The coronavirus and China's economy

The coronavirus is making news for its lethality and rapid spread—and for potentially triggering volatility in global stock markets. The coronavirus has a lot in common with the SARS virus that jolted China's economy in 2003.

Let's put things in perspective.

- China's prompt and internationally coordinated response to the coronavirus may offer some reassurance that the human and economic effects can be limited.
- As is suspected with the new coronavirus, SARS (severe acute respiratory syndrome, also a coronavirus) started in animals and spread to humans, and quickly became capable of human-to-human transmission. Human contagion coincided with the start of the Lunar New Year, when hundreds of millions travel.
- SARS knocked 2 percentage points off China's GDP growth in the second quarter of 2003, with transportation, tourism, and hospitality hit especially hard. Those sectors and retail will likely be among the hardest hit again.

What's different this time?

- While the situation is likely to get worse before it gets better, experts anticipate acute but short-lived harm to China's growth.
- The main effect on China's economic growth will likely be one of sentiment. The good news is that the Chinese government has taken serious actions quickly.
- While the coronavirus threatens growth in the near term, there's the potential for a rebound in the second half of the year amid anticipated government stimulus.
- The spillover to the rest of the world could be limited given a prompt and better-coordinated international public health response this time.

What it means for you

- Just as you consider vibrant markets in the context of your goals, do the same when markets are ailing.
- Know why you invest, maintain a diversified mix of assets to match those goals, and look beyond a troubled short term.

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