The Impact of the COVID-19 Epidemic on China's Economy and the Policies Adopted by the Governments

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Abstract. China's ascent as a dominant force in the global economy underscores its significance as the world's second-largest economy and foremost exporter. However, this status also exposes China to a plethora of risks amidst the complexities of the global market. The eruption of the COVID-19 pandemic exacerbated these risks, precipitating a widespread economic downturn that posed significant challenges to China's economy across micro, meso, and macro levels. In response, the Chinese government swiftly implemented a series of comprehensive economic policies aimed at mitigating the pandemic's adverse impacts and facilitating the nation's economic recovery. These measures encompassed targeted interventions spanning from supporting individual businesses at the microeconomic level to implementing broader structural reforms at the meso and macroeconomic levels. Through proactive policy interventions and strategic maneuvering, China sought to stabilize its economy, reignite growth momentum, and enhance resilience against future uncertainties. This abstract highlight the multifaceted nature of China's response to economic challenges and underscores the pivotal role of government intervention in navigating turbulent economic landscapes while fostering sustainable growth and development.

Keywords: COVID-19 Epidemic, Economy, Government Policy.

1. Introduction

As the world's second largest economy, since the "Reform and Opening up", China has gradually integrated with the world economy. The policy of "Reform and Opening up" liberated and developed China's productive forces. The nature of China's economy began to change, from a planned economy with many shortcomings to a more open market economy. At the same time, China has gradually established a basic economic system in which public ownership is the dominant and multiple economic systems develop together. It allowed the world to see China's determination to change the economic situation. These changes brought sufficient Chinese labor force to the world economic market. In recent years, China's economic market has contributed its own strength to the development of the world economy and brought new development directions and development concepts to the world economic market [1]. In terms of development direction, China has always advocated environmental protection, resource sharing and sustainable economic development. China has many enterprises and strictly requires enterprises and factories to reduce carbon emissions and protect the environment. In terms of development concepts, China advocates multilateralism, trade liberalization and economic globalization at international economic conferences and actively builds the "One Belt, One Road" initiative. It adheres to the concepts of common cooperation, mutual benefit, openness, inclusiveness and mutual learning.

However, the COVID-19 epidemic that broke out in early 2020 has brought a huge crisis to all mankind. It is not only a threat to life and health, but also has an great impact on the world economy recovering from the economic crisis, and also has an impact on China's economy, which maintains high growth. Large-scale epidemics have characteristics that are different from ordinary epidemics, such as sudden outbreaks and rapid spread [2]. Different industries are affected differently [3]. Overall, the domestic and global economies have been hit hard. In response to the sudden emergency, the Chinese government has taken a series of measures to prevent the spread of the epidemic in the country. This series of measures effectively controlled the spread of the epidemic, but it affected economic development. During the outbreak, the country still adhered to the principle of keeping the basic economic model unchanged and reduced offline contact and communication between people [4]. China has begun to slow down its progress and development, and the people have come up with suggestions and suggestions to help the country tide over the difficulties. In the post-epidemic era, China's economy has not shrunk, and is slowly recovering and developing driven by various reform policies [5]. This article combs the existing literature, looks at the COVID-19 epidemic period and the post-epidemic period, and explains the impact of the COVID-19 epidemic on the economy and the policies adopted at the micro, meso and macro levels.

2. Micro-Economic Level

Compared with the meso-economics and macro-economic levels, the impact of the epidemic on the micro-economic level is more obvious among the people. Micro-economics is individual economic activities. Because many studies at the micro-economic level analyze the economic behavior and market mechanisms between individual economic units (such as households or small and medium-sized enterprises), especially focusing on small and medium-sized enterprises. Under normal circumstances, micro-economics is induced by financial information such as prices and market signals, and self-regulates and balances through healthy competition among economic units. The income of small and medium-sized enterprises after the epidemic has decreased compared with before the epidemic, thus causing the micro-economy to lose its ability to healthy competition and self-regulation. Its ability to withstand sudden risks is poor. On their own, it is almost difficult for small and medium-sized enterprises in the micro-economy to survive the losses caused by the COVID-19 epidemic. In the face of the epidemic, small and medium-sized enterprises have encountered a series of problems [6]. It is difficult to continue offline operations due to too monotonous business methods. Not only are offline operations risky, but people's daily activities also tend to be conducted online during the epidemic. This will cause small and medium-sized enterprises to face operating crises; the epidemic will also infinitely amplify the "stubborn disease" of financing difficulties, and small and medium-sized enterprises will be unable to bear the debt caused by loans. This has also resulted in many small and medium-sized enterprises being forced to suspend operations or even close during the epidemic; at the same time, employees of small and medium-sized enterprises will face the problem of being laid off when the company and enterprise face a financial crisis. These unemployed people will aggravate social employment problems and lead to fewer and fewer people choosing to find employment in small and medium-sized enterprises. As a result, it has also indirectly led to difficulties in recruiting new employees for small and medium-sized enterprises after the epidemic.

To solve the difficulties encountered by small and medium-sized enterprises during the epidemic, the government adopted new policies and continued to modify and increase some support policies during the epidemic [7]. The new policy has brought hope to small and medium-sized enterprises and effectively alleviated the impact at the micro-economic level: first, it increased credit support so that small and medium-sized enterprises have enough funds to support normal operations. It has solved the problem of operational difficulties very well; secondly, the government requires that certain small and medium-sized enterprises that have been seriously affected by the epidemic be deferred or exempted from taxes and fees, and at the same time, banks are not allowed to carry out any "loan extraction, loan suppression, or loan cutoff" the behavior of. Small and medium-sized enterprises also have enough time to pay off debts and do not need to lay off employees to alleviate financing difficulties. During the epidemic, the government continued to adjust policies to enable small and medium-sized enterprises to regain their vitality after the epidemic. Small and medium-sized enterprises themselves are also looking for ways to change. Many companies have begun to focus on online operations and opened new competition channels. Compared with the traditional economic model, online operations can rely on the Internet to attract traffic more conveniently. The advantages of wide coverage, low cost, precise push and timely feedback make the online operation model gradually become the first choice for enterprises. In addition, new terms such as "work from home" and "online internship" have been proposed. It is enough to see that in the face of the epidemic, small and medium-sized enterprises are making changes and innovations to survive.

3. Meso-Economic Level

The meso-economic level is the level of economic analysis between macro-economics and micro-economics. It pays more attention to the interaction between medium-sized economic units. The meso-economy refers to some economic phenomena, such as urban regional economy, departmental economy, and industry economy. It is also a bridge connecting micro-economics and macro-economics. Different from macro-economics, meso-economics is like a subsystem under the national economy. It can provide more specific and detailed data for economic development and provide a basis for the government to formulate economic policies. Meso-economics is of great significance to governments, businesses and investors. Precisely because the meso-economy has more resources and opportunities, there will be greater risks. Therefore, the impact of the epidemic on the meso-economy is more serious than the micro economy. The recession caused by the epidemic at the meso level is mainly concentrated in industries such as service and manufacturing. Manufacturing and service industries are two industries that are crucial to China's economic development. The two important industries complement each other and are indispensable. Let’s work together to promote China’s economic development and progress in recent years.

Against the background of high urbanization and continuous upgrading of consumption, the development of China's service industry has gradually become an important part of economic growth. The service industry continuously provides vitality for economic development and improves national living standards and happiness index. Before the epidemic, some service industries relied heavily on offline customers and venues. This also caused it to be hit harder by the outbreak of the epidemic. It is difficult for traditional service industries such as the aviation industry, tourism industry and catering industry to make profits in a period when there are basically no offline activities. During the epidemic, people went out less and avoided going to densely populated areas. Problems such as the plunge in income and the unemployment of related workers have exposed many shortcomings of the traditional service industry. The main reasons why China's service industry has been severely impacted by the COVID-19 epidemic are because of China's service industry's weak supply chain, overly rigid working hours, extensive development model, distorted medical allocation, and inefficient community governance [8]. After the outbreak, "Contact-less Service" has also become an important form of supply and consumption in the service industry. To consolidate the industrial chain of China's service industry, digital and intelligent transformation is an inevitable trend. The national government also improved the anti-epidemic capabilities of the public service system during this epidemic. Providing free masks and disinfectants in public places can effectively block the spread of pathogens from person to person.

Not only the service industry, but manufacturing is equally important. Manufacturing uses certain resources to convert into consumer products through machinery and manual manufacturing according to market requirements. The manufacturing industry provides many employment opportunities and is closely related to import and export. Before the epidemic, the global manufacturing landscape was changing labor-intensive industries were gradually migrating to regions such as Southeast Asia and South Africa where labor was abundant and costs were low, while knowledge-intensive industries were returning to developed countries such as Europe and the United States [9]. China's manufacturing industry has established close ties with the world's industrial chain. The epidemic has also forced the transformation of China's manufacturing industry and the replacement of the world's manufacturing pattern. China's manufacturing industry has the advantages of large scale, complete industrial chain and vast domestic market, but it needs to improve its innovation capabilities and improve product quality. The epidemic has caused environmental instability and other problems. To compete with the manufacturing industries of the established industrial powers in Europe and the United States, solving the above problems is the current goal of China's manufacturing industry. The government should also take a series of measures to alleviate the impact on the economy [10]. It should create a harmonious and win-win industry environment, and improve policies to ensure the diversified development of the industry.

4. Macro-Economic Level

At the macro-economic level, it is necessary to study the overall development performance of the entire economic system. Macro-economics is the national economy, the total economic activity. Micro-economics and meso-economics are the basis of macro-economics, while macro-economics is the overall performance of micro-economics and meso-economics. Our country's economic policies have long been focused on the sustainable development of the national economy and are committed to achieving increased GDP, high employment, low unemployment and macro price control. Macro-economic development can help the government regulate public resources fairly and equitably, achieve social equity and social stability, and can also help the country improve its international competitiveness. With the recovery and development of China's economy, China has become the world's second largest economy. Import and export trade is becoming increasingly important. This also resulted in the most obvious impact on the macro-economy during the epidemic: to prevent the epidemic from flowing into the country from foreign products and being forced to reduce import and export trade, national consumption desire was sluggish, and investors were afraid of losses and reduced investment. The macro-economic impact is most obvious in terms of finance. Internationally, the current impact of the epidemic has the following manifestations: Economic growth caused by the epidemic and the international situation continues to be sluggish. Some countries adopt single-interest policies to prioritize ensuring their own economic development. Developing countries are exposed to economic pressure and risks, which intensifies inflation and conflicts between countries have emerged. Bond selling in the global market has ushered in a boom. These international economic problems are bound to have an impact on China's economic development. In recent years, China has also experienced constant currency exchange rate fluctuations, and the epidemic has even exacerbated the fluctuations. As the largest developing country, China will continue to be under the pressure of exchange rate fluctuations. Although banks continue to lower interest rates, foreign investment in Chinese industries continues to decrease, and the decline in the domestic bond market cannot be avoided [11]. China’s financial market structure is relatively stable, has good ability to withstand external pressure, and can maintain basic growth. The early stage of the epidemic had a huge impact on China’s economy in the short term. Although the consumption sector has been most affected by the epidemic, "compensatory consumption" after the epidemic will alleviate the impact on annual consumption growth to a certain extent [12]. The government adopted timely economic policies to alleviate the impact in the short term and appropriately slowed down GDP growth during the epidemic [13]. The Central Economic Work Conference in 2023 proposed the policy center of “stabilizing expectations, stabilizing growth, and stabilizing employment”. Solve short-term problems first, then focus on medium and long-term issues. The government has adopted tax reduction policies to reduce business costs and improve the competitiveness of domestic enterprises. It has also increased public expenditure and social assistance funds, built infrastructure, provided more employment opportunities, and stimulated people's consumption.

5. Conclusion

All in all, China's economy has experienced many challenges before and after the epidemic. In the early stages of the outbreak, China implemented strict epidemic prevention measures and effectively controlled the spread of the epidemic. With the epidemic under control, the Chinese government has adopted active economic recovery policies, including encouraging consumption and appropriating funds to build basic health facilities, to improve the solidity of the economic industry chain and promote economic recovery. After the epidemic ended, people resumed offline activities. Resumption of consumption promotes a virtuous cycle in China's industrial chain, and companies have revenue to pay off loans during the epidemic. These policies have helped China's economy regain vitality after the epidemic and achieve stable growth to a certain extent. China's economy may continue to be affected by a variety of factors. China's economy still has strong resilience and potential, but it still has some shortcomings. In addition, international conflicts and technological blockades from other countries also make it challenging for China's economy to continue to develop in the world market. Facing the unknown challenges and opportunities in the future, China's economy needs to continue to carry out innovative and transformation reforms and adjustments to maintain stable growth.

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