

Development of China's Real Economy in the Context of the COVID-19 Epidemic

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Abstract. In 2020, China broke out a serious and aggressive COVID-19. Since then, China has entered a long and severe period of epidemic resistance. What is more desperate is that there is a difficult period of epidemic prevention after the period of epidemic resistance. Therefore, specific damage the COVID-19 outbreak did to China's real economy as well as probable developments in the future. This article analyzes pertinent data to describe the specific damage performance of China's real economy, synthesizes and fills in the gaps with previous research literature, and employs charts to more intuitively reflect the changes in real economy daily data during the COVID-19 pandemic. This article will also incorporate the valuable findings of previous generations and discuss and prospect the parts that have not been studied by previous generations, and present feasible solutions. This article has important practical significance in revealing the impact of the epidemic on enterprise operations, economic conditions, and future development, providing decision-making basis for the government and enterprises, and promoting sustainable economic and social development.

Keywords: Real economy, Enterprise recovery, COVID-19.

1. Introduction

For a very long time, COVID-19 has frequently impeded the growth of China's actual economy. GDP growth in China was -6.8% in the first quarter of 2020 compared to the same period in 2019, a sharp decline. Statistics from customs show that in the same year's January and February, China's import and export, import and export trade volume decreased by 9.6%, 15.9% and 2.4% respectively in RMB terms. The epidemic has clearly had a significant influence on China's actual economy. The catering industry has experienced financial difficulties at the same time. According to reports, China's catering industry had total revenues of 4.6721 trillion yuan in 2019 and a growth rate of 9.4%. The catering industry has also become a huge force in domestic consumption. From the data of the catering industry in the past five years, China's catering industry has maintained a significant and steady growth trend every year. However, due to the impact of the epidemic, the stores cannot continue to operate and the employees cannot continue to work. The challenges faced by the catering industry are undoubtedly enormous. Coincidentally, the tourism industry is also facing huge challenges: according to statistics, in 2019, China's tourism industry contributed 11.05% of the country's GDP [1-3]. Similarly, the development of tourism is also robust and stable. However, during the pandemic period, tourism was almost stagnant. Due to the impact of the epidemic, the country had to adopt the so-called "work stoppage and road closure" to ensure the safety of the nation and prevent the spread of the virus. Residents consciously isolated themselves at home, so no one went out, let alone travel for leisure. The flow of people everywhere plummeted. Just as these reasons, the tourism industry is facing the same severe test, as tourism companies are on thin ice with economic pressure from rent and wages, and tourism industry is losing its source of income. Though China was the first nation to resume work and production following the COVID-19, thanks to the timely response of the Chinese government, China's current situation is not optimistic, and it is extremely difficult to make significant changes in a short amount of time given the contraction of all socioeconomic sectors, the growing pressure from trade wars, and the declining population advantage.

For the COVID-19, although some scholars and research institutions have carried out research on the economic impact of the epidemic and released relevant research results, the impact of relevant research on COVID-19 from the real economy needs to be strengthened [4-6]. This article will begin with an analysis of the COVID-19's economic impact mechanism, outline earlier research findings, and identify any remaining research gaps, further discuss the impact on China's real economy during the epidemic period, enrich the defects that have not been found by previous people, and comprehensively review and judge the real economy.

2. Enterprises under the Epidemic

2.1. Impact Mechanism

The economic system has a direct impact of the epidemic which begins on the micro level, that is, from the supply and demand aspects. In the way of supply, the epidemic impacts the running of enterprises directly. As a result, in the delayed availability of materials such as labors and raw, which leads to insufficient or no operation of enterprises. On the demand side, the outbreak of the epidemic in China and internationally will directly lead to insufficient orders or loss of orders for some enterprises. The indirect effect of the epidemic is the systemic impact of its direct effect through inter-organize or inter-industry linkages. Because of the impact of the COVID-19 pandemic, many consumers may lessen the certain consumption events. But during this period, they may find something instead these activities. As the reason of the influence of their decreasing industrial chain, some companies should modulate their economic construction, through finding some brand new consumers instead these old who need their products has declined because of the difficulties; the global economic downturn already has hindered the export of some companies, and this part of export products or services may be transferred to domestic sales; the reduction in consumption will lead to an increase in savings, and the savings will be converted into investment, thus forming a substitution of investment for consumption. In the short term, the epidemic may have a significant impact on investment, consumption, and exports. However, in the long run, some consumer demand that was suppressed during the pandemic may be released in a resilient manner after the epidemic [7,8].

2.2. Changes in Enterprises under the Epidemic

In 2020, China's economic development faces greater uncertainty: the external environment is dominated by anti-globalization trends, accompanied by the rise of populism and trade protectionism, and emerging market tail risks are gradually accumulating; After 2010, the "demographic dividend" in China began to fade, and the endogenous driving force of the economy was insufficient. In recent years, important changes have taken place on the supply side (de-stocking of the property market, supply-side reform, the rise of the service industry, etc.), and the ability of the Chinese economy to withstand external risks is continuously improving through proactive fiscal policies and stable monetary policies to reshape the economic structure. PMI is an abbreviation for Purchasing Managers' Index, which measures the manufacturing industry in six aspects: production, new orders, inventory, export orders, on-hand orders, and purchasing. Compared to 2008, the PMI in February hit a historic low of 35.7 (see Figure 1). From the perspective of each sub item, the economic performance trend has not shown a good trend. From a data perspective, except for the purchase prices of major raw materials, all sub indicators of PMI have reached historical lows. The outbreak of the epidemic has had a negative impact on the production of enterprises [9].

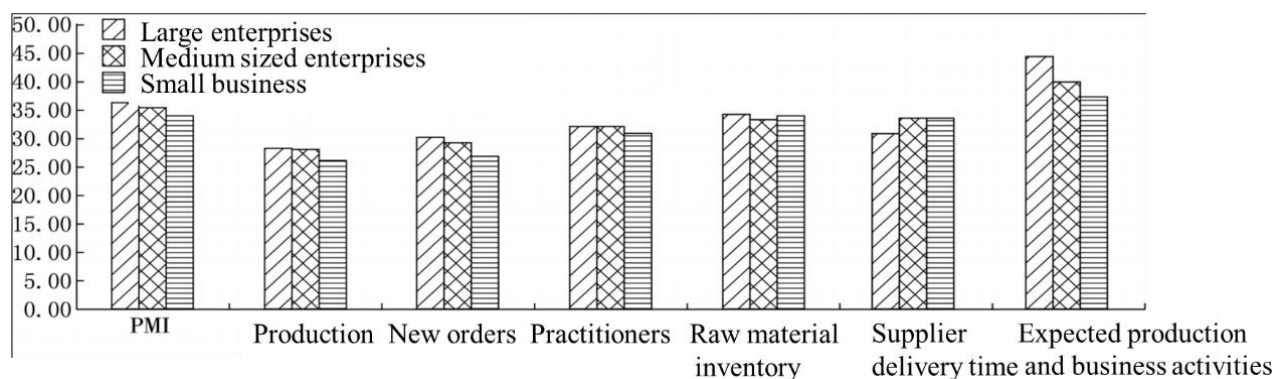


Figure 1. Changes in Enterprise Operations during the Epidemic Situation

3. Exploring the Road to Enterprise Survival

3.1. Performance of Measures Taken in Business Operations

The outbreak of the COVID-19 pandemic has had a profound adverse impact on the business operations of enterprises. Firstly, the pandemic has restricted the flow of people, making it impossible for many enterprises to operate normally, especially in the service and retail industries. As employees cannot report for work, enterprises cannot carry out normal production and service activities, resulting in business interruptions and revenue declines. Secondly, the epidemic has also brought challenges to the supply chain management of enterprises. Due to the spread of the epidemic, the global supply chain has been strained and chaotic, and many enterprises' supply chains have been forced to be interrupted or seriously affected. This has made it impossible for enterprises to obtain the required raw materials and components, thus affecting production and delivery. In addition, the epidemic has also put pressure on the financial situation of enterprises. Due to business interruptions and falling revenues, the cash flow of enterprises has been impacted, and many enterprises are facing a shortage of funds. At the same time, the epidemic has also increased the costs of enterprises, such as purchasing epidemic prevention supplies and increasing employee welfare. In short, the epidemic has had a serious adverse impact on the business status of enterprises, making many companies need to find new strategies and solutions to cope with challenges when facing difficulties.

During the epidemic, the production and operation activities and fixed assets investment of different types of enterprises showed different characteristics. This article will introduce the production and operation activities and fixed assets investment of different types of enterprises during the epidemic, including some data. During the COVID-19 pandemic, the production and operation activities of various enterprises have been affected to varying degrees. Among them, the service industry and catering industry have been the most seriously affected, with many enterprises experiencing a significant decline in turnover and profits. According to statistics, in the first quarter of 2020, the operating income of the catering industry nationwide fell by 48.6% year-on-year, and profits fell by 68.6%. Figure 2 shows the changes in new orders and raw materials of the enterprise in 2018 and 2020. In addition, the manufacturing and retail industries have also been affected to a certain extent, but the impact is relatively small compared to the service industry and catering industry. In terms of fixed assets investment, the total investment of various enterprises declined during the epidemic. Among them, the total investment in the service industry and catering industry decreased most significantly, mainly due to the suspension of investment plans by many service and catering enterprises during the pandemic. In contrast, the total investment in manufacturing and retail industry decreased slightly. In addition, the investment structure during the epidemic also changed, with more investment in industries and fields related to epidemic prevention and control [10].

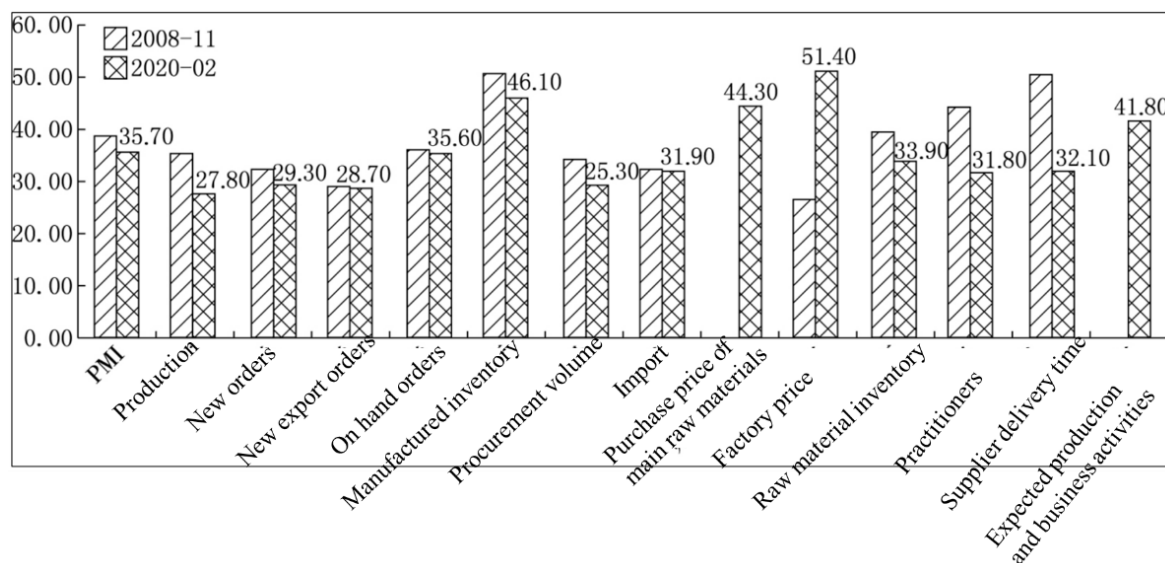


Figure 2. The impact of the epidemic on enterprise production

3.2. Assessment of Recovery Measures for COVID-19

During the pandemic, various enterprises should actively respond to challenges and strive to achieve transformation and upgrading. In view of the most serious impact on the service industry and catering industry, policy support should be strengthened to help enterprises tide over difficulties. For the situation of manufacturing and retail industry, technological innovation and mode innovation should be strengthened to improve the competitiveness and risk resistance of enterprises. In addition, cooperation and resource sharing among industries should be strengthened to jointly cope with the challenges brought by the epidemic. In addition, introduce employment stability policies, carry out precise resumption of work and production by region and level, and according to the continuous positive trend of the epidemic situation, while maintaining necessary epidemic prevention and control measures, cancel unreasonable regulations that hinder the resumption of work and production, so that more workers can return to work as soon as possible, have work to do and money to earn. Finally, launch the "new infrastructure", promote the opening and resumption of major investment projects as an important content of stabilizing investment and expanding domestic demand, and pay close attention to helping solve the problems of labor, raw material supply, capital, and epidemic prevention and control material security in the construction of major projects of various ownerships, and promote the acceleration of construction progress of key projects in various regions. Meanwhile, external risks. The international situation is turbulent, the impact of the war between Russia and Ukraine and the shrinking of external demand have increased policies, and the domestic economy is facing a negative growth crisis.

4. Conclusion

This paper is mainly based on the major impact of the COVID-19 on China's real economy during the epidemic prevention period, and uses a series of data that can show the impact to make a specific analysis of specific industries. In short, the production and operation activities and fixed assets investment of different types of enterprises during the epidemic were affected to varying degrees. All types of enterprises should actively respond to challenges, strive to achieve transformation and upgrading, and jointly promote economic development and social progress. Now, with the concerted efforts and mutual cooperation of the country and the people, the COVID-19 epidemic has been effectively controlled. This paper also gives the following feasible suggestions based on the research results. The design of China's response policy should be guided by the preservation of the foundation of economic activities and the possible launch of economic operations, while ensuring effective anti-epidemic measures. To do this, we must properly identify the opportunity, adopt targeted policies, act

quickly to create changes, and put into practice policies that are specifically designed to address the particular issues that each community faces, and implement systematic policies based on scientific judgment of the epidemic situation and respect for the objective laws of the epidemic situation. The country should comprehensively utilize fiscal, monetary, financial, industrial, trade, diplomatic, social security and other policies and cutting-edge technological means. As of now, the economic impact still belongs to short-term demand-driven shocks, which can be alleviated through policy hedging. More importantly, it is necessary to prevent the long-term negative impact from continuing to ferment.

Authors Contribution

All the authors contributed equally and their names were listed in alphabetical order.

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