

Global Sourcing

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ALERT: COVID-19 goes global, posing risks to global economy and China's recovery

There have been mixed news on the COVID-19 outbreak during the past week or so. In China, against a slew of stringent measures taken by various levels of governments, the COVID-19 outbreak seemed to have peaked, with currently confirmed cases on a downtrend since 17 February and new confirmed cases in the Chinese Mainland outside Hubei having dropped to single-digit levels on 24 and 25 February. Meanwhile, an increasing number of enterprises resumed work, and large crowds of people were seen visiting popular scenic spots and shopping malls in some cities. Hence, many started to predict a V-shaped rebound in economic activities in China in the near future.

However, the situation is not so comfortable outside China, which could come back to haunt China. In the past week, the COVID-19 outbreak has spiraled into a global threat. As of 25 February, there were more than 2,400 cumulative confirmed cases of COVID-19 in at least 33 countries outside China. On 25 February alone, four countries (Afghanistan, Bahrain, Iraq, and Oman) reported their first confirmed cases of COVID-19, and Italy and South Korea reported 105 and 214 new confirmed cases respectively on the same day. (See Exhibit 1 & 2)

Exhibit 1: Countries with first confirmed COVID-19 cases reported during 20-25 February

Country	Date of first confirmed case reported	Cumulative confirmed cases as of 25 February
Afghanistan	25 February	1
Bahrain	25 February	8
Iraq	25 February	1
Oman	25 February	2
Kuwait	24 February	8
Lebanon	22 February	1
Israel	22 February	2
Iran	20 February	61

Source: World Health Organization, complied by Fung Business Intelligence

Exhibit 2: Countries with the most confirmed COVID-19 cases as of 25 February

Country	Cumulative confirmed cases as of 25 February	New confirmed cases on 25 February	Total deaths as of 25 February
China	77,780	518	2,666
Chinese Mainland Ex-Hubei	12,872	9	100
South Korea	977	214	10
Italy	229	105	6
Japan	157	13	1
Singapore	90	1	0
Iran	61	18	12
US	53	18	0

Source: World Health Organization, complied by Fung Business Intelligence

The rapid rise in COVID infections in countries around the world suggests that the COVID is highly contagious and is spreading quickly and widely. However, for a number of reasons, be it political or economic, these countries might not be able or willing to take containment measures as stringent as China, which could doom their efforts to contain the COVID. Thus, we have to prepare for the possibility that the COVID could spread to even more countries and ultimately become a global pandemic.

In the meantime, global attempts to stop the spread of the COVID, such as travel restrictions, suspension of work and quarantine of people suspected of infection, could make a dent in the global economy. These containment measures could lead to a reduction or even shutdown of economic activities, in particular cross-border travel and trade. As such, the global supply chains will also be further disrupted. Hence, we expect a significant shrinkage in trade in goods and even trade in services if the COVID continues to spread worldwide.

All these will, in turn, spill over into China, hindering China's production resumption and exports, and delaying the rebound in consumption and investment, thus making a quick recovery of the Chinese economy more difficult.

The fact that the disease is quickly spreading worldwide greatly heightens the risk of a global recession. The COVID-19 is no longer a China issue or an Asian issue, but a global issue. Supply chain managers and retailers should closely monitor the situation and get ready for the next battle.

About the Organisations:

Fung Business Intelligence

Fung Business Intelligence collects, analyses and interprets global market data on sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to monitor, research and report on these global issues with a particular focus on business trends and developments in China. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational corporation, Fung Business Intelligence also provides expertise, advice and consulting services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

Fung Group

Fung Holdings (1937) Limited, a privately-held business entity headquartered in Hong Kong, is the major shareholder of the Fung Group of companies, whose core businesses operate across the entire global supply chain for consumer goods including trading, logistics, distribution and retail. The Fung Group comprises 42,000 people working in more than 40 economies worldwide. We have a rich history and heritage in export trading and global supply chain management that dates back to 1906 and traces the story of how Hong Kong and the Pearl River Delta emerged as one of the world's foremost manufacturing and trading regions. We are focused on both creating the Supply Chain of the Future to help brands and retailers navigate the digital economy as well as creating new opportunities, product categories and market expansion for brands on a global scale.

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