

Coronavirus : demand shock to 'add frost to the snow', as China's trade economy struggles to recover

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China set to feel force of an up to 32 per cent slowdown in global trade, according to World Trade Organisation calculations.

Officials in Beijing increasingly open about the coming shock to the Chinese economy from the virus containment efforts elsewhere.

The incoming global trade slump will “*add frost to the snow*” of China’s economic slowdown, as the country struggles to recover from its coronavirus-led shutdown, government officials said. The World Trade Organisation (WTO) this week laid bare the bleak outlook for the year ahead, predicting a trade slowdown of up to 32 per cent, in its “*worst case scenario*” model. And while China has been gradually reopening its own economy following a weeks-long lockdown after the Lunar New Year holiday, it is now facing a severe demand hit as its export markets follow suit in virus containment measures.

At a press conference in Beijing on Friday, Chinese government trade officials acknowledged once again the demand shock facing the economy – marking a growing trend among mandarins in the capital, who are speaking quite openly about the economic challenges. The shift in rhetoric across a number of ministries this week could be intended to manage expectations as to the hardship ahead.

“The uncertainties and challenges of China’s foreign trade have increased significantly,” said Ren Hongbin, assistant minister of commerce. *“A great many companies face cancellations of existing orders or delays, and most of their active orders are short-term, with few long-term ones.”*

Ren Hongbin added that overseas containment measures had led to a huge impact on global trade flows, but said the latest projections from the WTO were unusually pessimistic.

“The fall of the world economy and global trade are compounding and adding insult to injury of China’s foreign trade performance, especially in terms of overseas demand,” he said.

As of now, over three quarters of key Chinese foreign trade enterprises have recovered at least 70 per cent of their production capacity, he told the press.

More details of the recovery of China’s export engine will be revealed next week, when the National Bureau of Statistics releases monthly trade data from March. The numbers are expected to be slightly better than the combined figures for January and February, when exports fell by 17 per cent. A forecast of economists conducted by Bloomberg expects a 13.9 per cent drop in March.

However, the recovery may be short term given external headwinds. The extent of the economic damage in China’s key export markets is gradually being revealed.

Over the past three weeks, more than 17 million Americans have registered as unemployed, while France and Germany this week posted data suggesting they were headed for their deepest recessions since World War II.

"Imports and exports have shown a certain improvement in March, according to feedback from various regions and industries," said commerce ministry spokesman Gao Feng at a press conference on Thursday, ahead of Tuesday's data release. "But at the same time, the impact of the global epidemic on the world economy and international trade is gradually emerging."

In one area of industry which is booming of late, China exported US\$15 billion worth of medical equipment and supplies between March 3 and April 4, Gao said.

Meanwhile, despite increasingly hostile rhetoric between Washington on Beijing through the coronavirus pandemic, officials hoped trade between the superpowers would recover in the near future.

"China is willing to expand economic and trade relations with various partners, including the US," Ren said.

Li Xingqian, head of the foreign trade department at the Commerce Ministry, said at the same event that China's foreign trade will be "inevitably" impacted this year.

He added that the government would help Chinese firms to explore new markets in the world and keep close communication with trading partners to lift unnecessary restrictions over trade as soon as possible.

VIDEO

Coronavirus : What impact will the economic fallout from the Covid-19 pandemic have on you ?

<https://youtu.be/eX8N0u2iCLo>

<https://open.spotify.com/show/2GBOADJzPPVDEOLB6KXZKZ?t=0>

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