

Research on China's Economic Situation and Future Expectations under the Epidemic

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Abstract: The outbreak of the new crown epidemic in 2020 has had a huge impact on societies and economies around the world. The economic downturn has been the norm for the last two years, but it is still important to stay on target and grow. As the world's second largest economy, China's economic development and the factors affecting it in the event of an epidemic are particularly crucial. It is also relevant to sustainable development. This paper examines the extent to which the factors affect the economy through a combination of qualitative and quantitative methods. The current state of the Chinese economy and expectations for future development are analyzed two main topics, the situation of the Chinese economy, and the future development of China and the Sustainable Development Goal. The ratios show that consumption is the main factor influencing the economy. This is followed by unemployment, investment and even taxation. Also comparing the way the US and China stimulate consumption, the conclusion is that because of the different national conditions, the way to stimulate the economy will be different. Finally, in the context of Sustainable Development Goal 8.1 sustainable development goals, it is difficult to achieve an economic growth rate of at least 7% by 2030 because of the unstable economic situation and the constant blow of the epidemic. However, there is a positive expectation for China's future economic development and the economy will gradually recover. There is still a need for a strong development in technology and new energy economy to reach the sustainable development goals.

Keywords: epidemic, China's economic status, SDG, economic factors, consumption

1. Introduction

The global economy has begun to shrink under the weight of the new crown pneumonia epidemic. Sustainable economic development in China has also been hampered. This paper focuses on the overall economic situation in China under the epidemic and the factors influencing it, so as to further investigate Sustainable Development Goal 8.1 (SDG 8.1) that it can grow steadily by 7% and maintain economic growth per capita until 2030. This paper uses a combination of qualitative and quantitative methods to conduct the research and analysis through the literature review. This paper examines the sustainable development of China's economy to give the reader an understanding of the current state of China's economy and the factors influencing it. It provides a plan for future development and a comprehensive analysis of China's current situation and whether it will be able to achieve a 7% annual increase in GDP by 2030.

2. Economic Situation and Influence Factors under the Epidemic

2.1. GDP

China's economy is doing well in 2019, with a very dynamic economic situation and an improving structure. In particular, the tertiary sector recorded the greatest growth, reaching a growth rate of 7%. The urban unemployment rate fell by 0.1% compared to the previous month [1]. The expansion of the economy is leading to a steady increase in GDP. However, as a result of the epidemic, in the first quarter of 2020, China's economy fell by 6.8% year-on-year [2], the first negative quarterly growth. Therefore, it can be seen that the Chinese economy is facing serious problems and blowback due to the epidemic. The epidemic is affecting the rate of economic development in several ways, for example, resources, market environment, labor force, etc. Until 2021, China's economy as a whole remains in a state of recovery. In the first quarter of 2021, the economy grew by 18.3%, but the growth rate slowed down in each quarter due to the fluctuations of the epidemic and the closure of some high-risk areas. In the second quarter it fell to 7.9% amidst the instability of the epidemic [3]. Economic growth continued to decline in the third and fourth quarters. The recovery was accompanied by a gradual pick-up in consumption and services, and a recovery in industrial production and manufacturing that contributed to the recovery. On July 22, 2020, China put in place the COVID19 vaccine for the first time in order to protect high-risk groups. Since then, vaccinations have been started one after another [4]. This reflects the effective control of the epidemic in the China, from the development and popularization of the new crown vaccine to controlling travel in various regions and achieving control of the spread of the epidemic by doing nucleic acid. Currently, the Covid-19 vaccination rate in mainland China is as high as 89.6%. Vaccination is effective in reducing the risk of hospitalization and death [5]. By August 2022, there were new asymptomatic infections and confirmed cases, but no new deaths. Thus, vaccination can control the spread of the epidemic. A dynamic zero status was maintained in most areas. Better control of the epidemic is also one of the factors that will make it possible to grow the economy in 2021. At the same time there are many uncertainties.

2.2. Unemployment Rate

By 2022, a new wave of the epidemic's spread has led to a slowdown in economic growth and the adoption of closure measures in some cities, resulting in a state of home-based businesses, factory shutdowns and ongoing layoffs. The unemployment rate in China continues to rise due to factory shutdowns, production stoppages and layoffs, with CEIC Data showing an increase from 5.1% in December 2021 to 5.8% in March 2022, and even reaching 6.1% in April [6]. As a result GDP growth in the first quarter of 2022 was only 4.8% year-on-year [7]. The pressure on employment in China is increasing. The increase in unemployment leads to a simultaneous decrease in consumption intensity, even reflecting the declining productivity due to labour shortages. The increase in unemployment lowers per capita wages, making consumption less robust.

2.3. Consumption

Global uncertainty under the impact of the new epidemic has led to continued shocks to international supply chains and volatile commodity prices. Consumption and demand have also been further depressed. Total consumer goods grew by 3.3% year-on-year in the first quarter of 2022, but at a rate 10% lower than in January and February [7]. Firstly, the recurrence of the epidemic has put pressure on domestic service-based consumption such as tourism, restaurants and entertainment. Secondly, residents' ability and willingness to consume decreased significantly. In March, consumption of essential goods grew at a greater rate as the demand for stockpiling rose sharply due to an increase in

the number of areas isolated at home. However, there was little willingness to consume offline, and other optional consumption showed negative growth. For example, cars, luxury goods, etc. The influence of consumption on the economy is as high as 69.4% [7]. Compared to the US, as one of the developed countries, consumers will spend less to cope with situations that could lead to unemployment or lower incomes, while also limiting much offline consumption. As consumption dominates the economy and countries, different countries are stimulating consumption in different ways to recover the economy.

2.3.1. US

In the United States, consumption has been boosted mainly through the granting of benefits, notably the CAREs Act, a \$2.4 trillion one-off benefit to residents [8]. Workers, businesses and industries have been given quick relief and support. This has boosted spending efforts and increased the scale of spending. During the epidemic, online spending became the dominant form of consumption and social networks had a huge impact on consumers, with 75% of consumers opting for new ways of spending in the face of shop closures and financial stress, according to McKinsey analysis [9].

2.3.2. China

There are different ways to stimulate consumption in the face of different national contexts. In the case of China, consumption will be driven mainly through the production sector. The recovery in production will reduce unemployment, which requires a large labor force to boost production, which in turn leads to higher per capita income, a phenomenon that has a knock-on effect.

According to the National Development and Reform Commission, China's overall consumption accounted for 57.8% of total GDP growth in 2019 [10]. Consumption will be the main driver of economic recovery in the face of the epidemic. A "double cycle" and a more equitable social environment will be achieved through enhanced import/export trade and higher incomes.

In order to stimulate domestic mainstream consumption, the government has also provided more support to some retail, hotel, and restaurant sectors, reduced taxes, and integrated online and offline (O2O) consumption methods. To reduce unemployment and give unemployment insurance to companies that do not lay off workers or lay off very few workers. More workforce is the only way to maximize efficiency. The dynamics of the lockdown in some cities under the epidemic have had a serious impact on the economy, so consumption is particularly important in recovering economic growth [11]. This includes China's leading international position, so the recovery in import and export trade has also allowed the economy to bounce back quickly in the face of the epidemic. China has stimulated consumption in a way rather than giving out direct subsidies as the US has done. China's overall savings rate is high, so a brief shutdown does not affect consumption too much, as long as there is future income rather than unemployment. It is therefore the resumption of work and production that will be an important breakthrough for local governments to recover the economy.

Since 2021, due to the regulation and influence of the domestic macro policy, by reducing the interest rate to 3.7% [12], investment in all sectors has recovered, especially in the manufacturing sector, with a rapid recovery of 13.5%. Total fixed investment increased by 4.9% compared to the previous year. Industry has also gradually recovered and continued to grow, with an increase of 9.6% over 2020 [12]. The rapid recovery in the various sectors has had a sizable effect on the economy showing a recovery.

2.3.3. Organization

Taxes as fiscal policy will also indirectly affect the economy. The OECD's draft legislation on the amount of A in 2022 was published in response to the OECD's "two pillars" proposal in October 2020

to address the tax challenges of the digital economy. Market countries raise taxes by collecting a share of the residual profits of multinational groups, known as the "new taxing power". For developing countries, the government raises taxes through a 'two-pillar' approach. The two-pillar solution was adopted to address the tax challenges posed by digital globalization. This is a major reform of tax collection and has significant long-term implications for multinational companies. The increase in taxation helps to implement national infrastructure and, on the other hand, to support small and medium-sized enterprises by granting loans. It is even possible to create new jobs to reduce the unemployment rate. This will increase economic development. Therefore, more and more countries have become involved in this international organization's agreements.

3. China's Future Development and SDG Targets

For China in developing countries, for Target1 in SDG8, there is uncertainty due to economic factors, including the international situation, the outbreak of the Russia-Ukraine war and the trade war between China and the US. Therefore, it is somewhat difficult to reach a stable GDP growth of at least 7% in 2030. Although the economic situation is in a state of gradual recovery, it is difficult to reach a state of stable annual growth. since 2020, China's economy has continued to show fluctuations. For developing countries or underdeveloped countries, there is a greater reflexive effect of external factors, which means that these countries are more vulnerable to resources, social environment and political factors in the process of technological development. As a result, the country's economic development is affected and hindered. GDP is also linked to the population of a country, and countries with a high population density will need to work harder to achieve a high GDP. From 2020 to 2022, the economy is more volatile. Therefore, it is uncertain and difficult to achieve the target in eight years, due to the unemployment rate, consumption, investment and macroeconomic regulation. The impact of consumption on the economy is relatively large. Therefore, stimulating domestic consumption will increase GDP per capita to achieve 7% growth.

For the LDCs, real GDP growth is 4.8% in 2019, dropping to 4.5% in 2020 due to the impact of the epidemic, until 2021 and 2022, when economic conditions slow down and real GDP growth in the LDCs is 4% and 5% respectively [13], leaving some distance to reach 7% for sustainable development by 2030. The economic situation has slowed, with real GDP growth in the LDCs of 4% and 5% respectively (Div, 2022), leaving some distance to reach 7% for sustainable development by 2030. From the current perspective, it is difficult to complete SDG 8.1 in eight years from 2022 to 2030, maintaining the economic growth rate per capita and maintaining annual GDP growth in the LDCs at 7%. For China, which is in a developing country, effective economic recovery is precarious, and economic volatility and instability will hinder the speed of reaching the target.

4. Discussion

The Chinese economy is severely hit in 2020 due to the global epidemic, which means that the economy is affected in several ways. The outbreak of the epidemic has forced some regions to shut down their businesses, leading to an unemployment rate of 6.1% in April 2022. Per capita income is also falling sharply, which is also seriously affecting domestic consumption efforts, especially offline. In order to stimulate domestic consumption and increase GDP, and in comparison to the developed world of the United States, China has started to circulate the entire industrial chain by resuming production and driving consumption. Unemployment is also slowly falling, while increased taxes go to boost national spending. In addition, the three major industries are slowly recovering from the epidemic, which is supportive of China's continued upward economic growth, with real GDP growth expected to slow to 4.3% in 2022 (The World Bank, 2022). Because of the economic damage caused by the two-month-long blockade in some areas in the first half of the year, an active policy to ease

the downturn in the second half of the year will be pending a rebound. Substantial government spending, interest rate cuts and a positive response to the real estate sector have increased the impact of macroeconomic regulation, which will restore the economy to sustainability. Unemployment is expected to fall to 3.6% after 2023, with the liberalisation of macro-control leading to greater investment and a recovery in consumption and services in the second half of 2022. The Chinese economy is expected to return to sustainable development after 2023.

5. Recommendation

Currently, the environment in which the economy is operating makes it constantly volatile. In this unstable situation, it is not only important to boost the economy in terms of consumption and industrial recovery to increase GDP, but also in the next eight years through the development of new energy sources and the protection of the environment. In an uncontrollable epidemic environment, there will be frequent outbreaks in various regions in the future. Therefore, the improvement of science and technology and the protection of the environment will be of paramount importance. Technology is one of the most important goals in the development of a country and makes it strong. Currently, it plays an important role in areas such as automobiles and the internet. New technology will also drive up the GDP of the whole country. In recent years, new energy vehicles have been widely popularized and used for research and development. In order to promote more effective energy saving and emission reduction, China has also proposed a new energy policy and the national consumption of this has increased as a whole. Therefore, in order to achieve a per capita growth rate of 7% by 2030, there is much more to be done than just increasing consumption, reducing unemployment and regulating the macro economy. There is a need for constant improvement in everything from politics, national awareness, the environment and technology. Technological development is perhaps a particularly important step.

6. Conclusion

This paper discusses the factors influencing the development of China's economy under the epidemic and the future expectations for. The analysis shows that after 2020, China's economy shows instability and the repeated outbreaks of the epidemic make the economy decline. The conclusion shows that consumption is the biggest influencing factor. Due to different national conditions, consumption is stimulated in different ways. Since 2020, the analysis has concludes that achieving a 7% economic growth rate in 2030 is difficult as the epidemic continues to fluctuate the economic situation.

This paper does not obtain exact quantitative results in terms of the percentage of influencing factors, so much so that only theoretical conclusions can be drawn, which is a rather subjective result of the analysis. Therefore, a deeper analysis and data survey can be conducted to improve the accuracy of the share and achieve a more objective analysis.

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