

# Tracking impact of COVID-19

## Charting the Hubei Economy

At the center of coronavirus outbreak, Hubei Province has undergone hardships combating the disease. The province contributed to 4.6% of national GDP in 2019, with output splitting 9%/43%/48% between primary/secondary/tertiary industries. Overall speaking, we think the interruption of provincial economic activities has limited contagion effect nationwide, as long as the other regions stay healthy. However, given Hubei's relative high share in certain industrial products, such as motor, optical cables, monitors, air conditions etc., we should pay attention to negative supply-side shocks of these industries that may ripple through the supply chain if suspension continued.

- **Hubei contributed to 4.6% of national GDP in 2019**, and ranked No. 7 among all provinces, municipalities and autonomous regions. Economic growth in Hubei has been outpacing the nation since 2007 and recorded 7.5% in 2019 (vs. 6.1% of nation). GDP per capita was RMB 66,616 in 2018, exceeding national figure by roughly RMB 600. Per capita disposable income was RMB 34,455 in 2018, representing 88% of national average.
- **Higher manufacturing share. Motor industry accounted for 17.1%.** Hubei possesses a relatively higher manufacturing share compared to the national average. Motor industry accounted for 17.1% of manufacturing output in 2018. Cars produced in Hubei, including passenger as well as commercial vehicles, occupied 8.7% of the market share nationwide. In addition to cars, **Hubei also has an indispensable role in producing optical cables (27.5% of national share), air conditioners (9%), monitors (7%), etc.**
- **Transport hub connecting people as well as goods.** In 2018, passenger and freight traffic volume of Hubei represented 5.5% and 4.0% of the entire nation, respectively. Particularly, road freight traffic amounted to 22.3% of the whole nation. Therefore, restricted traffic in Hubei is one of the key channels that shocks get spread to other regions.
- **Policy suggestions.** 1) Provide material help to ensure employment and secure household income in Hubei; 2) prioritize back-to-work of key manufacturing industries; 3) release freight traffic restrictions whenever appropriate; 4) target more fiscal and banking resources to help the province regain economic strength.

### Data summary

	Hubei	Nation	% of Hubei
GDP (RMB tn, 2019)	4.58	99.09	4.6%
GDP per capita (RMB)	66,616	66,006	100.9%
Per capital disposable income (urban, RMB)	34,455	39,251	87.8%
Retail sales of consumer goods (RMB bn)	1,833	38,099	4.8%
Total imports and exports (US\$ bn)	52.8	4,622.4	1.1%
Exports (US\$ bn)	34.1	2,486.7	1.4%
Local fiscal revenue (RMB bn)	330.7	9,790.3	3.4%
Students enrolled in high education (10,000)	144	2,831	5.1%
Number of hospital beds (10,000 beds)	39	840	4.7%

Source: Statistics Bureau of Hubei Province, CMBIS

Note: Unless otherwise indicated, figures are as of 2018

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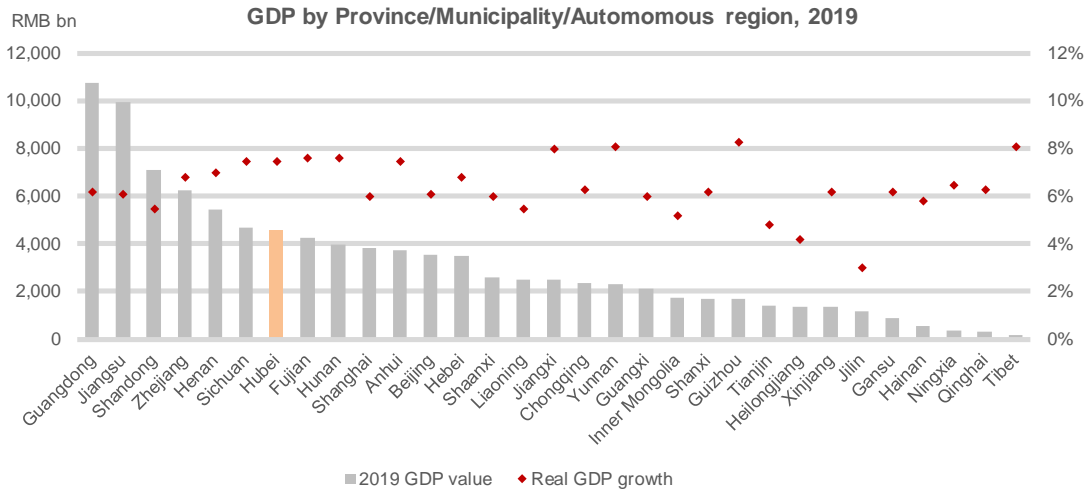
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## GDP

### Hubei province accounted for 4.6% of national GDP in 2019

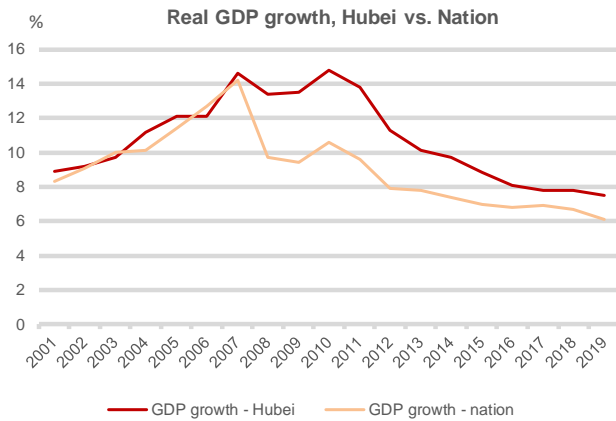
In 2019, GDP of Hubei province totaled RMB 4.58tn, representing 4.6% of GDP of the whole nation. Real GDP growth was 7.5% YoY in 2019 and has been outpacing that of the nation since 2007.

**Figure 1: GDP of Hebei Province totaled RMB 4.58tn in 2019, up 7.5% YoY in real terms**



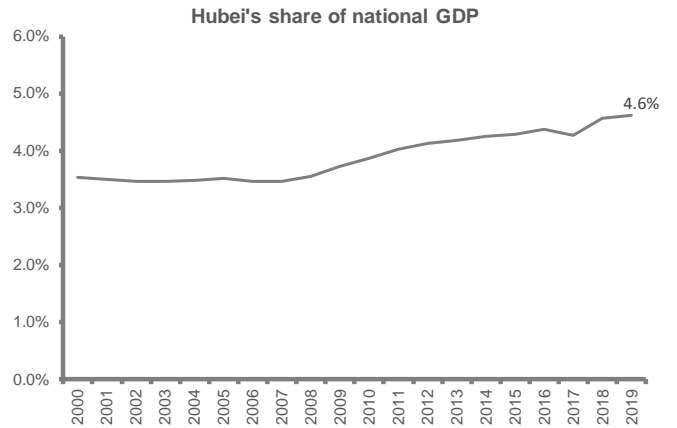
Source: NBS, Wind, CMBIS

**Figure 2: Real GDP growth of Hubei has been outpacing that of the nation since 2007**



Source: NBS, Wind, CMBIS

**Figure 3: ... resulting in Hubei's increasing share of national GDP, which reached 4.6% in 2019**

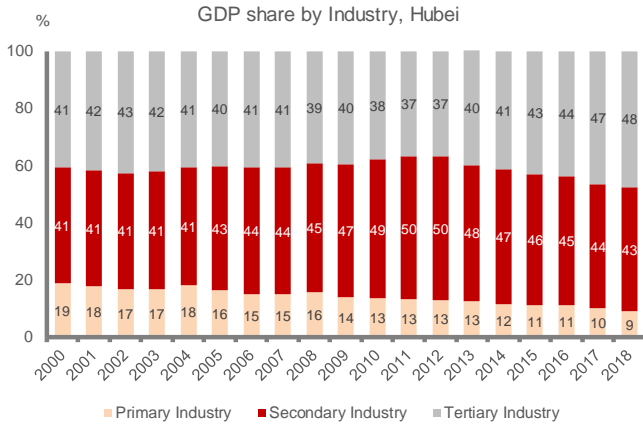


Source: NBS, Wind, CMBIS  
Note: GDP share calculated in current price

### Secondary industry bears high importance

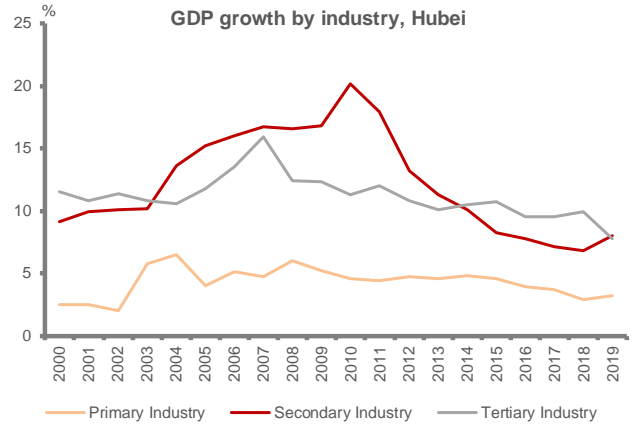
Industry wise, the primary/secondary/tertiary industry accounted for about 9%/43%/48% of Hubei's GDP in 2018, whereas on the national level, such breakdown was roughly 7%/40%/53%. The secondary industry bears a bit higher importance in Hubei than nationwide and it witnessed accelerating pace of growth in 2019.

**Figure 4: Primary/Secondary/Tertiary Industries accounted for 9%/43%/48% of Hubei's GDP in 2019**



Source: Statistics Bureau of Hubei Province, CMBIS

**Figure 5: GDP growth rate by industry – secondary industry witnessed accelerating growth in 2019**

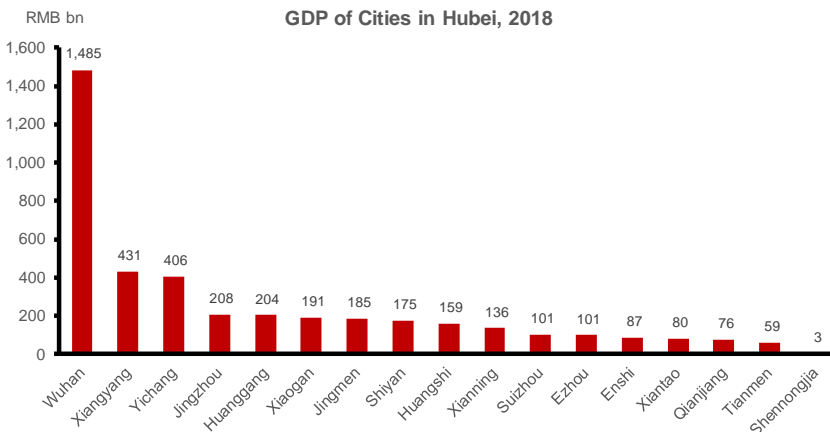


Source: Statistics Bureau of Hubei Province, CMBIS

**Wuhan is the “superstar”**

The city of Wuhan is the capital and by far the superstar city of Hebei, of which GDP amounted to RMB 1.48tn, accounting for ~38% of GDP in Hubei. Proportion of primary/secondary/tertiary industry in Wuhan was close to 3%/43%/54%.

**Figure 6: Wuhan's GDP share in Hubei was close to 38% in 2018**



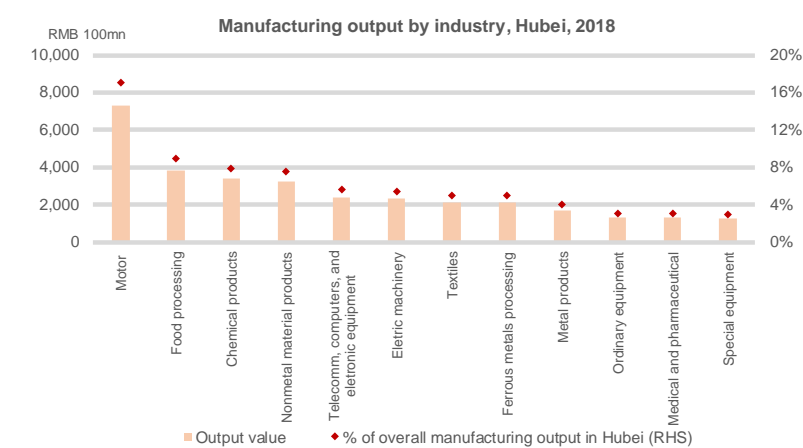
Source: Statistics Bureau of Hubei Province, CMBIS

## Manufacturing

### Motor industry topped manufacturing output in Hubei

Motor industry is the pillar of Hubei, which accounted for 17.1% of manufacturing output of in 2018 (above-scale sample). Other primary contributors include food processing (8.9%), chemical material and chemical products (7.9%), nonmetal material products (7.6%), telecommunication, computer, and electronic equipment (5.6%), electric machinery and equipment (5.4%), textile (5.0%), ferrous metals processing (5.0%), metal products (4.0%), ordinary equipment (3.1%), medical and pharmaceutical products (3.1%), special purpose equipment (3.0%), etc.

**Figure 7: About 17% of manufacturing output in Hubei was attributable to motor industry**



Source: Statistics Bureau of Hubei Province, CMBIS

### Major industrial products manufactured in Hubei

To help gauge whether and how production delay in Hubei may cause supply chain interruptions nationwide or even worldwide, the following chart tabulates key industrial products manufactured in Hubei and their share in national output in 2018.

As mentioned above, motor is the pillar industry in Hubei. Cars manufactured in Hubei, including both passenger vehicles and commercial vehicles, accounted for ~9% of cars produced nationwide. Railway wagons and engines contributed to 21% and 5.5% of national output.

Besides this big category of motor and transportation, Hubei also has significant shares in **optical cables (27.5%), plate glass (10.9%), room air conditioners (9%), monitors (7%), household refrigerators (6.1%)**, etc.

**Figure 8: Key industrial products manufactured in Hubei province**

Selected Industrial products	Hubei's output as % of nation
Cement	4.9%
Plate Glass	10.9%
Pig Iron	4.2%
Crude Steel	3.7%
Engine	5.5%
Mining Special Equipment	4.1%
Oil Refining and Chemical Production Equipment	5.2%
<b>Car</b>	<b>8.7%</b>
Passenger Vehicles	8.7%
Bus	9.6%
Lorry	6.7%
Railway Wagon	21.0%
Optical Cable	27.5%
Household Refrigerator	6.1%
Room Air Conditioners	9.0%
Micro-computer Equipment	3.6%
Monitor	7.0%
Mobile Handset (cell phone)	2.4%
<b>Power Generation</b>	<b>3.9%</b>
Thermal Capacity	2.4%
Hydroelectricity	11.6%

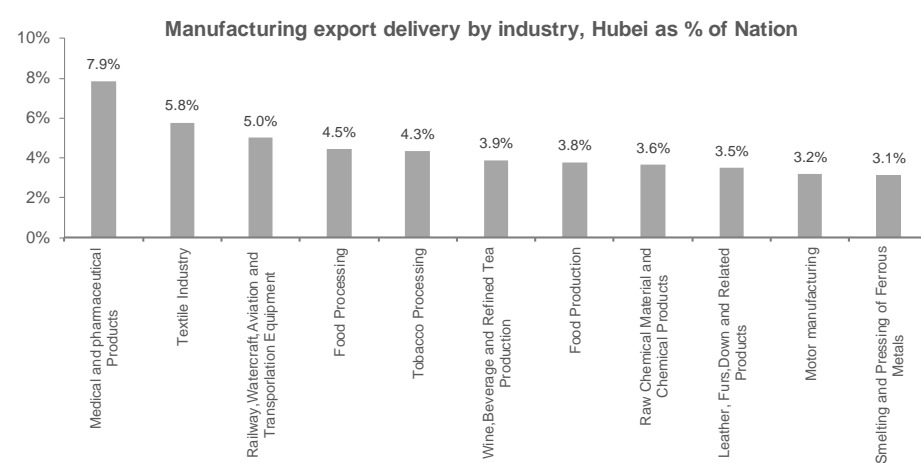
Source: Statistics Bureau of Hubei Province, NBS, CMBIS

Note: Data as in 2018.

### Export delivery of manufacturing industries

In terms of trade values, Hubei in general is more domestic than export-oriented. Export value of Hubei province amounted to <2% of the national figure, and import value <1%.

**Some industries, however, have relatively higher export exposure**, measured by Hubei's export delivery value as % of the nation. These industries include **medical and pharmaceutical products (7.9%)**, **textile (5.8%)**, **railway and other transportation equipment (5.0%)**, etc. Interruption of these industries may weigh on delivery of export orders.

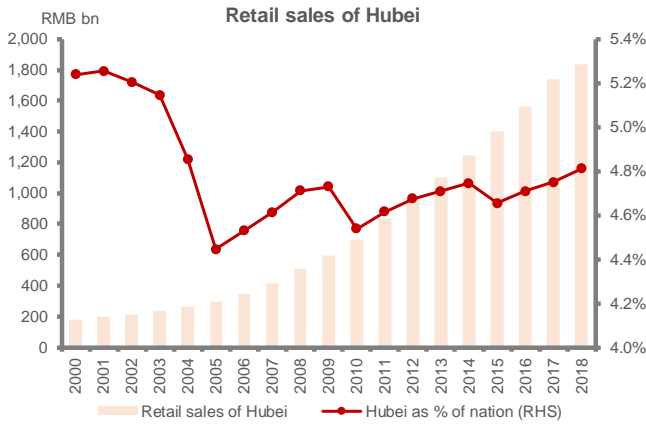
**Figure 9: Manufacturing export delivery by industry**

Source: Statistics Bureau of Hubei Province, NBS, CMBIS

## Retail and consumption

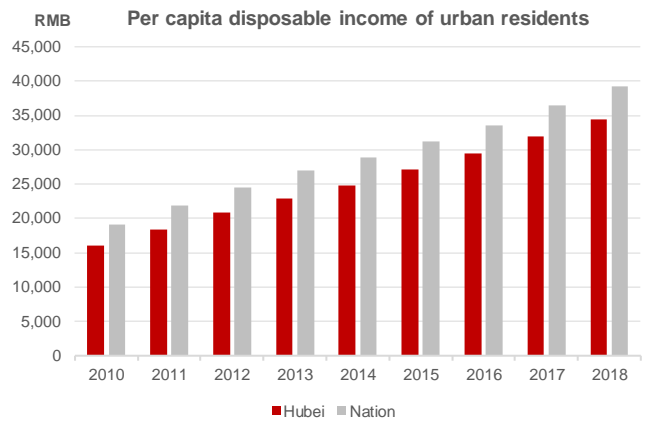
Retail sales of consumer goods in Hubei valued RMB 1.83tn in 2018, approximate to 4.8% of national retail sales and largely in line with Hubei's GDP share (4.6%) of the nation. Urban residents' disposable income of Hubei stood at RMB 34,455 per capita as of 2018, below national average of RMB 39,251.

**Figure 10: Retail sales of consumer goods – Hubei explained 4.8% of nation total in 2018**



Source: Statistics Bureau of Hubei Province, NBS, Wind, CMBIS

**Figure 11: Per capita urban residents' disposable income of Hubei was below national average**



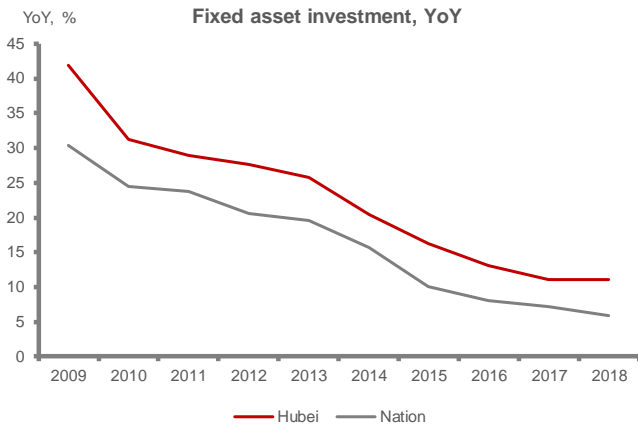
Source: Statistics Bureau of Hubei Province, NBS, Wind, CMBIS

## Investment

### FAI outpaced the nation

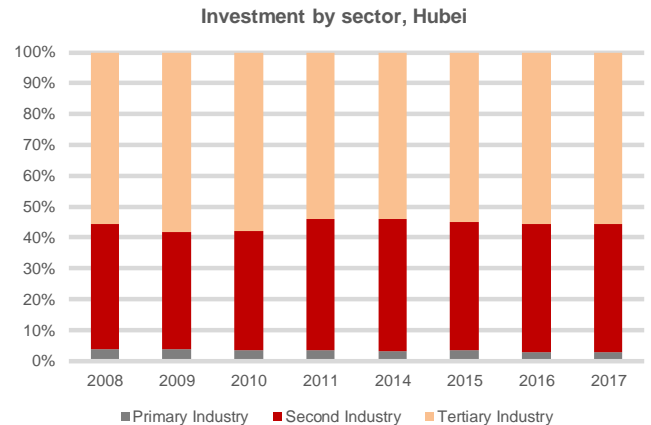
In 2018, FAI in Hubei province increased 11%, outpacing the nation by 5.1ppt. By industry, 3%, 42% and 56% of investment went to the primary, secondary and tertiary industry, respectively. Real estate investment accounted for ~15% of Hubei's FAI in the past few years.

**Figure 12: FAI growth of Hubei outpaced that of the nation**



Source: Statistics Bureau of Hubei Province, NBS, CMBIS

**Figure 13: Investment by sector, Hubei**



Source: Statistics Bureau of Hubei Province, CMBIS

## Transport hub

Hubei has long been one of the most important transport hubs in China. In 2018, passenger and freight traffic volume of Hubei represented 5.5% and 4.0% of the entire nation, respectively. Road traffic occupies an even larger share, particularly regarding freight traffic capacity (22.3%).

**Figure 14: Passenger/Freight traffic of Hubei represented 5.5%/4.0% of the nation, respectively.**

(million people)	Passenger traffic volume (2018)				
	Overall	Railway	Road	Waterway	Civil Aviation
Nation	<b>17,920</b>	3,370	13,650	280	610
Hubei	<b>987</b>	157	810	6	14
%, Hubei/Nation	<b>5.5%</b>	4.7%	5.9%	2.3%	2.3%

(million tonne)	Freight traffic volume (2018)				
	Overall	Railway	Road	Waterway	Civil Aviation
Nation	<b>51,460</b>	4,030	6,990	39,590	7
Hubei	<b>2,037</b>	41	1,631	364	N/A
%, Hubei/Nation	<b>4.0%</b>	1.0%	23.3%	0.9%	N/A

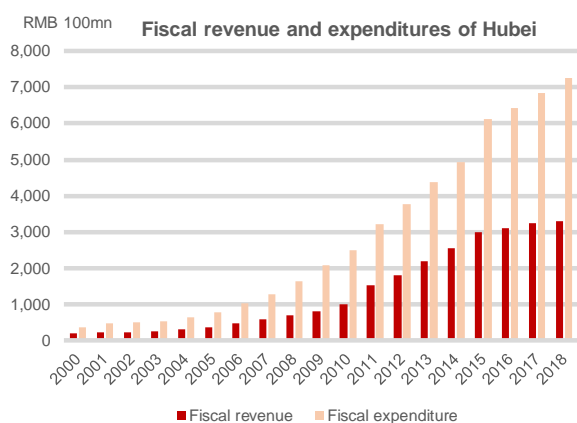
Source: Statistics Bureau of Hubei Province, NBS, CMBIS

## Fiscal and banking

### Expanding expenditure but decelerating revenue growth

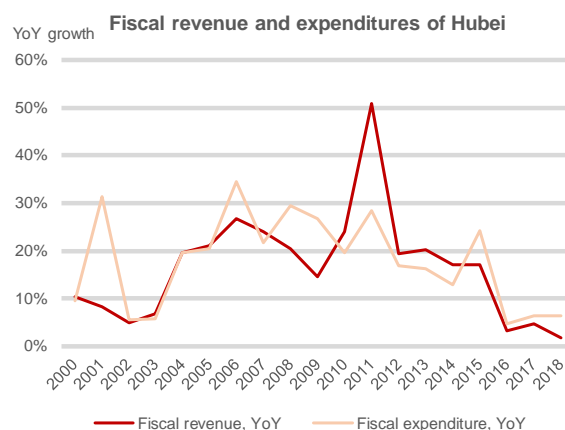
Fiscal revenue of Hubei province amounted to RMB 330.7bn, up only 1.8% YoY. Fiscal revenue fell below target in recent years due to tax and fee reductions, though fiscal expenditure continued to grow. Hubei ranked No.10 among all provinces, municipalities and autonomous regions in terms of fiscal revenue in 2018.

**Figure 15: Fiscal revenue and expenditure of Hubei**



Source: Statistics Bureau of Hubei Province, CMBIS

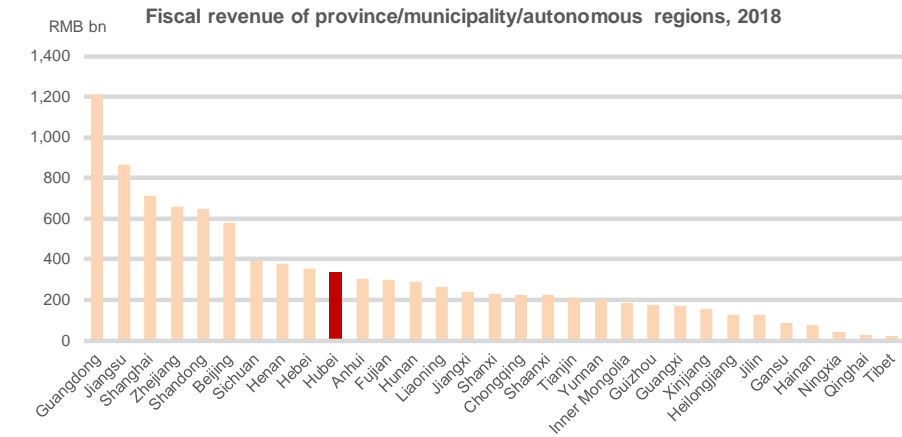
**Figure 16: Decelerating fiscal revenue growth**



Source: Statistics Bureau of Hubei Province, CMBIS



**Figure 17: Hubei province ranked No.10 among all provinces in terms of fiscal revenue in 2018**



Source: NBS, Wind, CMBIS

### Banking resource relatively is inadequate

Domestic loans and deposits of Hubei accounted for 3.3% and 3.1% of the whole nation, respectively. These does not seem to be ample relative to the scale of Hubei's economy, and seem scarce in face of the fight against COVID-19. Targeted banking and financial support is necessary to help the province get out of mire.

**Figure 18: Domestic loans/deposits of Hubei province represent 3.3%/3.1% of the nation**

(in RMB tn, YE2018)	Hubei	Nation	Hubei as % of nation
<b>Domestic loans</b>	<b>4.43</b>	<b>135.79</b>	<b>3.3%</b>
1) Household Loans	1.39	47.88	2.9%
Household ST loans	0.18	13.80	1.3%
Household MLT loans	1.21	34.08	3.6%
2) Non-financial corporate loans	3.05	86.83	3.5%
Among: MLT loans	2.07	50.56	4.1%
3) Nonbank FI loans	0.00	1.08	0.0%
<b>Domestic deposits</b>	<b>5.53</b>	<b>176.44</b>	<b>3.1%</b>
1) Household deposits	2.63	71.60	3.7%
2) Non-financial corporate deposits	1.72	56.30	3.1%
3) Government deposits	1.06	32.56	3.3%
4) Nonbank FI deposits	0.12	15.98	0.7%

Source: PBoC, Statistics Bureau of Hubei Province, CMBIS

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