do take into account trade and financial linkages between China and their respective economies.

As a rule of thumb, the negative impact of a decrease in China's GDP growth on the US and European economies is about one-fifth as large in percentage terms. For example, if the current coronavirus epidemic lowers China's growth rate by 0.1 percentage points, then growth in the US and Europe is likely to slow by about 0.02 percentage points. The impact on Australia's economy may be twice as large, given its stronger commodity-trade and tourism links with China, but a 0.04-percentage-point reduction in growth is still small.

Such calculations assume that the coronavirus does not spread widely to these countries and cause direct havoc. This currently seems unlikely, given the low number of cases outside China.

Of course, the impact on China and other economies could be more severe if the coronavirus crisis were to last much longer than this baseline scenario assumes. In that case, it is important to remember that Chinese policymakers still have room for both monetary and fiscal expansion: the banking-sector reserve ratio is relatively high, and the share of public-sector debt to GDP is still manageable compared to China's international peers. By using this policy space when necessary, China's authorities could limit the ultimate impact of the current health crisis.

The coronavirus outbreak is understandably causing alarm in China and elsewhere. From an economic perspective, it is too early to panic.

**Full text link:*
https://www.project-syndicate.org/commentary/china-coronavirus-three-factors-limit-economic-impact-by-shang-jin-wei-2020-01

A New Coronavirus Associated with Human Respiratory Disease in China

Fan Wu et.al, published in Nature on 03 Feb, 2020

Emerging infectious diseases, such as severe acute respiratory syndrome (SARS) and Zika virus disease, present a major threat to public health1,2,3. Despite intense research efforts, how, when and where new diseases appear are still the source of considerable uncertainty. A severe respiratory disease was recently reported in Wuhan, Hubei province, China. As of 25 January 2020, at least 1,975 cases had been reported since the first patient was hospitalized on 12 December 2019. Epidemiological investigations have suggested that the outbreak was associated with a seafood market in Wuhan. Here we study a single patient who was a worker at the market and who was admitted to Wuhan Central Hospital on 26 December 2019 while experiencing a severe respiratory syndrome that included fever, dizziness and a cough. Metagenomic RNA sequencing4 of a sample of bronchoalveolar lavage fluid from the patient identified a new RNA virus strain from the family Coronaviridae, which is designated here 'WH-Human 1' coronavirus (and has also been referred to as '2019-nCoV'). Phylogenetic analysis of the complete viral genome (29,903 nucleotides) revealed that the virus was most closely related (89.1% nucleotide similarity) to a group of SARS-like coronaviruses (genus Betacoronavirus, subgenus Sarbecovirus) that had previously been found in bats in China5. This outbreak highlights the ongoing ability of viral spill-over from animals to cause severe disease in humans.

Sequence reads generated in this study are available from the NCBI Sequence Read Archive (SRA) database under BioProject accession number PRJNA603194. The complete genome sequence of WHCV has been deposited in GenBank under accession number MN908947.

**Full text link:*

https://www.nature.com/articles/s41586-020-2008-3

The Coronavirus Will Not Cripple China's Economy

Zhang Jun, Published in Project-Syndicate on10 Feb, 2020

Although the scope of the coronavirus outbreak exceeds that of SARS in 2003, current data suggest that the epidemic will likely reach a turning point in the next two weeks. That would mean China might conquer the virus in the first quarter, which is essential to mitigating the epidemic's impact on overall growth in 2020.

SHANGHAI – Just five days before the Chinese New Year, the authorities in Beijing finally declared the coronavirus epidemic that originated in Wuhan to be a major public health emergency. Because Wuhan's municipal government had initially withheld information and failed to control the virus effectively, about five million residents and temporary workers left the city for the Lunar New Year holidays before the city was officially closed off on January 23. As a result, the virus spread rapidly throughout China and beyond, leading to the current high-profile international health emergency.

Unsurprisingly, China's economy is slowing down. The services sector, which includes retail, tourism, hotels, and transportation, and accounts for more than half of the country's GDP, is suffering severely. Disruption in this sector will in turn affect manufacturing. And growing international concern at the continued spread of the virus might further strain trade and limit the movement of people. But the key question is whether we believe it will last longer.

My answer is no. The coronavirus epidemic is very unlikely to last long. Despite all its problems, China undoubtedly still has an unparalleled ability to mobilize resources in response to a large-scale emergency. During the last two weeks, for example, official efforts aimed at controlling panic have been first-rate. In addition to ordering a nationwide mobilization of medical personnel and resources (including from the military), the authorities have been assessing major hospitals' capabilities to diagnose and treat coronavirus patients. More important, as part of a national disease-control campaign announced on January 20, officials are identifying and observing any citizens who had traveled to and from Wuhan since the outbreak began.

Meanwhile, urban communities and rural villages alike have tightened access restrictions in order to reduce unnecessary movements and aggregations of people, even establishing temporary rationing systems to distribute face masks to families and individuals. In addition, holidays have been extended and schools remain closed. By helping to minimize the public's exposure to the peak of the epidemic, these steps are playing an effective role in curbing the spread of infection. There is a higher probability that the increase in the number of infections will slow in the coming weeks.

It is still too early to assess the full economic impact of the coronavirus outbreak. However, the key factor will not be the epidemic's range or severity, but rather its duration. The sooner the epidemic is over, the quicker China's economy will recover, given its trend growth. Although severe control measures will weaken current economic performance, they might help to end the outbreak earlier.

In any case, as both a theoretical and empirical matter, epidemics can cause only short-term economic slowdowns. Having said that, external shocks will not significantly alter the Chinese economy's medium- and long-term growth trend. Once the coronavirus storm passes, therefore, the economy will bounce back and return to its previous course.

Back in 2003, for example, most economists and researchers estimated that the SARS outbreak would lower China's second-quarter GDP growth by about one-fifth, but shave less than 0.5 percentage points off the full-year figure. These forecasts reflected the limited number of regions and sectors affected by SARS, as well as the expectation that the outbreak would last no more than three months.

In the event, second-quarter GDP growth fell by two percentage points, much as expected. At the time, China's economy was expanding by about 10% annually, and the SARS-induced slowdown was quickly offset by subsequent strong growth. So, on a graph of Chinese growth from 2002 to 2007, the impact of the SARS outbreak is not even visible.

Although the scope of the coronavirus outbreak now exceeds that of SARS, its

duration is still the key factor for assessing the size of the impact on the economy. Current data suggest that the epidemic will likely reach a turning point in the next two weeks. That would mean China might conquer the virus in the first quarter, which is essential to mitigating the epidemic's impact on overall growth in 2020.

True, China's annual GDP growth of just over 6% in the last several years is much slower than at the time of the SARS outbreak. But the Chinese authorities can still ensure a robust recovery through targeted fiscal- and monetary-policy adjustments that support small and medium-size enterprises and service-sector businesses affected by the coronavirus epidemic.

According to my preliminary estimates, the worst-case scenario is that the epidemic lowers GDP growth in the first quarter by a third or half, leaving the figure 2-3 percentage points lower than in the first quarter of 2019 But if things start to look up in the second quarter, the ensuing rebound will partly offset that drop. And with the necessary macroeconomic policy adjustments in place, economic growth will accelerate again during the second half of the year.

Provided there are no further external shocks, continued policy loosening should limit the full-year decline in GDP growth to 0.5-1 percentage point. That would imply a 5-5.5% full-year economic expansion in 2020, which is still largely in line with China's current growth trend. But it is not yet clear whether the Chinese government, currently preoccupied with tackling the epidemic, will cut its GDP growth target for this year accordingly.

**Full text link:*
https://www.project-syndicate.org/commentary/chinese-economy-coronavirus-limited-impact-by-zhang-jun-2020-02

Clarity of Communication

Author：Zhao Deyu, published in China Daily Global on 18 Feb, 2020

Country working hard to minimize the gaps and inaccuracies in information about the novel coronavirus

With the passing of time and geographical spread, an epidemic entails increasingly large socioeconomic costs. Therefore, those responsible for policymaking and its implementation need to have firm resolve and agile responsiveness. In the case of the novel coronavirus, the role of the government, indeed policymaking in general, boils down to minimizing the gaps and inaccuracies in all kinds of information about the virus, with the goal of limiting the number of infections, reducing the negative socioeconomic impacts of its spread and preventing public panic.

The biggest information gaps are found in specialized information on the nature and origin of the novel coronavirus and effective treatments. From the Ministry of Science and Technology to the Hubei provincial government and the governments of other regions across China, research efforts are being stepped up to find a vaccine for the novel coronavirus epidemic. Some have teamed up with the World Health Organization and research institutions in countries such as the United States, India and Europe. However, it will take time to develop an effective vaccine.

The Chinese government has employed rigorous screening methods to gather information on infected patients, patients whose infection is in incubation period and those who have been in close contact with the former. Before a vaccine is developed, the focus of policy intervention is to isolate the source of the virus and to reduce interpersonal contacts. To contain the novel coronavirus epidemic, the authorities "sealed off" Wuhan, canceling transportation via train, plane and car into and out of the city. This was a necessary measure.

Additionally, strengthening awareness campaigns can help individuals take better precautions. Thanks to the prevalence of multimedia, the vast majority of the population know how to best protect themselves from the virus and they are actively

avoiding occasions on which they might come into contact with carriers. They are also likely to report those at risk of carrying the virus. In turn, people returning from infected areas or those who are at risk of carrying the virus are more likely to agree to take quarantine measures.

How can we make the most of these measures and behaviors? In other words, how should we look at intervention measures taken across China up until now?

The most important intervention thus far has been beefing up medical resources, namely doctors, nurses, health screening staff and facilities. Unless diagnosed quickly, people who are incubating the virus or are susceptible to infection remain the biggest risk to the healthy population and pose the greatest challenge to controlling the spread of the epidemic. Information gaps not only exist among the general public about each other's health status. Even medical staff, the government and the public at large do not have the full picture of the epidemic or the health status of given individuals.

Big data has proven to be an effective tool for intervention, through the timely release of the geographic information of the residential communities where new cases are confirmed and areas in which they frequent. For example, cities such as Shenzhen and Guangzhou in Guangdong province have the capacity to release highly specific geographic and spatial information of the spread of the epidemic in a timely manner, which will go a long way toward reducing the public's information gaps about the epidemic and helping populations in at-risk areas to increase awareness of prevention. With clarity of information, the government can significantly reduce the number and types of people subject to quarantine, relax quarantine measures in relatively safe areas, and thus use a separating equilibrium strategy more effectively.

China's experience of disclosure of information in the fight against the novel coronavirus can also serve as a valuable lesson for the international community.

First of all, China has strengthened cooperation with the international community, especially the World Health Organization when it comes to epidemiology and vaccine research and development. As epidemic response is the shared responsibility of all

countries, the diagnosis and treatment of the novel coronavirus also calls for joint efforts by all parties. Shortly after the discovery of the first confirmed case of the coronavirus infection, Chinese scientists released the genetic sequence of the virus. The sharing of such information on a global level can help catalyze international cooperation on this new and mysterious pathogen.

Second, sharing all kinds of information on the epidemic that has been released in a timely manner with the international community can support global efforts in preventing and managing the spread of the epidemic. Information on the epidemic across different regions in China, as well as aggregate data on confirmed cases, suspected cases, deaths and cured cases are updated every day and released in a timely manner. The transparency and efficiency with which epidemic-related information has been disclosed are extremely valuable for other countries that want to know how China is doing in terms of epidemic control and prevention.

Last, but absolutely not the least, as a responsible stakeholder, China has undertaken strict health screenings for all entries into and exits out of the country, so as to control the cross-border spread of the virus. In all major cities across China, all residents and visitors who enter and exit the city (or the country through the city) go through temperature checks and health screening. This is an example of responsible behavior that can help to minimize the spread of the virus from carriers to other cities and countries and can contribute to the protection of health and safety in other countries.

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**Full text link:*
https://epaper.chinadaily.com.cn/a/202002/18/WS5e4b3e6aa310a2fabb7a240f.html?from=singlemessage&isappinstalled=0

A Distinct Name Is Needed for the New Coronavirus

Shibo Jiang et al, published in The Lancet on 19 Feb, 2020

An outbreak of unusual respiratory disease, initially dominated by pneumonia, in Wuhan, China, is caused by infection by a novel coronavirus. The new virus was initially named 2019-nCoV by WHO.

On Feb 11, 2020, WHO renamed the disease as coronavirus disease 2019 (COVID-19).4 That same day, the Coronavirus Study Group (CSG) of the International Committee on Virus Taxonomy posted a manuscript on bioRxiv in which they suggested designating 2019-nCoV as severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) on the basis of a phylogenetic analysis of related coronaviruses.5 The CSG claimed that they did not intend to make any reference to SARS when introducing yet another virus name derived from the term SARS; however, SARS is a disease name, and to name new virus SARS-CoV-2 actually implies that it causes SARS or similar, especially to scientists without much knowledge of virology and to citizens in the public domain. The new name is also not consistent with the disease name COVID-19. SARS-CoV-2, as a naturally occurring virus, is different from all other SARS-like or SARS-related coronaviruses, which are characterised mainly by their genome sequence.

As of Feb 17, 2020, 2019-nCoV has caused 71 331 human infections and 1775 deaths in China and 24 other countries, and it is distinct from SARS-CoV in biological, epidemiological, and clinical features. Naming 2019-nCoV as SARS-CoV-2 is therefore truly misleading. For such an epidemic virus with apparent international concern, it deserves its own unique name.

2019-nCoV is still evolving, and it is too early to predict the outcome of the current outbreak. Some experts predicted that 2019-nCoV could evolve to a low pathogenic but highly transmissible coronavirus, which might return every winter, like the virus that causes seasonal influenza.6 If this is the case, the name SARS-CoV-2 might have adverse effects on the social stability and economic development in countries where the virus is causing an epidemic, perhaps even around the world. People develop

panic at the thought of a re-occurrence of SARS. Travellers and investors might not want to visit a country with an ongoing epidemic or even sporadic cases of SARS. People may also believe that, like SARS-CoV, 2019-nCoV will not re-emerge once the current outbreak ends; therefore, they might not be prepared to prevent 2019-nCoV infection in the near future and could lose a sense of alert.

On the basis of special clinical, virological, and epidemiological characteristics and the uncertainty of the novel coronavirus, to avoid the misleadingness and confusion, and to help scientists and the public with better communication, we, a group of virologists in China, suggest renaming SARS-CoV-2 as human coronavirus 2019 (HCoV-19). Such a name distinguishes the virus from SARS-CoV and keeps it consistent with the WHO name of the disease it causes, COVID-19.

**Full text link:*
https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(20)30419-0/fulltext?from=singlemessage&isappinstalled=0

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