

Flash Note:
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Global efforts to curb virus intensify. Latest Medical & Economic information.

Medical information & measures

- Coronavirus death toll climbed to 106 (from 80 yesterday) and while confirmed cases on the mainland soared 65% to 4,515. (China's National Health Commission)
- Of the 106 fatal cases, 100 occurred in Hubei, the province where the city of Wuhan is located.
- The US raised its travel alert on China to Level 3, which suggests "reconsider travel". (Level 4 means it is not allowed to travel).
- Thankfully, the information so far available about the new coronavirus does not show it to be an unusually lethal example of the type, and it is highly unlikely to become a deadly global pandemic.
- The crisis response in past episodes (in this case from Chinese government) often followed a predictable pattern: Denial, delay, full mobilization, over-reaction and correction. The good news is that the denial and delay phase of this outbreak has clearly been much shorter than it was during the SARS outbreak in 2003, and the move to full-mobilization has been extremely rapid
 - The government's decision to shutdown travel out of Wuhan was taken on January 23, **only three days after the first visit to the city by experts of the National Health Commission**
 - By January 25, 30 provinces (out of 31) had declared top-level public health emergency, with government establishing a task force to oversee the response.
 - Major cities have stopped running public transportation (Beijing and Shanghai have also stopped cross-provincial bus services), and tourism is grinding to a halt.
 - Central government has extended the national holiday until February 3, and some cities have pushed it even longer.
 - Many of the museums and scenic spots that families often visit together during the break have been closed, and the public celebrations in many cities have been canceled

- All said, and just to bear in mind, the government's measures will not be enough to stop the spreading as 5 million migrant workers had already left for holidays before public transport was canceled), This means that the number of cases nationwide will increase in the coming days and weeks.

Economic information & reflections

- The economic costs of the virus will be determined by the measures China's government takes to contain its spread, and we already know that these public health measures will hurt the Chinese economy in Q1.
- How hard can the economic blow be? Some researchers have already predicted the economic effects of these policies to control the disease, and the most negative predictions point that we could see the economic growth to slow by as much as four percentage points in Q1. (The tourism sector recorded RMB514bn in revenue during the seven-day holiday period in 2019, equivalent to 2% of first quarter GDP). By comparison, during the 2003 SARS outbreak, 2Q nominal growth in the value-added of the transportation sector slowed to 2.1% from 6.9%.
- Our base case would be for growth to rebound to its previous trajectory afterward, as happened in previous similar outbreaks, once the spread slows down enough for the government to relax its restrictions.
- If China's suspension of normal travel is relatively short, it is not likely to have much impact on industrial production and the overall business cycle. The key question is how long the government plans to keep these draconian restrictions in place?
- Meanwhile, the PBOC decided to remove the upper limit on small bank batch payments to meet transfer demands of larger scales to support the fight against the pneumonia. We are convinced that the PBoC will abandon its current "selective easing" position and move towards a "broad monetary stimulus " once the outbreak is controlled, in order to compensate for the negative effects of its preventive decisions.