

# What Impact the Emergence of Covid Has on The Chinese Economy

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**Abstract.** Covid was detected in China in 2019 and began to spread across China in early 2020 with Wuhan City, Hubei Province as the center. Covid is not the first virus to appear in China, SARS was detected in Guangdong province in late 2002. In terms of the number of deaths and the degree of impact on the Chinese economy, the negative impact of Covid is greater than that of SARS. This conclusion can be divided into the following three aspects. First, China's GDP growth rate in 2003 was higher than in 2002. Secondly, it only took 9 months from the emergence of SARS to the real end, while Covid has not really ended in nearly three years from the end of 2019 to now. In addition, the consumer industry and the service industry now occupy a dominant position in China's economic structure, and a series of lockdown management measures in response to Covid has undoubtedly brought a serious blow to these two industries. Therefore, the negative impact of Covid on China's society and economy will definitely require more time to appease and adjust in the future.

**Keywords:** Impact, Chinese Economy, Covid.

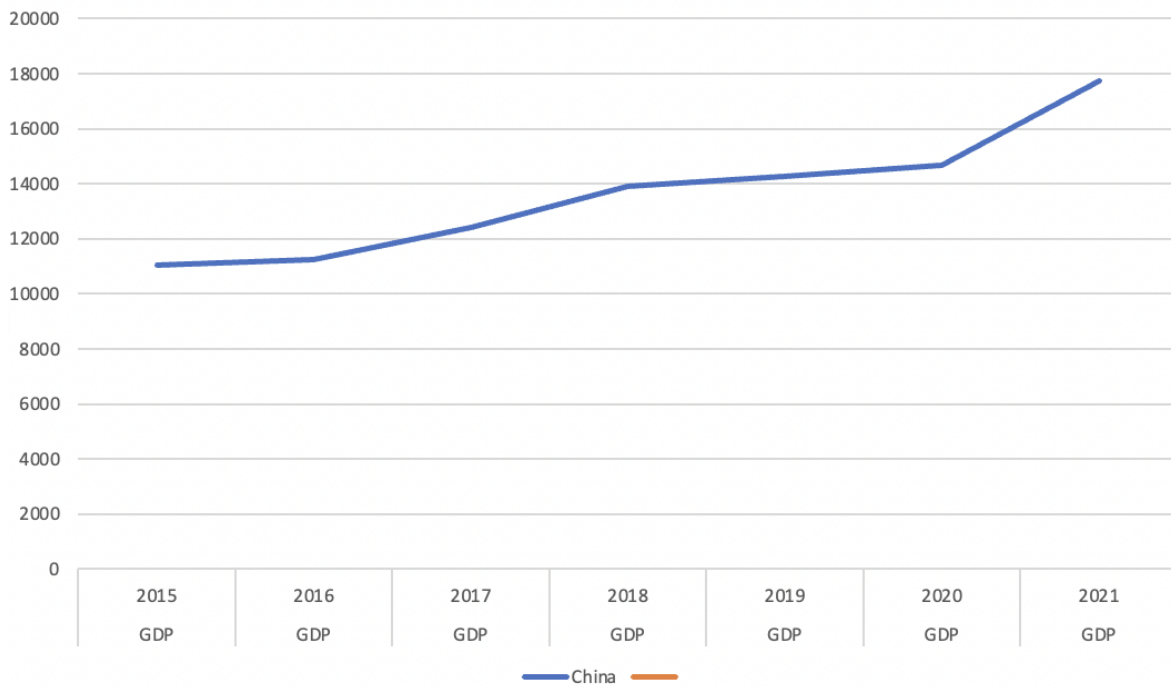
## 1. Introduction

The theme of this paper's research is what kind of impact the emergence of Covid has brought to the Chinese economy. The impact of Covid is multi-faceted, such as the closure and management of workers unable to go to work normally, and the financial crisis to many companies. So, the purpose of this paper is collected more and more specific data to analyze whether the impact of Covid is as big as people say? If yes, what are the specific data? What is the impact of Covid on the economy? And after nearly three years of adjustment, has the affected industry recovered? Do provinces with larger populations have greater economic impact? As we all know, the impact of Covid on China's economy and society is still developing, and it is still full of uncertainties. However, it is foreseeable that the longer the Covid drags on, the greater the impact on China's macro economy, and Covid may even affect the Chinese economy to the overall economic structure in extreme cases [1].

## 2. The impact on China's GDP

### 2.1. China's GDP 2015-2021

First, this paper found the annual GDP reports of China in 2015-2021 and shows on a line chart—Figure 1. Figure 1 shows that from 2015 to 2019, China's annual GDP had a steady and rapid growth trend, rising from 11 thousand billion USD in 2015 to 14.2 thousand billion USD in 2019 [2]. Although the annual GDP in 2020 still rose, the magnitude of the rise was not obvious. Fortunately, when the epidemic situation gets better in 2021, China's annual GDP has risen significantly.



**Figure 1.** China’s GDP 2015-2021

Data source: The collected data is from CEI data, but it is graphed by the author.

**2.2. China’s GDP growth rate 2015-2021**

In order to more intuitively understand the annual GDP growth rate in each year, this paper shows another line chart—Figure 2. Let’s see figure 2, the figure indicates that from 2015 to 2019, China's annual GDP has steadily increased at a rate of 6% to 7% per year. But growth fell to 2.2% after the pandemic in 2020, gets down nearly 4 percentage points from last year's growth rate. Fortunately, China's annual GDP growth rate reached 8.1% last year [3], it is the highest in the past seven years. But it is not difficult to see from these two charts—Figure 1 and Figure 2 that after the outbreak of the Covid in 2020, Covid caused a lot of fluctuations in China's economy in that year.

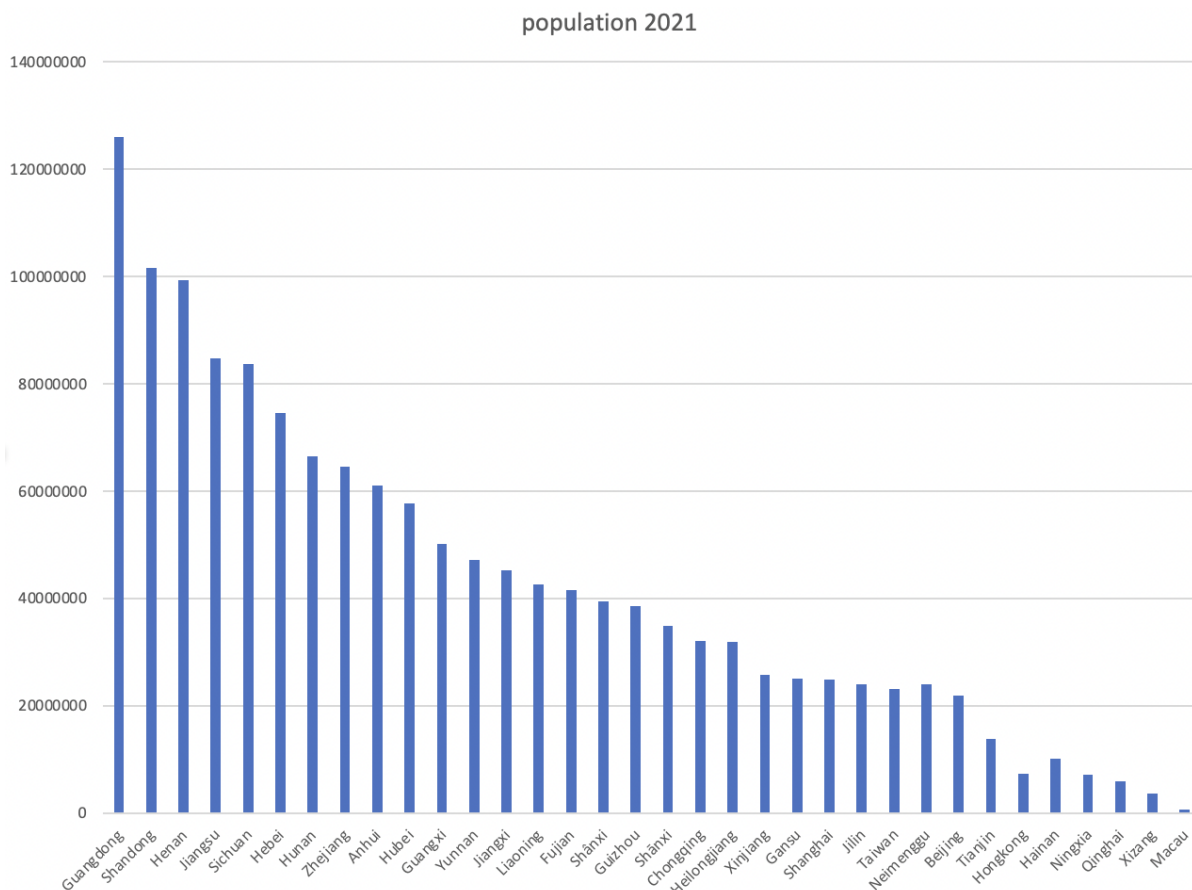


**Figure 2.** China’s GDP growth rate 2015-2021

Data source: The collected data is from CEI data, but it is graphed by the author.

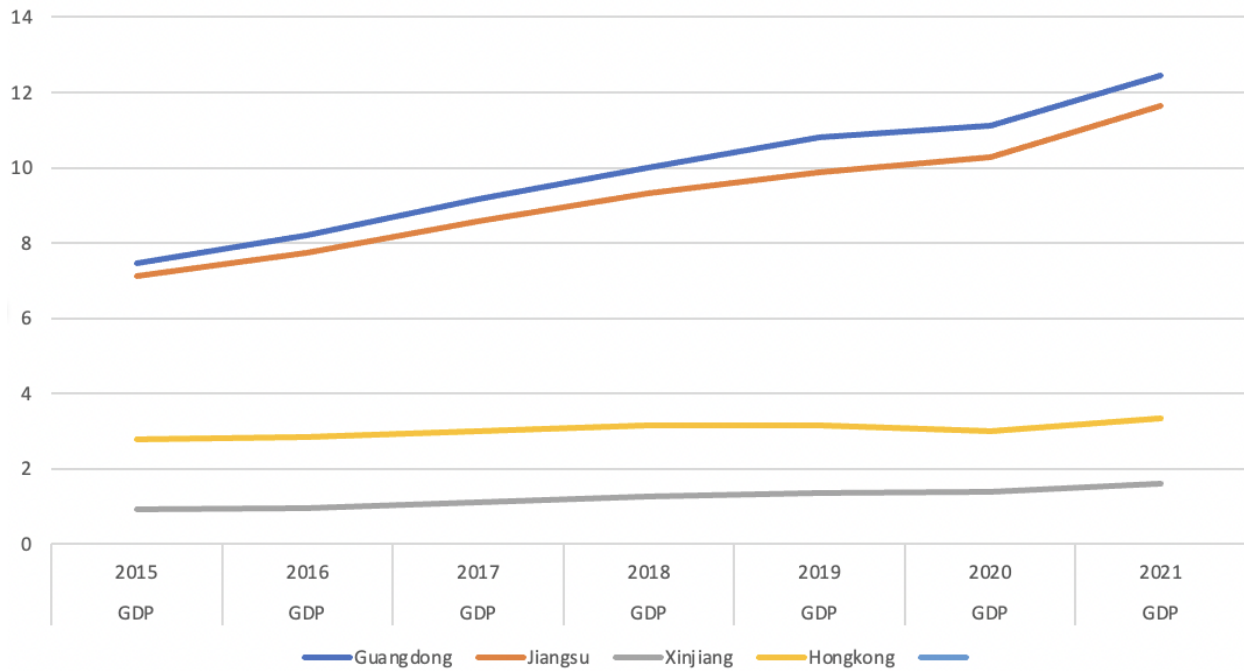
### 3. China’s population in 2021 & GDP of 4 specific provinces 2015-2021

What's more? To examine whether the economic impact of Covid is greater for provinces with higher populations? This paper shows some relevant data and a bar chart—Figure 3. From the bar chart, the chart shows that the population of each province in China is uneven [4]. In order to form the sharpest contrast, this paper chooses two provinces with a large population, Guangdong and Jiangsu; and then choose two provinces with a smaller population, Xinjiang and Hong Kong [5-8]. From their annual GDP reports—Figure 4, from 2015 to 2019, the GDP of Guangdong and Jiangsu showed a steady growth trend. The impact of Covid in 2020 caused GDP growth to slow down, but there was no sign of a decline. In Figure 5, Xinjiang and Hong Kong’s GDP growth rates between 2015 and 2021 were relatively slow due to their smaller populations. Coupled with the emergence of Covid, Hong Kong’s GDP in 2020 was smaller than in 2017-2019. Since this paper concluded that Covid is obviously more harmful to the provinces with small populations, its emergence has slowed down Xinjiang's slow-growing GDP, and even declined in Hong Kong; Guangdong and Jiangsu rely on their own population advantage to quickly recover their GDP when the Covid situation gets better in 2021, and the population boosts GDP growth.



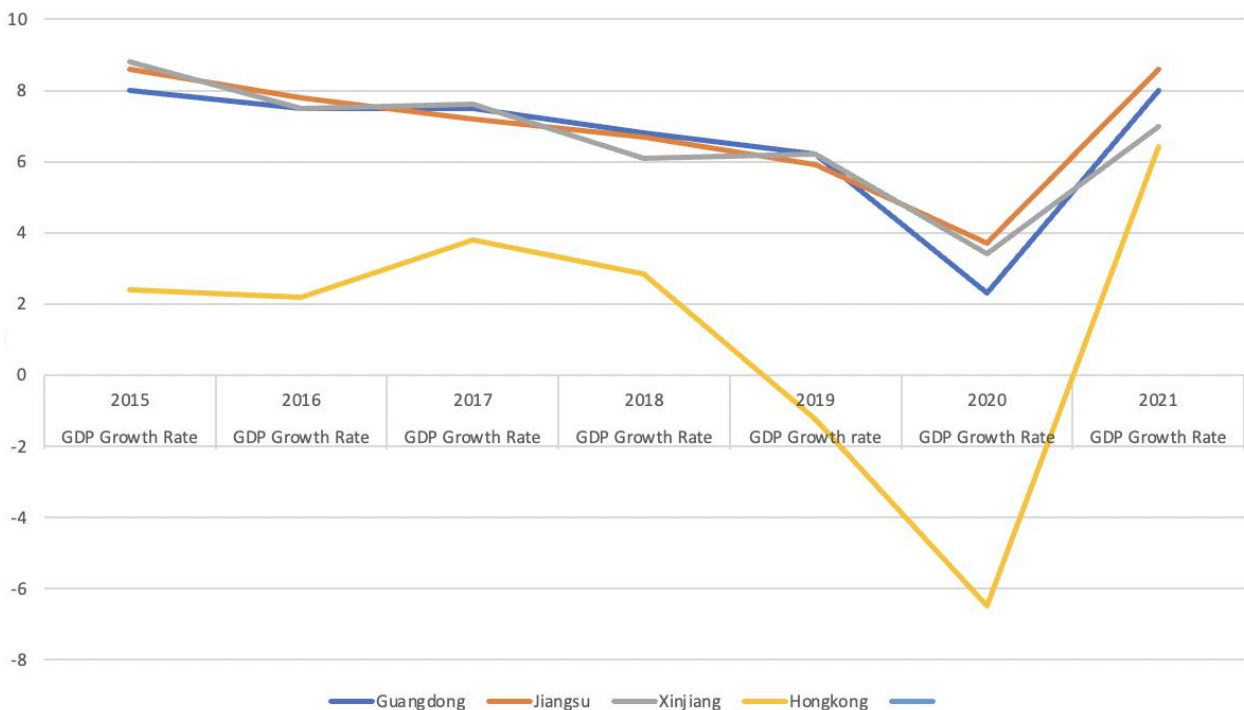
**Figure 3.** China’s population 2021

Data source: The collected data is from First Financial, but it is graphed by the author.



**Figure 4.** Guangdong, Jiangsu, Xinjiang, Hongkong’s GDP 2015-2021

Data source: The collected data is from CEI data, but it is graphed by the author.



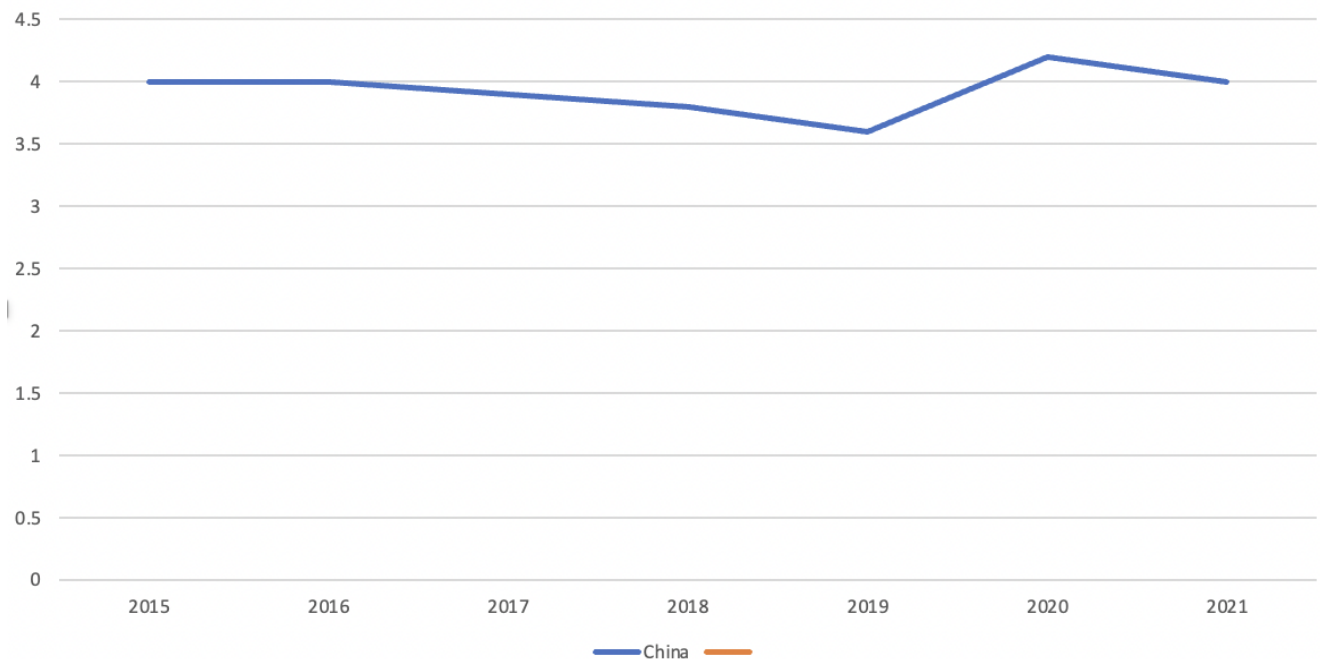
**Figure 5.** Guangdong, Jiangsu, Xinjiang, Hongkong’s GDP growth rate 2015-2021

Data source: The collected data is from CEI data, but it is graphed by the author.

#### 4. The impact on China’s unemployment rate 2015-2021

This paper also wanted to dig deeper into what else has affected China's economy after the emergence of Covid, so this paper searched for China's unemployment rate from 2015 to 2021 for comparison. In Figure 6, this paper found that China's unemployment rate did not exceed 4% from 2015 to 2019, and gradually showed a good trend of decline [9]. Until the emergence of Covid in 2020 broke this phenomenon, China's unemployment rate rose to 4.2% this year. Although the

unemployment rate may seem small, the number of unemployed is undoubtedly huge due to China's huge population base. Most of these unemployed people are concentrated in domestic service industries, foreign trade export and other industries.



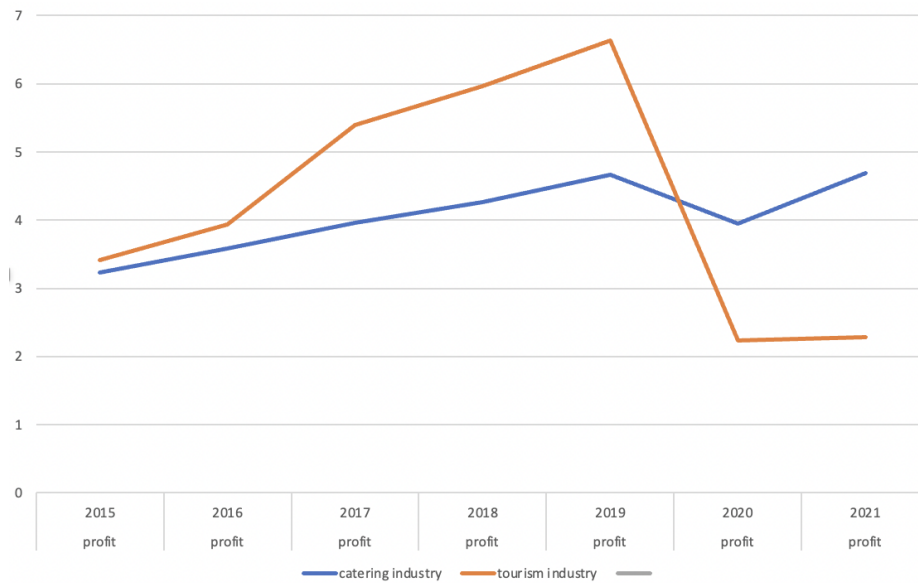
**Figure 6.** China's unemployment rate 2015-2021

Data source: The collected data is from [www.chyxx.com](http://www.chyxx.com), but it is graphed by the author.

## 5. The impact on service industries

### 5.1. The impact on catering industry & tourism industry

Due to the Covid-19 prevention and control government not allowing dine-in in some high-risk areas, many restaurants in China have been temporarily closed. Haidilao, one of China's largest catering companies, has closed all 550 branches on the mainland. High-end restaurant Beijing Dadong Roast Duck closed more than 20 restaurants in Beijing [10]. Tourism is another hard-hit sector, as the holidays are often the busiest travel season of the year in the country. Various epidemic prevention measures and local lockdowns have restricted flights and the movement of people. So, this paper wants to know how much impact the Covid has brought to the service industry like catering and tourism. Therefore, this paper found three service industries that people are familiar with, and which account for a large proportion of China's economy and may also be most affected by the epidemic control management. Let's look the two industries this paper has mentioned above, catering and tourism first. In Figure 7, their annual interests from 2015 to 2019 have been rising rapidly, and the profits of catering industry and tourism industry reached the peak in 2019, 6.63 trillion CNY for the tourism industry and 4.67 trillion CNY for the catering industry. But in 2020, the profits of both industries have fallen sharply, the tourism industry showing the most obvious performance, falling to only 2.23 trillion CNY, and there is no recovery in 2021 [11-12].

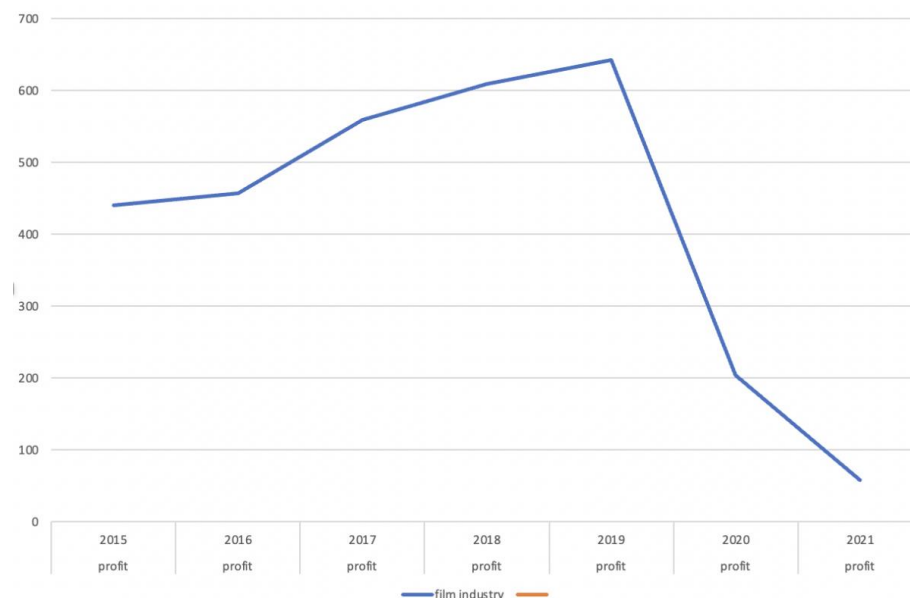


**Figure 7.** Profit of catering industry and tourism industry 2015-2021

Data source: The collected data is from [www.chinabaogao.com](http://www.chinabaogao.com) and [www.eastmoney.com](http://www.eastmoney.com), but it is graphed by the author.

## 5.2. The impact on film industry

There is the annual profit line chart—Figure 8 for the film industry below, this paper has divided annual profit of film industry into a separate table due to the different units. From the line chart, the profits of the film industry from 2015 to 2019 have shown a rising trend, just like the tourism and catering industries. But the difference is that the decline in the film industry is even greater. The profit in 2020 is less than one third of that in 2019, and the profit of film industry will continue to decline in 2021, leaving only 58.16 hundred million of profits [13].



**Figure 8.** Profit of film industry 2015-2021

Data source: The collected data is from [www.eastmoney.com](http://www.eastmoney.com), but it is graphed by the author.

## 6. The importance of small and medium size enterprises

The importance of small and medium size enterprises is mainly reflected in two aspects. First of all, in terms of the characteristics of small and medium-sized enterprises, small and medium-sized

enterprises can create a large number of employment opportunities, so the development of small and medium-sized enterprises is of great significance to China's economic development. Because most small and medium-size enterprises are labor-intensive, small and medium-size enterprises can accommodate more labor, whether in manufacturing or service industries. Secondly, through the data support, this paper shows that Chinese small and medium size enterprises contribute more than 50% of tax revenue, more than 60% of GDP, more than 70% of technological innovation, more than 80% of urban labor employment and more than 90% of the number of enterprises [14]. Small and medium-size enterprises are the main force of the real economy, an important guarantee for national economic and social development, and an important foundation for promoting high-quality economic development. Promoting the stable development of small and medium-size enterprises after Covid is very important for China's economic recovery and social stability.

## **7. The impact on small and medium size enterprises**

### **7.1. Rising operating costs for small and medium size enterprises**

During the Covid period, companies delayed resumption of work, suspended production and operations, and interrupted their income, but companies still had to pay fixed expenses such as rent, wages, and interest. Second, the measures taken for epidemic prevention, such as traffic control and flow restriction, as well as the shutdown of upstream and downstream suppliers, have led to an increase in raw material and logistics costs. Third, measures such as purchasing disinfection and protective equipment and isolating suspected or infected persons for the safety of employees have increased the costs related to epidemic prevention and control. The cost of normalized prevention and control of various epidemics of enterprises has risen, but revenue has declined due to the impact of epidemic prevention and control, and profitability has declined or even suffered losses, which has seriously affected the survival and development of small and medium-sized enterprises.

In the post-Covid era, the Covid epidemic is still spreading in some parts of the world. In the context of globalization of the supply chain, the impact of any link in the chain will affect the supply rhythm of the entire industry chain. Therefore, the disruption of the supply chain has a greater impact on small and medium-sized enterprises, but the huge impact on the production and operation of small and medium-sized enterprises is already obvious.

### **7.2. The cash flow of small and medium size enterprises is tight**

During the Covid prevention and control period, the flow of people was not smooth, and the resumption of work was delayed. In the post-Covid era, global supply chain problems led to poor procurement and rising costs. Many businesses were postponed or cancelled, orders and contracts were breached, and revenue fell. Second, the demand for the tertiary industry, especially the offline service industry, will be greatly impacted, and this impact will continue to ferment in the post-Covid era. Third, the economic and trade exchanges between some countries and China are suspended or reduced, which will affect the overseas market orders of a large number of small and medium-sized enterprises. Fourth, the digitalization level of some enterprises is seriously insufficient, and the online marketing model is seriously lacking. The Covid has changed not only people's lives, but also business models. Under the Covid, the online economy has developed rapidly, but some companies are not ready and are in trouble.

### **7.3. Increasing difficulty in financing for Small and Medium size enterprises**

For a long time, the proportion and scale of credit financing for small and medium-size enterprises have been relatively low, and it is difficult for high-tech small and medium-size enterprises with talents and technology as their main assets to obtain financing from traditional financial institutions such as banks. The Covid has reduced the risk appetite of financial institutions such as banks, making the above situation more prominent. Direct equity investment is an effective way to solve the problem of innovative capital for small and medium-sized technology-based enterprises. Affected by the

Covid, a number of innovative and entrepreneurial projects will face severe financial pressure in 2020. The covid will accelerate the bursting of the valuation bubble of entrepreneurial projects, leading to a decline in the overall valuation of the industry. In the short term, the financing cost of small and medium-size enterprises will rise and the financing process will slow down. Covid not only has a significant impact on the capital chain and supply chain of small and medium-sized enterprises, but also challenges the liquidity and risk control of financial institutions. The impact on financial institutions has a negative impact on enterprises, and government needs to put more emphasis on enterprises, especially asset-light technology-based small and medium-sized enterprises.

## 8. Conclusion

Finally, this paper has some ideas or suggestions for promoting economic development without affecting the Covid prevention regulations. First of all, affected by Covid, the sluggish market demand is the primary factor causing the decline in operating income and profits of enterprises. The government should introduce targeted support policies according to the extent to which different industries are affected by Covid. Then, to maximize the effect of policies to support enterprises, the government needs to combine support for enterprises with boosting market demand. Therefore, it is necessary to simultaneously introduce the policies on the market demand side can restore consumer confidence and enhance consumption willingness. By increasing the publicity of the implementation and effect of Covid prevention policies, the public's panic about the covid can be reduced, and excessive epidemic prevention measures can be avoided to suppress consumers' willingness to consume. Consumer vouchers can be issued to low-income or unemployed groups in society, and cash subsidies can also be given to subsistence allowances and laid-off workers, because China relies on activating domestic demand to stimulate the economy now. On the other hand, at the aspect of product supply, companies can also be encouraged to take promotions and improve customer experience according to product characteristics to guide release of consumer demand. This can expand domestic demand. Secondly, the most desirable support policies for enterprises are various forms of cost subsidies and financing support. Therefore, the government also needs to further play the role of fiscal and financial policies to reduce the cost of enterprises. In addition to subsidizing the cost of personnel expenses, providing water, power grids, and site rental subsidies to minimize the pressure on enterprise cash flow expenditures. The government should focus on strengthening financing support for small and medium-sized enterprises. Because small and medium-sized enterprises account for a high proportion of China's economic sector, they contribute of the nation's jobs, exports and GDP, is an important economic pillar in China, and small and medium-size enterprises have the highest proportion of applying for loans from bank channels. Therefore, this paper recommended to vigorously expand external financing channels for enterprises, and encourage enterprises to use various methods to obtain credit support. Government can carry out emergency special loans, increasing the proportion of direct financing of enterprises, etc. to help enterprises overcome difficulties. On the other hand, temporary policies such as moderately increasing the tolerance of non-performing loans and allowing deferred repayment are adopted to provide enterprises with strong financial support. Under the premise of strictly controlling financial risks, clarify the scope of application and operating norms of special policies in special periods, and provide preferential interest rates to support enterprises in investing in maintaining or expanding operations. More importantly, not understanding policies is the main reason why enterprises do not receive policy support. Therefore, this paper suggests that the government comprehensively sort out and summarize various current support policies, and further clarify the support objects, identification standards, operating procedures, and fulfillment conditions, especially if the demand of enterprises is relatively high, adjustments and improvements are needed to simplify procedures to ensure that more enterprises enjoy preferential policies. On the basis of the integration and improvement of policy classification, government should increase policy publicity and announce the policy to the society in a centralized manner. The better the business environment, the more jobs will be provided, the

economy will recover faster and better. Last but not least, the covid has severely damaged the confidence of entrepreneurs. Although pessimistic expectations have declined, some business owners have pessimistic expectations for future development. To continue to achieve rapid and healthy development in the post-Covid period, China's economy needs to extensively mobilize small and medium-sized enterprises. Entrepreneurs' innovative and entrepreneurial spirit. Therefore, this paper suggests further optimizing the business environment, encouraging entrepreneurs to discover new business opportunities under the epidemic, providing more employment opportunities, enhancing citizens' sense of happiness and belonging, and increasing employment benefits. This paper believes that China can handle this epidemic well and lead the enterprise to tide over this difficult time.

Therefore, the above research can answer the questions that this paper considers about. First, Covid have a big impact on the Chinese economy, especially the impact on small and medium-sized enterprises is particularly obvious. This conclusion is obtained from the annual GDP report, the unemployment rate, and the impact on small and medium size enterprises. Second, provinces with larger populations will be more affected by Covid, which is mainly reflected in the magnitude of GDP fluctuations. Third, the unemployment caused by Covid is mainly reflected in the service industry, and the interest rates of catering industry, tourism industry, and film industry have all suffered serious declines due to the lockdown management. Fortunately, under China's epidemic prevention measures, the number of Covid infections in China has been reduced to the lowest possible level. So when the Covid situation gets better after 2020, the economic development of China also recovers quickly. This paper hopes Covid can end soon and other industries like the film industry that have been affected by Covid can recover.

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