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**CHINA'S
COVID-19
EXPERIENCE
A RAPID OVERVIEW**

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In just over three months, China has been fairly successful in containing the public health impact of COVID-19, flattening the curve of caseloads relatively early, with a substantial positive impact on the number of saved lives. This has created high economic costs, but recent measures of easing the restrictions and allowing a resumption of production and movement hold the promise of mitigating some of those costs by the end of 2020.

China's approach and measures, as briefly described here, offer important lessons for other countries that are now facing COVID-19 and its economic, social and environmental impacts. The rapidity of the spread of the pandemic, combined with how complex and interrelated our world is, makes such an assessment only a starting point for guidance. Some of the short-term impacts are obvious and significant, notably the loss of lives, social distress, anxiety, economic downturn, and loss in jobs and income. Other long- and short-term impacts, such as on inequality, multidimensional poverty and value chain structures, will necessitate more time and data to be fully evaluated.

First, China addressed the public health crisis. China's bold measures—comprising detection, confinement, isolation, social distancing and travel bans—were pivotal in containing the rapid spread of the virus. Despite some initial delay and indecision, once the trade-off between public health and economic health was clear, China's government acted decisively.

On 31 December 2019, China informed WHO of a few cases of a novel pneumonia virus in Wuhan (Hubei province). Wuhan was placed under effective quarantine from 23 January 2020, when the national death toll stood at 17 and confirmed cases of infection at 571. A few days later, the entire province of Hubei was under lockdown, Chinese New Year's public events were cancelled, and public venues started to close across the entire country. Since the mid-February peak in new cases and, subsequently, in the caseload, the number of confirmed cases of COVID-19 nationwide has steadily declined. As of 20 April, the confirmed new cases have dropped to 14, having on average hovered below 100 since the beginning of March. As of this date, 84,237 people have been infected and 4,642 have died from COVID-19.¹

The Chinese government adopted rigorous quarantine and prevention measures to control the spread of the outbreak, including a public transportation lockdown, extended holidays, the isolation of diagnosed people and those with mild and asymptomatic infection, and the repurposing of public spaces for medical care. In Wuhan, all residents were required to stay at home, and each community was semi-autonomously policed by recruited volunteers, property management staff and designated governmental officials. At the very beginning of quarantine, each household was checked and categorized, recording the number of individuals, the elderly and low-income households. Volunteers were responsible for the delivery of daily supplies and attending to the special needs of the vulnerable.

Relatively more moderate responses and targeted quarantines were adopted elsewhere in China, where the focus was more on containment rather than mitigation. Key features of the measures put in place were: systematic tracking of health status, isolation of affected cases and treatment in designated facilities; electronic recording and tracking systems; social distancing (14-day quarantines, mandatory closure of non-essential workplaces and public institutions, and cancellation of large-scale events); clear guidance about the extent of lockdowns; and centralized reporting and communication channels to keep citizens informed. Finally, essentials such as food and medical supplies were kept flowing thanks to organized, government-controlled arrangements.²

Second, the government had to deal with an all-round economic crisis. The initial shock caused by the spread of the virus was on the supply side: movement restrictions caused severe labour constraints that led to a very sharp fall in production. By the end of February, the economy was estimated to be operating at just around half of its typical output.³ Manufacturing, construction and extractive industries were severely affected, and supply chains were disrupted worldwide. Official statistics show that the utilization rate of industrial capacity was 67.3 percent in the first quarter of 2020, down from 77.5 percent the previous quarter. Automobile, electrical machinery and equipment, food and textile manufacturers recorded double digit drops.⁴ Overall, first quarter GDP growth contracted by 6.8 percent year on year, a record low since the beginning

1 WHO. WHO Health Emergency Dashboard. WHO (COVID-19) Homepage. China. Available at <https://who.sprinklr.com/region/wpro/country/cn>. Accessed 20 April 2020.

2 Wu, X. (2020). 6 lessons from China's Zhejiang Province and Hangzhou on how countries can prevent and rebound from an epidemic like COVID-19. World Economic Forum. 12 March 2020. Available at <https://www.weforum.org/agenda/2020/03/coronavirus-covid-19-hangzhou-zhejiang-government-response/>; Boston Consulting Group et al. (2020). COVID-19 Outbreak Update: Status, business risks, and implications. February 26, 2020 update. PowerPoint presentation. Available at https://cdn.oantagonista.net/uploads/2020/02/BCG-on-Covid-19_Feb-26.pdf

3 Trivium China (2020). Why Q2 is critical, China Tip Sheet, March 26, 2020. Available at <https://triviumchina.com/2020/03/26/why-q2-is-critical-china-tip-sheet-march-26-2020/>

4 National Bureau of Statistics of China (2020). The Utilization Rate of National Industrial Capacity in the First Quarter of 2020. 4 April 2020. Available at http://www.stats.gov.cn/english/PressRelease/202004/t20200420_1739786.html



of the publication of quarterly GDP data in 1992.⁵ However, as movement restrictions are relaxing, it is expected that the recovery rate of mining and industry will be relatively rapid. Indeed, the latest official data show that as of 14 April, 99 percent of China's medium and large enterprises have resumed production, and 94 percent of workers have returned, up from 15.5 and 38 percentage points respectively in February.⁶ The resumption rate for small and medium-sized enterprises (SMEs) was estimated at 84 percent by mid-April.⁷

The initial shock was closely followed by a combined supply and demand crisis. The service industry that accounts for 53 percent of GDP suffered the most and is now displaying a slower recovery rate, as soaring demand in sectors such as e-commerce, health care and IT solution providers is only partially offsetting falling demand elsewhere. Corporate registration data showed that more than 460,000 Chinese firms closed permanently in the first quarter of the year, around half of them in distribution and retail.⁸ Early evidence from the official non-manufacturing Purchasing Managers' Index (PMI) shows a stabilization of activity in March, after the sharp fall recorded in February.⁹

While the shock affects all businesses, SMEs are especially vulnerable given their limited resources and access to credit to shore up working capital. SMEs account for over 90 percent of all market entities in China and 79 percent of total employment. Many SMEs, notably in the service sector, are facing tighter cash flows, a general decline in both market supply and demand, and disrupted supply chains. This has led to pressures in paying wages, rents and in servicing bank loans.¹⁰

The informal sector is also extremely exposed to the adverse impacts of the pandemic. Many key social insurance programmes, as well as laws designed to protect workers' rights, are only available to urban formal sector employees, or they distinguish sharply between the formal and informal sectors in their coverage and benefits. The share of informal employment in total employment is estimated at 54 percent.¹¹ The survival of SMEs, as well as effective employment and income support for informal workers, is crucial for stabilizing employment and safeguarding wage income, an important part of aggregate demand.

5 Ibid.

6 Government of China (2020). 全国规模以上工业企业平均开工率达百分之九十九. 17 April 2020. Available at http://www.gov.cn/xinwen/2020-04/17/content_5503281.htm

7 People's Daily (2020). 中小企业复工率超八成 (国务院联防联控机制发布会). 17 April 2020. Available at <http://finance.people.com.cn/n1/2020/0417/c1004-31677139.html>

8 Leng, S. (2020). Coronavirus: nearly half a million Chinese companies close in first quarter as pandemic batters economy. South China Morning Post. 6 April 2020. Available at https://www.scmp.com/economy/china-economy/article/3078581/coronavirus-nearly-half-million-chinese-companies-close-first?mc_cid=7e820f78bf&mc_eid=897b68adca

9 The National Bureau of Statistics' non-manufacturing PMI rebounded to 52.3 in March from 29.6. See: http://www.stats.gov.cn/tjsj/zxfb/202002/t20200229_1729136.html.

The Caixin general services PMI, on the other hand, strikes a more cautious note, pointing to a second consecutive month of decreasing activity in the services sector. See <https://www.markiteconomics.com/Public/Home/PressRelease/71186c06cb844e9f83c74c1001ae795a>

10 UNDP China (2020). Assessment Report on Impact of COVID-19 Pandemic on Chinese Enterprises. Available at https://www.cn.undp.org/content/china/en/home/library/crisis_prevention_and_recovery/assessment-report-on-impact-of-covid-19-pandemic-on-chinese-ente.html

11 ILO (2018). Women and men in the informal economy: A statistical picture. Third edition. Available at https://www.wecglobal.org/uploads/2019/07/2018_ILO_Informal-economy-statistics.pdf

China's government has so far pursued a targeted policy approach, adopting policies to cushion the blow of the crisis and support the resumption of work and production, including fiscal, monetary, financial and trade policies, as summarized by the IMF Policy Tracker of global COVID-19 policy responses.¹² During the initial outbreak period, the government primarily focused on repurposing manufacturing production towards health care provision—masks, personal protective equipment (PPE), hospital beds and ventilators—and on supporting the services and retail sectors. As the epidemic was contained, the government has shifted its efforts towards restarting the economy, requiring local governments to simplify business approvals and optimize services to encourage enterprises and workers to resume production¹³ and support consumption. Local governments, for example, are enacting voucher programmes for various consumer goods, hiring subsidies, administrative support for jobseekers, and logistical support for migrant workers to return to their cities of employment.

Support for SMEs is broadly reflected in national and local policies, including tax and rent reductions, targeted funding and flexible credit policies. For instance, Hubei province issued 18 different measures in February for the coming 6 months, focusing on lowering costs and facilitating financial support for SMEs. The government has exempted SMEs from contributions to social security from February to June 2020. To spur investment, the Ministry of Finance plans to grant more quotas to local governments for issuing new bonds.¹⁴ The State Council announced that it is extending parts of expired preferential tax policies to the end of 2023.¹⁵

To support employment, which is essential for social stability, the State Council extended unemployment insurance to jobless people and entrepreneurs in cities hardest hit by the virus. Flexible employment, such as working as digital platform workers and street vendors, was pursued, concessional loans granted, and contributions to unemployment insurance will be returned to some companies that retain their employees.¹⁶

As the health crisis is getting under control, the government is adopting a gradual approach to restart the economy, exemplified by lifting the Wuhan lockdown from 8 April. It is a careful balancing act between getting back to work and normalization versus maintaining the current low level of new infections while relaxing restrictions slowly and methodically. This is proving to be a non-linear exercise, as evidenced, for example, by the recent stringent travel ban addressing the rise in cases from abroad as the rest of the world experiences outbreaks and by the reversal of the decision to reopen cinemas. A constant flow of timely and reliable data and information is pivotal for its effectiveness.

Habits developed during the epidemic persist. Millions continue to work from home and millions of learners are being taught online. By the end of March, primary and secondary schools in several provinces have reopened, but only in communities free of the disease. Universities remain closed. Face masks are ubiquitous; temperature checks are widespread. Wide-ranging testing, the methodical identification of new cases, and tracking and quarantining all close contacts remain in place.

China's experience is also showing some gaps and challenges, such as relating to the timeliness and consistency of the measures applied, or the flow of information and data. Timely and unbiased data are relevant for formulating the immediate health response and the right package of policies. They are also critical for guiding people's decisions and retaining public confidence in the government's strategy. Challenges have emerged around the simultaneous and not always coordinated issuance of rules and guidelines by different government levels,¹⁷ as well as how to ensure consistent planning for how to improve surveillance, disease control, knowledge exchange and global policy coordination once the outbreak has been contained. Given the rapid evolution of the pandemic, not enough time has passed to fully evaluate the impact of China's approach, and consider difficult trade-offs, as well as secondary and tertiary consequences. These include the impact on livelihoods and the unintended consequences of the measures taken, such as the impacts on people with other diseases, such as cancer or HIV, at a time when public health system resources are almost totally occupied by the response to the pandemic.¹⁸

Despite its human toll, the pandemic provides an opportunity for "building back better", building on epidemic-induced innovations, and lessons learnt. This unprecedented phenomenon and the equally unprecedented response to it have demonstrated that it is possible to make gains in environmental sustainability. However, there is a risk that things return to the "old" normal, widely considered as an unsustainable path, and that the unique opportunity may be missed to adjust business models and ways of life to the more sustainable patterns demonstrated during the crisis.

12 IMF (2020). Policy Responses to COVID-19. Policy Tracker. Available at <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

13 Huang, Y., Lin, C., Wang, P. and Xu, Z. (2020). Saving China from the coronavirus and economic meltdown: Experiences and lessons. VOX CEPR Policy Portal. 23 March 2020. Available at <https://voxeu.org/article/saving-china-coronavirus-and-economic-meltdown-experiences-and-lessons>

14 The State Council, the People's Republic of China (PRC) (2020). China's local govt bond issuance slows, pace to quicken. 3 Mar 2020. Available at http://english.www.gov.cn/statecouncil/ministries/202003/03/content_WS5e5df5c3c6d0c201c2cbd715.html

15 The State Council (PRC) (2020). China to extend preferential tax policies. 9 April 2020. Available at http://english.www.gov.cn/premier/news/202004/09/content_WS5e8e66f0c6d0c201c2cc07ff.html

16 The State Council (PRC). Website. Available at <http://english.www.gov.cn/>

17 European Union Chamber of Commerce in China. COVID-19: The Impact on European Business in China. 2 February 2020. Available at https://www.europeanchamber.com.cn/en/press-releases/3161/covid_19_severely_impacting_business_trade_associations_call_for_proportionate_measures_to_get_real_economy_back_on_track

18 Kupferschmidt, K. and Cohen, J. (2020). China's aggressive measures have slowed the coronavirus. They may not work in other countries. Science. 2 March 2020. Available at <https://www.sciencemag.org/news/2020/03/china-s-aggressive-measures-have-slowed-coronavirus-they-may-not-work-other-countries#>