

The Global Economy Is Focusing on China After Coronavirus Outbreak

By Jie Wang, L.L.M. Candidate 2020 | February 27, 2020

Prior to the end of January, the Chinese government confirmed the human-to-human transmission of coronavirus and alerted worldwide spreading with a rising death toll, following an extension of the Chinese New Year's holiday to curb high prevalence rate of the epidemic. In the recent post by [New York Times](#), it was reported that millions of employees have been confined to their homes, severely hindering the world's shipping lines, causing drastic decline in almost every sector. Tedros Adhanom Ghebreyesus, the director of the World Health Organization (WHO), expressed his concerns on [Twitter](#), "2019nCov spread outside China appears to be slow now, but could accelerate . . . in short, we may only be seeing the tip of the iceberg."

Similar to what the Chinese experienced with the SARS outbreak seventeen years ago, fast-consumption and entertainment sectors will bear the brunt of the effect of coronavirus. The tourism industry will also be curtailed to an extremely low level due to travel restrictions and flight cancellations in the first quarter of the year. After many business hub closures in China, the fast-spreading virus has disrupted supply chains, pushing its counterpart, such the US, to seek alternatives and bring back jobs to its home country. Secretary of Commerce Wilbur Ross said in a [Fox Business Network interview](#): "it does give businesses another thing to consider when they go through their review of their supply chain." This is not a positive sign for China's economy.

The global economy's reliance on the Chinese economy is being tested, considering it has become a bigger economic entity in terms of consumption, goods export and manufacturing. However, the [China Economic Update](#) issued by the World Bank last December indicated that Chinese consumption growth declined to 6.8% in the first three quarters of 2019 due, in part, to the household debt servicing burden and moderate wage growth. The World Bank [revised the global growth forecast](#), which is expected to decelerate for at least the first part of 2020 due to coronavirus and its disruption of supply chains.

Meanwhile, Chinese government and financial agencies have taken an array of actions to defend their economy and rebuild market confidence after being struck by coronavirus. On February 2, the People's Bank of China (PBOC) announced a 1.2 trillion yuan (\$173 billion) [reverse repurchase plan](#) to increase liquidity and maintain a stable currency market, more than 900



billion yuan (\$129 billion) in the same period last year. [Twenty-eight financing projects have been registered](#) with the Insurance Asset Management Association of China (IAMAC), with 50.8 billion yuan (\$7.25 billion) invested into infrastructure last month, more than 79.8% in the same period last year. Projects were more carefully scrutinized with more stringent and onerous restrictions. On the other hand, loose monetary policy is leading to a rising fear of [higher inflation rate](#) among its populace, which has climbed up to a record high: 5.4% last month due to the soaring pork price.

Despite the precarious timing, the market is always ready for opportunity chasers. The US and China signed an "phase one" [trade agreement](#), allowing China to open up its financial market, especially in distress debt sector. [Oaktree Capital Management](#) was granted license in Beijing on February 18 to invest in the distress debt market, becoming the first distress debt manager in China. Having gained prior experience in lucrative deals [Goldman Sachs](#) and BlackRock are also now attempting to seeking opportunities.

Businesses started to resume partially this week in major business hubs like Shanghai, Beijing, Shenzhen and Guangdong. Nevertheless, employees are under meticulous scrutiny, including body temperature tests, fourteen day voluntary quarantine, and registration if they go to public places for tracking purposes, as the government encourages working from home and [off-peak commutes](#) to control virus spreading.