



Novel Coronavirus (nCoV-2019) An Update for CBBC Members

- 🏥 As the number of new cases continues to climb, the full scale of the outbreak remains to be seen
- 🏥 Restrictions on movement and quarantine controls will slow economic activity through February
- 🏥 Consensus predicts sharp short-term economic impact with recovery through the rest of 2020

Summary

Seventeen years after Severe Acute Respiratory Syndrome (SARS), China is again fighting a deadly respiratory disease. Novel coronavirus (nCoV-2019) appears to have originated in Wuhan late last year. According to official figures as of 5 February it has infected **over 24,000 people and killed almost 500¹**.

Even if the outbreak turns out to be less deadly than SARS, the economic consequences — both in China and globally — could well prove more severe.

This is due in large part to China's vastly more elevated standing in the world economy. In 2003, it was the world's fifth largest economy and accounted for only 4% of global GDP. **Today, China is the second largest and accounts for 17% of world output²**.

The Chinese authorities have so far followed the SARS playbook by applying stringent curbs to public transport and the movement of people. While this might be an appropriate step to stop the virus spreading, there is a risk that it will aggravate the economic fallout and prolong the recovery period.

A lot will depend on how quickly the rate of new infections can be brought under control and how related measures will affect global supply chains. A lockdown period of one or two months would have a significant but nonetheless limited effect on the Chinese economy. Pent-up demand and compensating investment could mitigate many losses.

A longer disruption, however, could impact the global economy negatively, encourage further decoupling between the US and China, and intensify the trend towards supply chain diversification.

Current Situation (as of 5 February 2020)

	SARS	China		nCoV-2019	China
Infections	8,098	5,327		25,604	24,391
Deaths	774	349		494	492
Mortality Rate	9.6%			2.2%	
Countries	29			24	

Source: WHO, NHC @CBBC

¹ <https://www.scmp.com/news/china/society/article/3049011/coronavirus-death-toll-jumps-65-479-chinas-hubei-province>

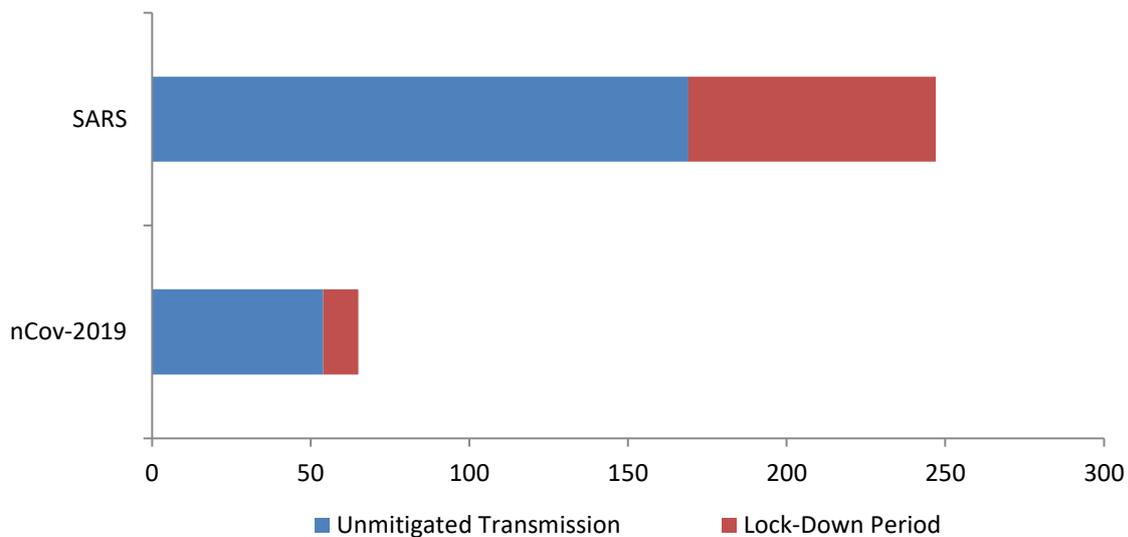
² https://www.imf.org/external/datamapper/NGDPD@WEO/OEMDC/ADVEC/WEO_WORLD/CHN

How long will it last?

SARS was allowed to continue to spread for a number of months before effective control measures were introduced in April 2003. China then experienced a lock-down period of more than two months until the World Health Organisation (WHO) declared the virus to be contained in early July.

So far, the number of people infected by nCoV-2019 has continued to rise **for at least four months**. China officially recorded its first case on 8 December 2019, but there are strong indications that the virus had been circulating for a period before then. **South Korea's centre of disease control has noted that they became aware of the novel virus in November³**. WHO experts now acknowledge that the virus emerged "**sometime in late November or early December⁴**".

Graph 1 - Days of unmitigated transmission and lock-down period for SARS and nCoV-2019 as of 4 February 2020



Source: WHO, NHC @CBBC

A quick resolution of the crisis seems unlikely, **as doctors are still working to ascertain the full scale of the outbreak⁵**. The Economist Intelligence Unit currently estimates a 50% likelihood of containment by the end of March 2020 and a 25% chance that the crisis will last longer.

Table 1 – EIU estimate of nCoV-2019 crisis duration

Scenario	Date by when the virus is under control	Probability	China's revised GDP growth (%)
Best Case	End-February	25%	5.7
Baseline	End-March	50%	5.4
Pessimistic	End-June	20%	4.5
Worst Case	Not contained in 2020	5%	< 4.5%

Source: EIU @CBBC

³ <https://twitter.com/i/status/1222114293304291331>

⁴ <https://www.statnews.com/2020/02/01/top-who-official-says-not-too-late-to-stop-coronavirus-outbreak/>

⁵ <https://www.bbc.co.uk/news/world-asia-china-51379088>

How does it spread?

According to the WHO, the current virus's estimated reproduction rate (R0) – the average number of people each infected person infects – is between **2 and 2.5**⁶. That is lower than the 2-5 rate for SARS, but higher than for a common flu, for which the R0 rate is 1.3.

The Chinese authorities have focused on fever symptoms and air-to-air transmission. But there are clues that this might not be wholly appropriate in terms of the specific characteristics of nCoV-2019.

First, although **droplets seem to be the primary transmission channel**⁷, several health experts have already pointed out that direct inhalation is not the most likely route of contagion. Instead, **skin contact with an infected person followed by rubbing of the mouth, nose or eyes, is far more likely to lead to an infection**⁸. Comparative research indicates that a coronavirus can **survive on ordinary surfaces for up to four days**⁹. **Frequent hand washing and wearing gloves, not masks, are the most effective methods to prevent infection.**

Second, unlike SARS -- which was transmitted only after victims showed clear symptoms -- **nCoV-2019 is already contagious during the incubation period, which is believed to last up to 14 days.** What's more, there are cases of **asymptomatic transmission**¹⁰. That is to say, infected people **may not show any or only mild symptoms.** This casts serious doubt over the usefulness of the ubiquitous temperature checks for stopping the contagion.

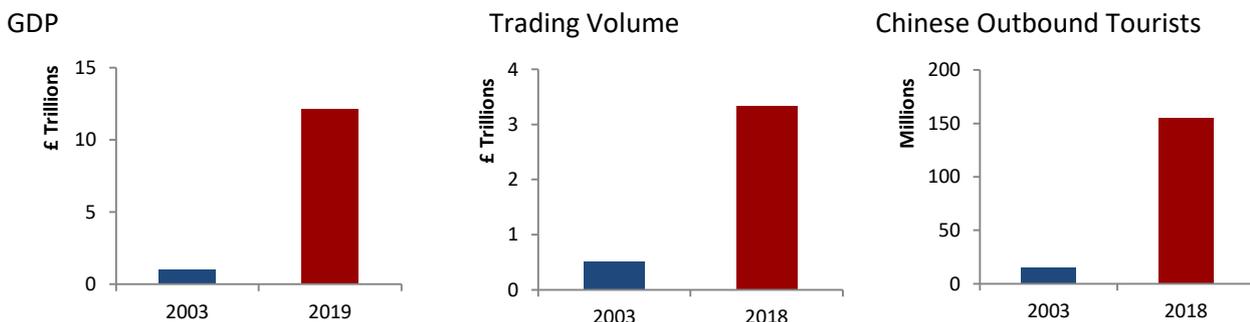
Overall, the virus so far appears less deadly but more contagious than SARS; but the fact that it is initially difficult to spot, coupled with inadequate preventative measures, could facilitate transmission.

Economic Impact of nCoV-2019

While it is still too early to make reliable predictions about the economic costs of the virus, many analysts now predict that they will exceed the impact of SARS which cost the world economy an estimated £25 billion. At the time, global GDP suffered a -0.1% drop in annual growth, with the hospitality and tourism sector taking the largest hits.

China's rapid growth and development since 2003 means the impact of this virus will almost certainly be much larger this time. For example, the number of outbound Chinese tourists has jumped around tenfold since 2003. This not only increases the risk of the virus spreading to other parts of the world, but also increases the potential loss for tourism-related businesses and retailers.

Graph 2 – Then and Now: China's GDP, Trading Volume, and Outbound Tourism in 2003 and 2018/2019



Source: IMF, NBS ©CBBC

⁶ <https://www.biorxiv.org/content/10.1101/2020.01.23.916395v1>

⁷ <https://www.cdc.gov/coronavirus/2019-ncov/about/transmission.html>

⁸ <https://foreignpolicy.com/2020/01/25/wuhan-coronavirus-safety-china/>

⁹ <https://www.sciencemediacentre.org/expert-reaction-to-news-reports-that-the-china-coronavirus-may-spread-before-symptoms-show/>

¹⁰ <https://www.nejm.org/doi/full/10.1056/NEJMc2001468>

Zhang Ming from the Chinese Academy of Social Sciences has warned that China's **economic growth could drop below 5% in Q1¹¹**. Analysts from Japanese investment bank Nomura estimate growth could **drop by more than 2 percentage points in the first half of 2019¹²**. Other banks and institutes have published **similar forecasts¹³** (see Table 2).

Table 2 – Economic Forecasts by Major Institutions (as of 5 February 2020)

	Q1		2020	
	Old	New	Old	New
Oxford Economics	6.0%	<4%	6.0%	5.4%
Macquarie	5.8%	4.0%	5.9%	5.6%
UBS	5.9%	3.8%	6.0%	5.4%
Bloomberg Economics	5.9%	4.5%	5.9%	5.7%
Standard Chartered	6.0%	4.5%	6.1%	5.8%
Goldman Sachs	5.6%	4.0%	5.9%	5.5%
Citi	5.9%	4.8%	5.8%	5.5%
Nomura	5.8%	<3.8%	5.7%	5.7%

Source: Bloomberg © CBBC

As was the case during the SARS outbreak, the biggest losses are likely to be recorded in the tourism, hospitality, and travel-related retail sectors. China's domestic retail and entertainment industries will probably face a serious drop in spending, too. Due to the negative impact on the Spring Festival holidays, Chinese economists have already estimated that the virus has cost **China's service sector an estimated £110 billion¹⁴**.

A separate question is the impact on Chinese exports, which usually tread water during the festive season. While many office workers will be able to work from home, the delayed return of migrant workers to the factory floor will probably cause considerable delays for shipments and downstream businesses.

Impact across the Regions of China

Many provinces have extended the **Lunar New Year holiday until 9 February**. Some have also **extended school and kindergarten holidays until 17 February**.

The strictest controls are being applied in Hubei Province, where the outbreak originated. Travellers returning from Wuhan to other parts of China are required to **self-quarantine for 14 days**. Some Provinces are requiring other travellers to fill out a healthcare questionnaire and report any suspicious symptoms.

Some local governments have indicated that they are willing to support local businesses by delaying the deadline for tax filings. Additionally, China's central bank has lowered interest rates and instructed local banks to support local businesses.

Some businesses contacted by CBBC have mentioned that they are struggling with insufficient supply of protective equipment like masks and disinfectants. Companies in the labour-intensive manufacturing sector, as well as client-facing service sector firms, could face further delays in resuming full-scale operations.

¹¹ <https://uk.reuters.com/article/uk-china-health-economy/china-first-quarter-growth-may-dip-below-5-as-virus-spreads-govt-economist-idUKKBN1ZS1R4?il=0>

¹² Nomura, *Asia Insights – China: The Wuhan coronavirus might hit the economy harder than SARS*, 29 January 2020

¹³ <https://www.bloomberg.com/news/articles/2020-02-04/economists-cut-china-s-growth-forecast-on-coronavirus-impact>

¹⁴ <https://www.caixinglobal.com/2020-02-01/coronavirus-costs-chinas-service-sector-144-billion-in-a-week-101510043.html>

CBBC has received the following reports from our network of 13 offices across China on conditions in specific locations. Please note that CBBC’s China offices are currently closed and that therefore we are not able to guarantee or verify at first hand all the information we have received. CBBC therefore disclaims any liability in connection with the use of this information.

Chengdu (Sichuan)

The Spring Festival holiday ended officially on 2 February. Nonetheless workplaces wishing to re-open are required to report the protective measures they are applying and to obtain approval from the local “shequ” (社区) before doing so. In practice at the time of writing it is difficult to obtain such approvals.

Chongqing

All workplaces with the exception of government offices and other public institutions are closed until 9 February. Residents returning to Chongqing are asked to undergo self-quarantine for a period of 14 days and to undergo a medical check before returning to normal routines.

Nanjing (Jiangsu)

All workplaces are closed until 9 February. Schools and kindergartens will not reopen until 17 February. Large-sale gatherings including exhibitions, conferences and cultural events are currently prohibited.

Shenyang (Liaoning)

All workplaces are closed until 9 February. Schools and kindergartens will not reopen until 17 February. Only limited public transport is operating.

Xi’an (Shaanxi)

All workplaces are closed until 9 February. The movement of passenger vehicles between Shaanxi and other Provinces was suspended on 26 January. It has been announced that schools and kindergartens in Xi’an will not return to normal operation until further notice.

Shanghai

All workplaces are closed until 9 February. Schools and kindergartens will not reopen until the end of February. Residents returning from Hubei, who have had close contact with people from Hubei or who have had close contact with patients diagnosed with or suspected of being infected with nCoV-2019 are asked to undergo self-quarantine for a period of 14 days and to undergo a medical check before returning to normal routines. All vehicles entering Shanghai need to be registered and the authorities are checking the temperatures of drivers and passengers. The same health controls are being applied at airports and major railway stations.

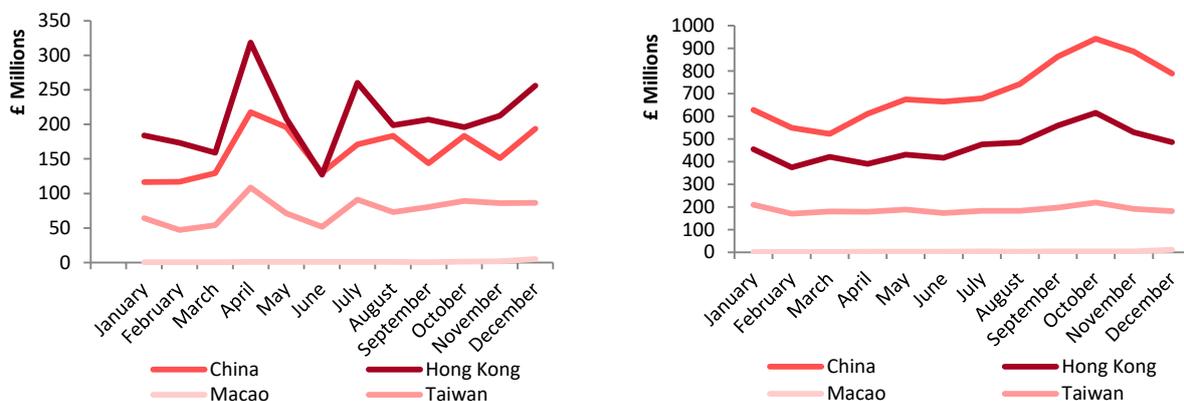
Hangzhou (Zhejiang)

All workplaces with the exception of government offices and other public institutions are closed until 9 February. Residents returning to Hangzhou from areas where localised outbreaks have been reported including Wenzhou City and Taizhou City are subject to special reporting requirements. In Wenzhou specifically, the extended holiday will apply until 16 February.

Impact on UK businesses

Some UK businesses are already experiencing problems, with several CBBC Members reporting that the resumption of normal working has been delayed as a result of staff shortages and postponed client meetings. Moreover some business trips to China have been cancelled until March and some promotional events and trade fairs have been called off. The organisers of the Canton Fair, China’s oldest international trade fair, announced on 4 February that this year’s event, originally scheduled for 17 April, would be delayed until further notice.

Graph 3 – UK Exports and Imports during the SARS crisis in 2003



Source: HMRC ©CBBC



These problems notwithstanding, it is to be hoped that the overall impact on UK businesses and bilateral trade will be short-lived. In 2003, UK exports to China, Hong Kong, Macau and Taiwan dropped by 48% (~£ 3.5 billion) between April and June before recovering in July. By contrast, imports remained stable but suffered delays.

The CBBC View

It is necessary first to caveat any predictions with strong warnings about the limitations of the data available and the risks involved in basing forecasts on the experience of SARS and other past emergencies. As its name indicates, the virus which China is currently fighting is novel, new and unprecedented. The outbreak will inevitably run a different course to what we have seen before.

Nonetheless, experience strongly suggests that tourism, hospitality and related industries such as luxury retail will be the areas most affected. Other sectors such as retail and manufacturing are likely to see a temporary v-shaped downturn followed -- it must be hoped -- by a subsequent fairly rapid recovery to normal levels of activity.

Chinese exports may experience a considerable drop, but with every possibility of recovering robustly soon after the virus abates. Imports into the UK will equally experience delays which could cause problems for some manufacturers, especially those which rely on intermediate goods from China.

Pharmaceutical companies and medical equipment manufacturers could benefit from increasing demand. We could even see further regulatory changes to China's healthcare and insurance system in the wake of this outbreak, which could offer new opportunities to UK healthcare companies.

A number of members have asked for advice on conference call service providers who continue to be able to operate in China. CBBC can offer no endorsement or guarantee in this respect. However we are happy to confirm that at the time of writing we continue successfully to use BizConf CSS (bss@bizconf.cn), Arkadin Teleconference and Intercall.

We advise all British companies to follow the advice published by the [Foreign and Commonwealth Office](#)¹⁵ and local Chinese governments. Some provinces, such as Guangdong, have already [published information for foreign nationals](#)¹⁶.

If you need further information or assistance regarding the regulations for specific provinces or cities, please contact enquiries@cbbc.org. We are monitoring the situation constantly and will do our best to help our members during this difficult period. 英中

¹⁵ <https://www.gov.uk/government/news/coronavirus-and-travel-to-china-foreign-secretarys-statement-4-february-2020>

¹⁶ http://eng.hp.gov.cn/2020-02/04/c_450437.htm