
An overview of its impact on business so far

Novel coronavirus (COVID-19), first identified in Wuhan City, China, is a new strain of coronavirus, which has been spreading internationally in recent weeks. As the number of coronavirus cases continues to increase in an increasing number of countries, it's tightening its grip on society and the impact on business is intensifying. Recent reports of the virus spreading through Europe and North America may indicate that the world-wide economy will be strongly affected. US stock market indexes fell around 10 percent last week, prior to news of Central Banks vow to act on coronavirus. And this week, the IMF adjusted its global economic forecast for 2020.

Impact on business in China

Early January, the World Health Organisation (WHO) declared the outbreak of a new coronavirus disease in Hubei Province, China to be a Public Health Emergency of International Concern. Suddenly, Wuhan city (capital of the Hubei Province) was completely quarantined and more than 30 provinces or municipalities adopted first-level response to the epidemic. On 1 March 2020, a total of 80,174 coronavirus cases has been recorded, according to official publications.

The epidemic has greatly impacted all economic fields across China. The State Council extended the weeklong Spring Festival holiday to reduce crowds of people, forcing the country to slow down. Many provinces/municipalities decided to extend this holiday by yet another week. During this sudden "stop", China's economy, employment, local government debt issue, and stability of the CNY value are all under severe test. It is widely forecast that China's economic growth will be down by 1 to 1.5 percentage points. Some even doubt if China's economy can achieve a 5-percent growth in 2020.

To be more specific, the 2019-nCov epidemic poses direct harm on three main sectors of China's economy. First, the service sector, especially consumer industries such as tourism, catering, entertainment and logistics (in particular for small- and medium-sized enterprises). Second, the manufacturing sector, typically in mobile phone, automobile and electronic industries, due to indefinite time for return to operation. This may to some extent disrupt the global industrial supply chains, as a manufacturing centre in China, Wuhan city is under heavy economic constraint. And third, the trade sector due to potential cuts or complete shutdown of airlines routes, sea routes and international borders by some countries as a result of the prevailing panic of the virus spreading and in some cases, geopolitical considerations.

Coronavirus

In order to mitigate the impact, China's local governments are introducing supportive measures to help small and medium-sized enterprises cope with the impact of the coronavirus outbreak.

More than 10 provincial or city-level governments have rolled out mitigation policies last month, that focus on financial support and burden reduction to ease the pressure on SMEs from the economic impact of the virus. Some of these policies include:

- Ask banks to offer fast-track loans with lower interest rates.
- Lower or waive social security contributions for certain period.
- Have rent of SME which leasing State-owned properties waived for certain periods.
- Return half of the unemployment insurance premiums paid in the previous year to employers who do not lay off workers.
- Decrease VAT rate for small-scale VAT payer from 3% to 1% in March to May.

As the impact of coronavirus is spreading internationally, more governments are expected to provide adjusted policies and aid to business, especially SMEs.

Apart from government mitigation policies, enterprises also take various measures to resume work and avoid further losses. Most companies adopt flexible work arrangement and encourage employees to work from home, use online communication tools to work. Some also arrange employees to come into the office in shifts, to reduce large-scale flows of people that can spread the novel coronavirus.

Considerations to keep your business healthy

Based on the current situation, suggest foreign invested enterprise consider the following steps to mitigate potential effects by the virus outbreak on your business:

- Keep your team and working environment safe, avoid travel if possible.
- Adjust financial forecast and consider mitigation and continuity plan.
- Communicate with supply chain to clarify the risks and seek for alternative plans.
- Unsure a stable IT infrastructure that can support secure remote working requirements.
- Pay attention to local government instruction to apply for applicable government support as much as possible.

We don't yet know the extent of the economic damage around the world. Under these uncertain circumstances, business leaders should pay full attention to the possible impact on its their organisation. The number one rule in crisis management is to have a contingency plan in place for when a crisis hits.



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You can find the original version here: www.hlb.global/coronavirus-an-overview-of-its-impact-on-business-so-far/?from=groupmessage&isappinstalled=0

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