

February 3rd, 2020

Coronavirus outbreak – economic & business implications

A special webinar from The Economist Intelligence Unit



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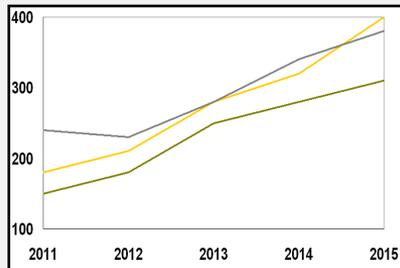
1. The current situation
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Access China

Access China is a unique service designed to help your business succeed in China. It is the only single source of data, analysis and forecasts for every province and 292 of China's largest cities.

5- to 10-year forecasts

Build a long-term picture of city level economic trends for China to define your China strategy.



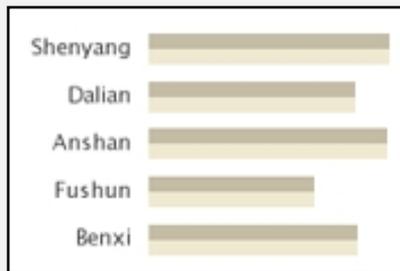
31 provinces, 292 cities

China-wide data coverage. All reports are updated on a quarterly basis and cover the business and economic environment.



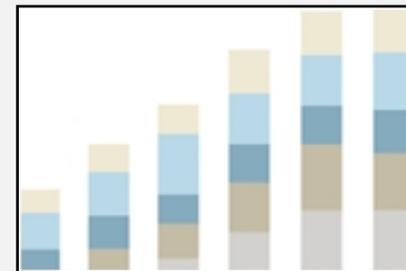
Cities and regional comparisons

It is now easy to compare cities and regions in China to facilitate benchmarking and market sizing.



Complete demographic data at the city level

Valuable insights on how changing demographics affect your customer base and where they are located now – and in the future.



Pulse survey results

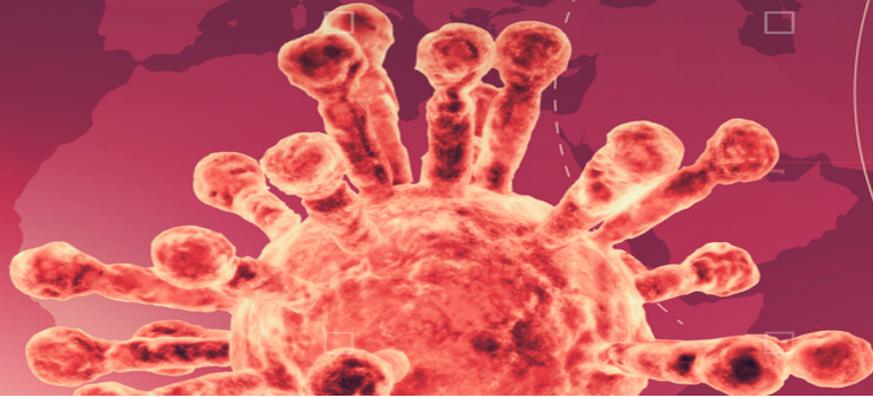
<https://www.surveymonkey.com/r/YPZ5TZG>

AN ECONOMIST CORPORATE NETWORK PULSE SURVEY

When China sneezes:

Implications of the coronavirus outbreak for business

Take the survey >



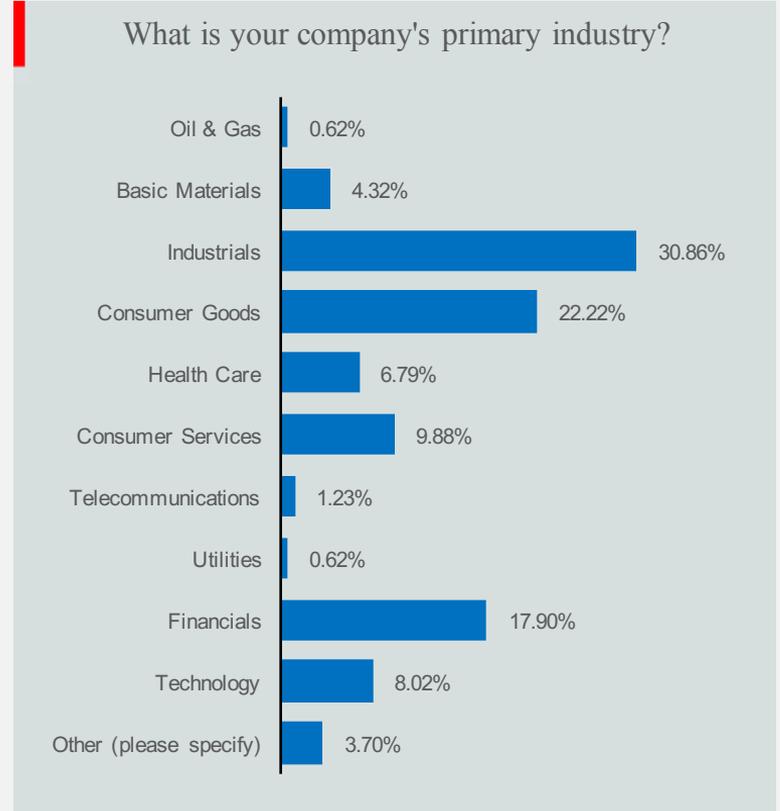
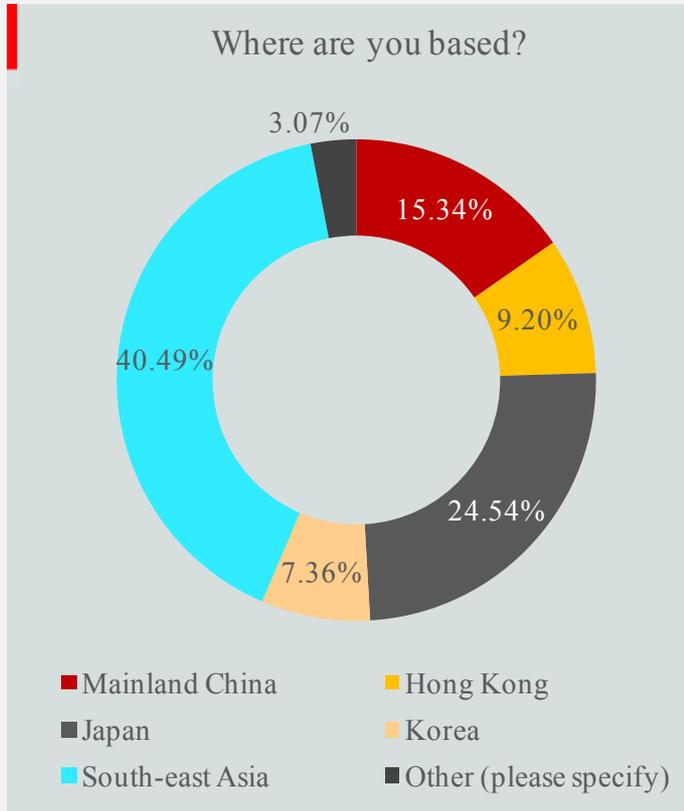
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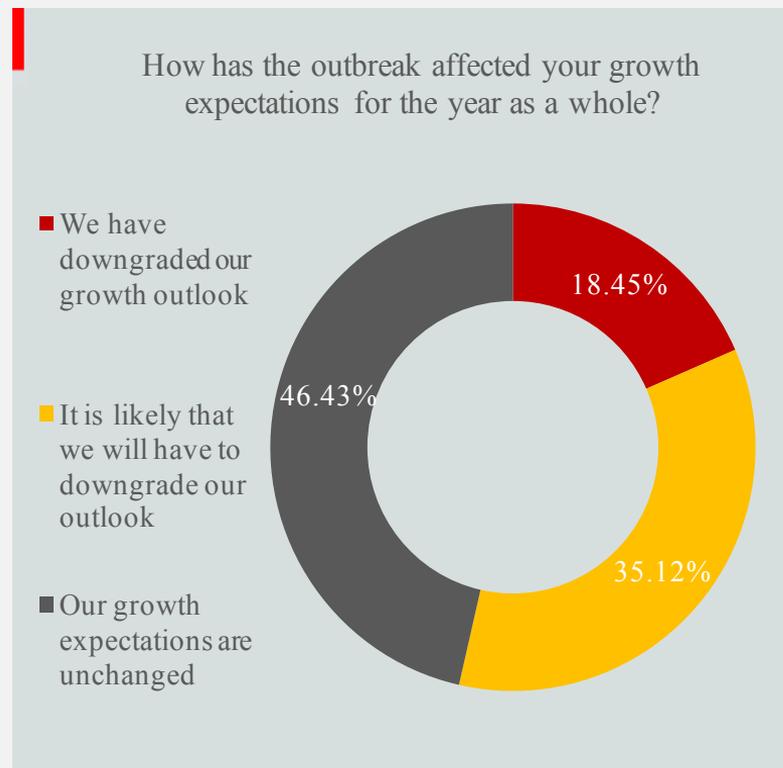
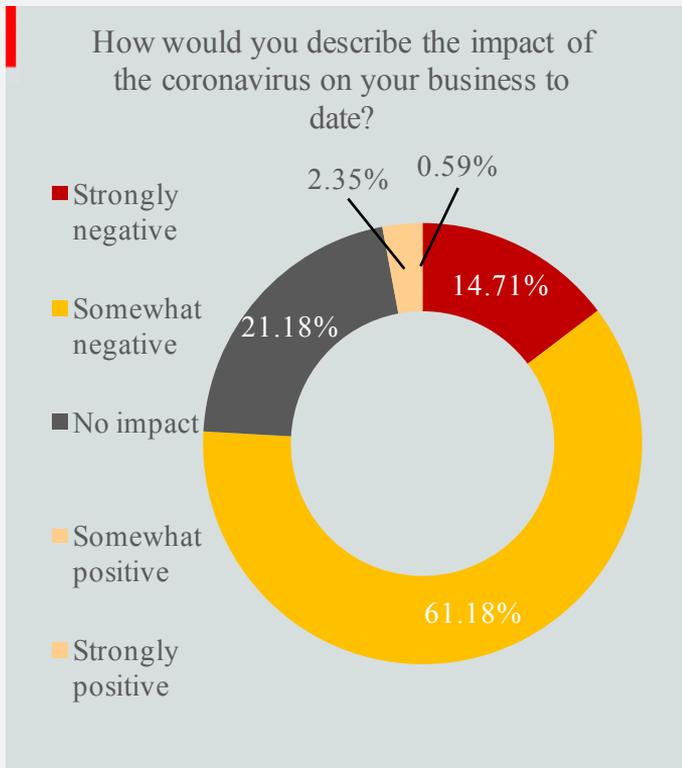
Pulse survey results

Most of the responses are from SEA, Japan, China, Hong Kong and South Korea



Pulse survey results

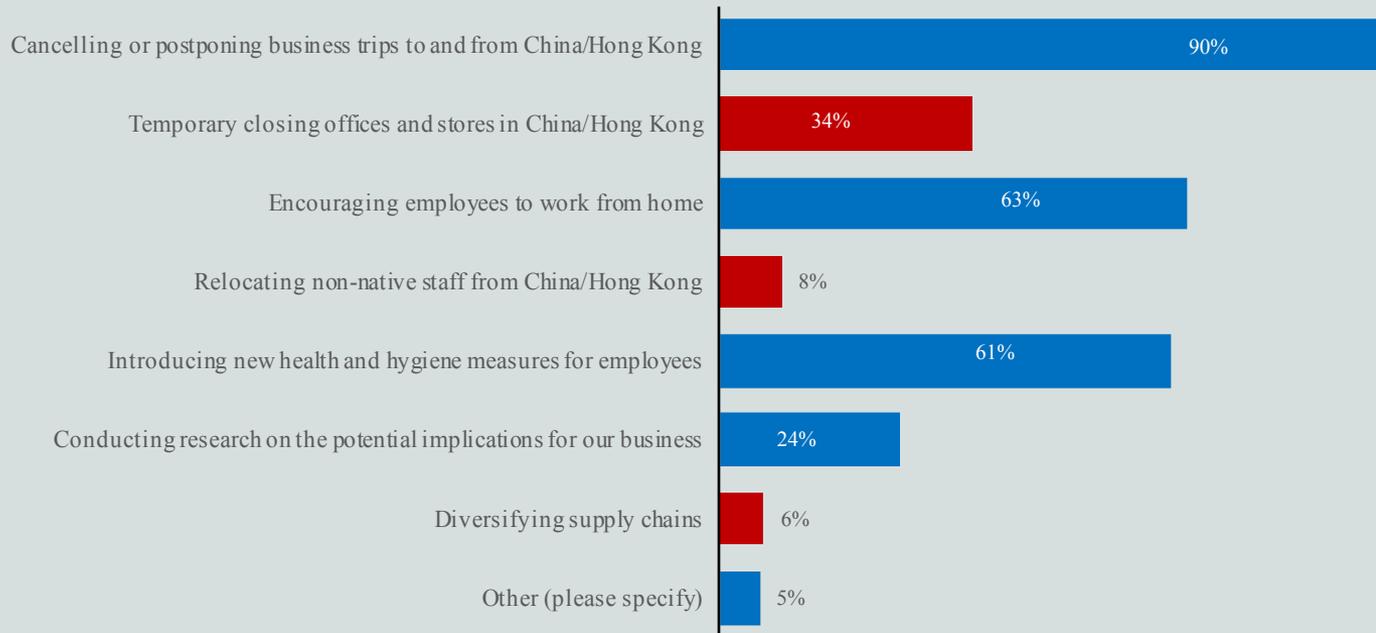
Impact and outlook



Pulse survey results

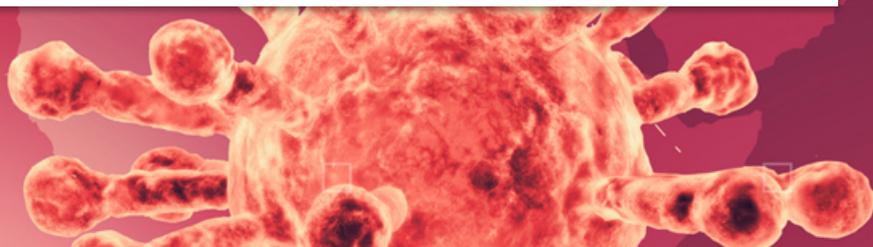
What measures are you taking?

Our company is taking the following measures to mitigate the risks from the outbreak:



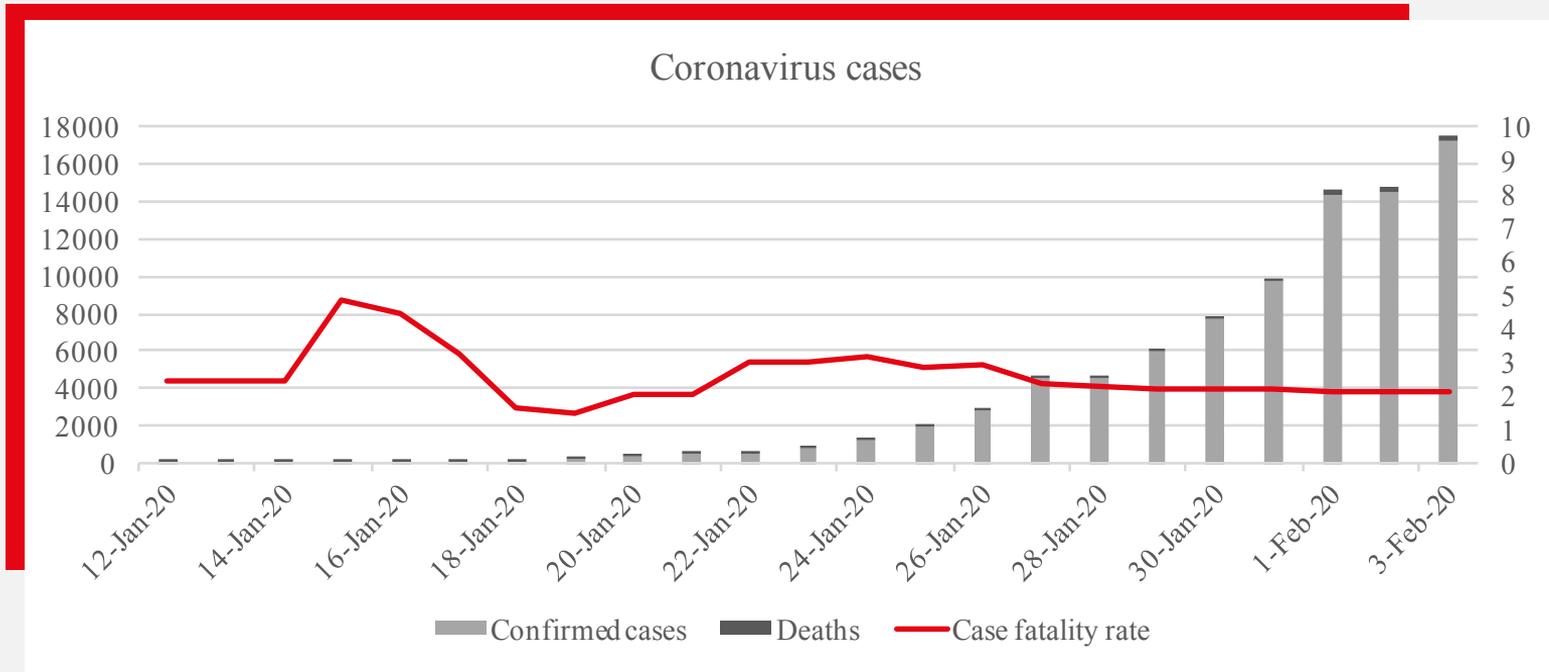
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The current situation



The current situation

The pathogen appears highly contagious, but not as deadly as first assumed, however, with the case fatality rate stabilising at 2.2% as of February 1st.



The current situation

The virus has spread overseas

Region	Confirmed cases	Deaths	Cured
Asia	143	1	9
Europe	25		4
North America	13		

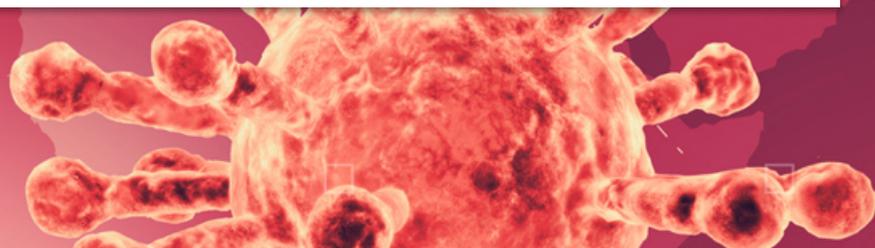
- Japan, Thailand and Singapore have the highest number of confirmed cases after mainland China.
- The WHO has declared a global emergency out of concern that some countries do not have health systems in place to contain an outbreak.
- Some national governments have closed the border with China and begun evacuating citizens out of Wuhan.

The current situation

Precedents					
Pandemic	Year	Virus type	People infected (approximate)	Estimated deaths worldwide	Case fatality rate
Spanish flu	1918–1919	A/H1N1	33% (500m)	50–100m	2-3%
Asian flu	1956–1958	A/H2N2	?	1-4m	<0.2%
Hong Kong flu	1968–1969	A/H3N2	?	1-4m	<0.2%
SARS	2002-2003	SARS-CoV	8,098	774	9.6%
Seasonal flu	Every year	mainly A/H3N2, A/H1N1, and B	5–15% (340m-1bn)	250,000–500,000 per year	<0.1%
Swine flu	2009–2010	Pandemic H1N1/09	10-200m	18,500 (lab-confirmed; WHO) to 203,000 (est. Lancet)	0.03%
MERS	2012 to date	MERS-CoV	1,917 lab-identified in 27 countries (WHO)	677	36%
Ebola	2013-16	Ebola haemorrhagic fever	28,616	11,310	39.5%

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Implications



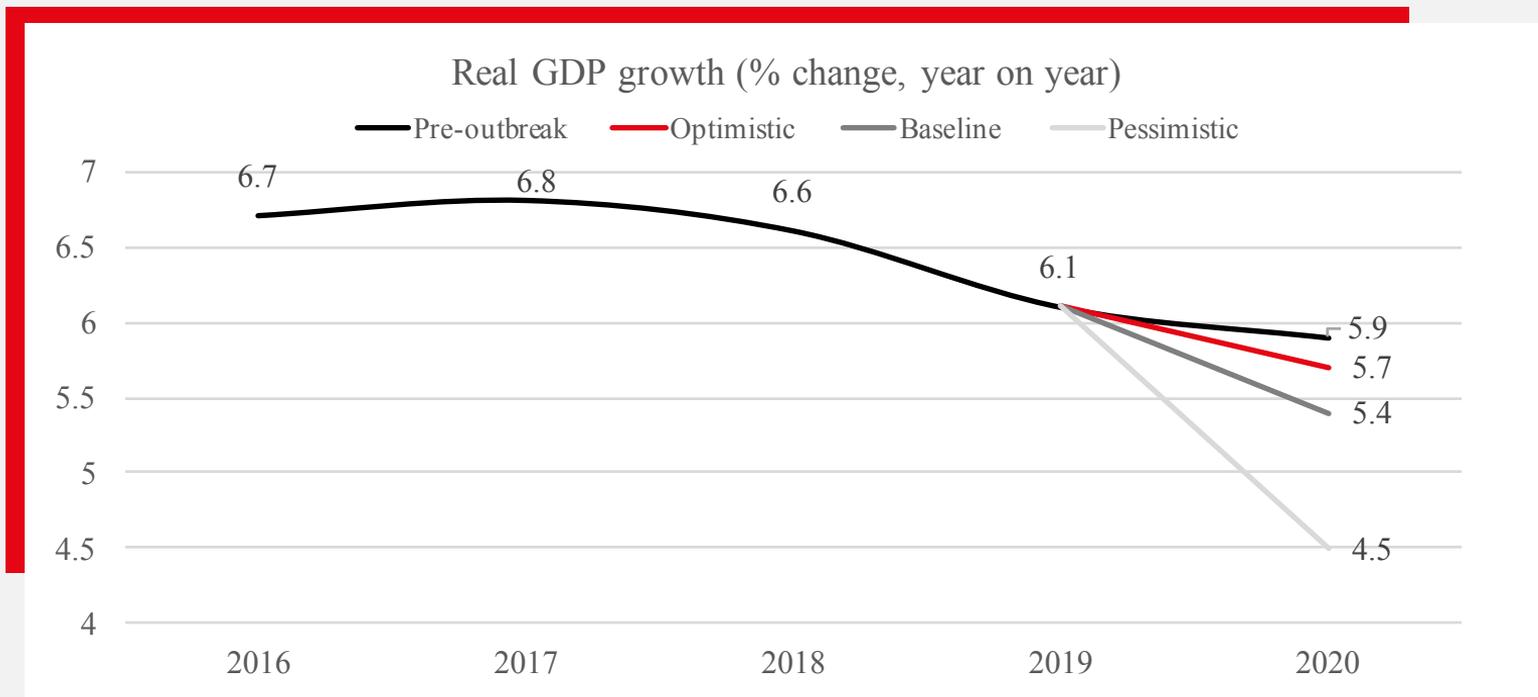
Four scenarios for economic growth in 2020

Our baseline scenario is that the public health emergency within China will be under control by end-March.

Scenario	Date by when the 2019-nCoV outbreak comes under control within China	Probability	China's revised real GDP growth, 2020 (%)
Optimistic	End-Feb	25%	5.7
Baseline	End-March	50%	5.4
Pessimistic	End-June	20%	4.5
Nightmare	The outbreak is not contained in 2020.	5%	<4.5

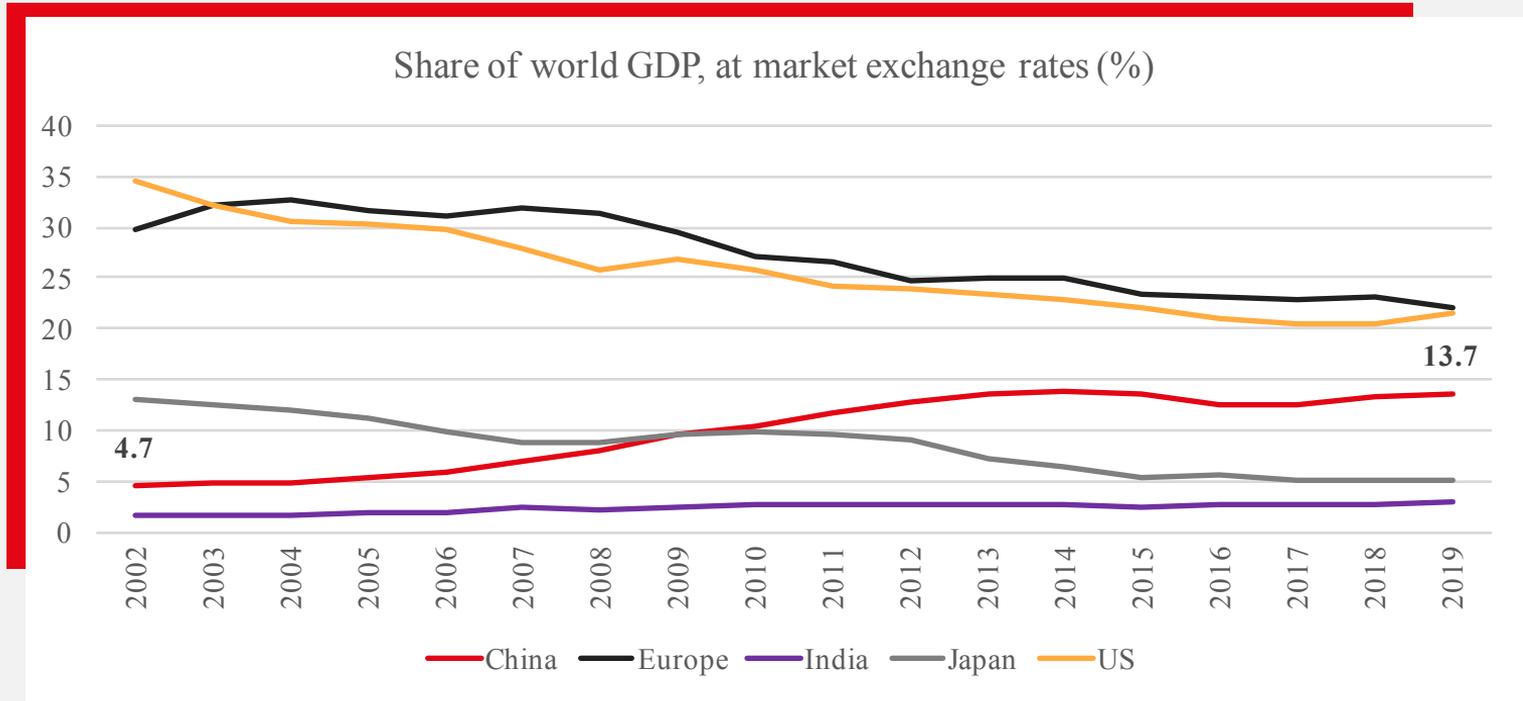
Four scenarios for economic growth in 2020

We plan to cut our real GDP forecast for China in 2020 to 5.4%, from 5.9% currently. The slowdown will be concentrated in the first quarter of the year.



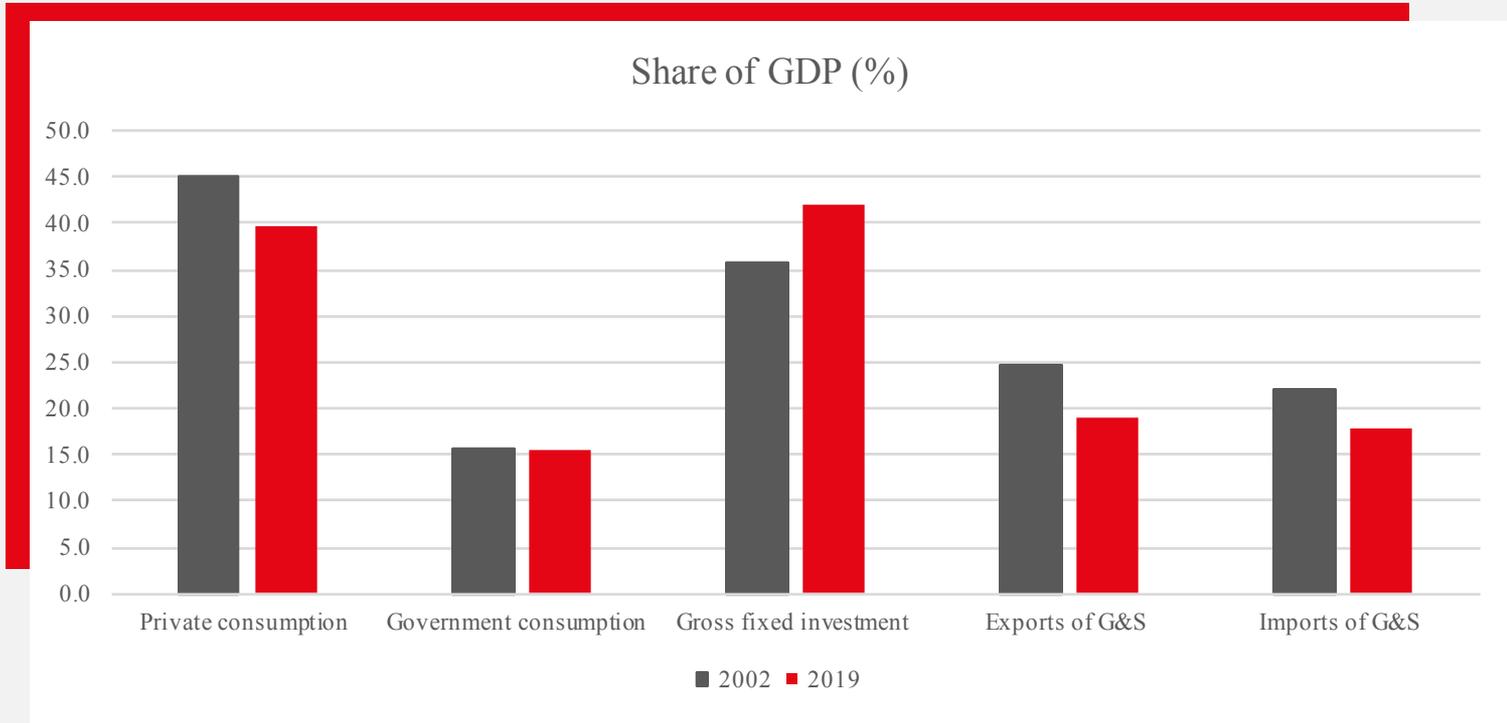
Four scenarios for economic growth in 2020

China is much more integrated into the global economy than in 2002 when SARS broke out. Our forecast for global real GDP growth (at market exchange rates) in 2020 could dip below 2%, from 2.3% currently.



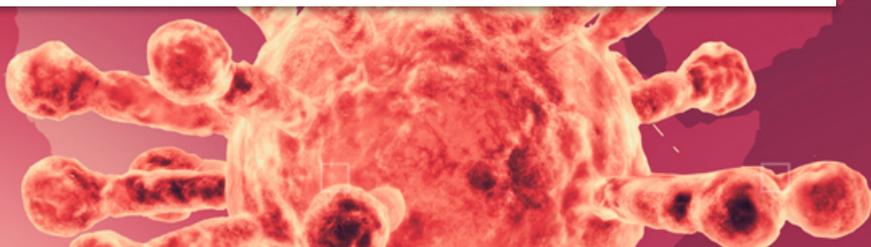
Comparing to SARS

Export growth helped underpin China's post-SARS economic recovery in 2003, but tepid global demand conditions and the fact that the external sector now accounts for a smaller share of GDP will constrain efforts to engineer a similar recovery.



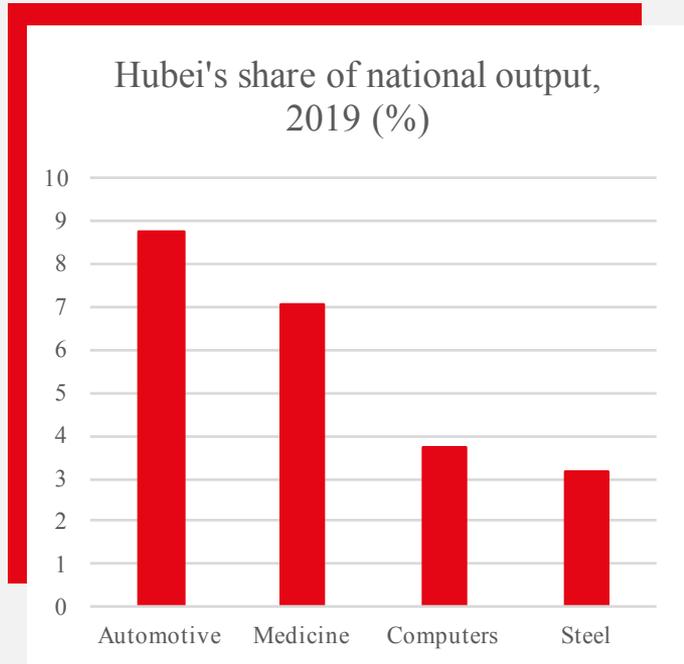
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Impact on key sectors



Hubei province

Hubei's traditional pillar industry is steelmaking, but in recent years has developed into a hub for high-tech and automotive manufacturing. Wuhan is a key logistics hub for central China and home to several top universities.



- **Automotive** -Dongfeng Motor and SAIC have factories in Wuhan with several joint venture partners, like General Motors, Honda and Renault.
- **Electronics**– A liquid crystal display (LCD) and light-emitting diode (LED) manufacturing cluster has emerged in Wuhan, led by major domestic players such as CSOT and BOE. Optoelectronics, biotechnology and integrated circuits are also important.
- **Steelmaking** – Hubei is home to China's biggest steelmaker, the China Baowu Steel Group, in Wuhan.
- **Logistics** – Wuhan is a major stop for shipping on the Yangtze River and is an aviation hub.
- **Education** – Wuhan is home to numerous top universities like Wuhan University and Huazhong University of Science and Technology.

The losers

The viral outbreak will have a negative effect on most business sectors.



Travel and tourism

Will be the hardest hit owing to quarantine restrictions and reduced consumer spending.



Logistics

Will see distribution interrupted by quarantine measures and face a lack of delivery staff.



Manufacturing

Is just one labour-intensive sector that will be hard hit.



Luxury goods

Spending will drop as consumers limit purchases to essential items.

The winners

Some sectors are set to benefit.



Pharmaceuticals

Companies will see strengthened demand for vaccines and antibiotics.



E-commerce

Consumers will shun bricks-and-mortar stores for fear of infection.



Online entertainment

Stuck indoors, consumers spending on internet services will spike.

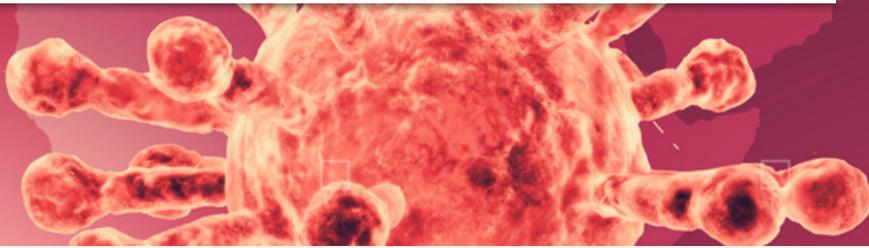


Insurance

Will taking a short-term hit, will benefit in the long term from increased awareness.

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Key issues for business continuity and strategy



Business continuity and strategy

Companies will face operational disruption until the virus is contained.



Human Resources

- Prepare for being **understaffed**.
- Ensure compliance with government-mandated extensions to the holiday period.
- **Report** any suspected cases of the virus amongst staff.
- Encourage **remote working** and ensure information technology teams are available to provide support.
- Invest in remote **communication technology**
- Ensure effective **health protection measures** like sterilisation of the workplace.



Financial Planning

- Prepare **alternative budgets**
- Prepare for a short-term dip in demand, which will reduce revenues.
- Take stock of current inventory and seek **alternative suppliers** out of China.
- Ensure **outstanding payments** are cleared as soon as possible.
- Sell off assets or cut headcount to ensure ample **liquidity**.
- **Increase wages** to motivate staff to return to work



CSR

- The Chinese government and consumers will pay attention to companies' response to the virus. Foreign companies in China should plan **campaigns designed to support the management of the outbreak**, such as making donations to the healthcare authorities.

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Q&A

Next steps

Keep informed through the latest **Economist Intelligence Unit** analysis

Economist Corporate Network events have been postponed in Beijing, Hong Kong and Shanghai for this month but we will deliver our service through:

- Further special webinars. Details will be advertised via email and on EventBank
- Weekly newsletters from your Network Director
- Remote briefings

Please get in touch with your local team (contact details in next slide) if we can be of further assistance at this time. We find that our members value and appreciate our objective analysis and forecasts when communicating with ex-region HQs.

Keep safe!

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