



Economics Group

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Which Economies Are Most Exposed to a Chinese Slowdown?

The outbreak of the 2019-nCoV coronavirus in central China has sparked concerns that an already fragile global economy could tilt even closer to recession. We examine which economies have the most exposure.

Coronavirus Threatens Chinese, Global Growth

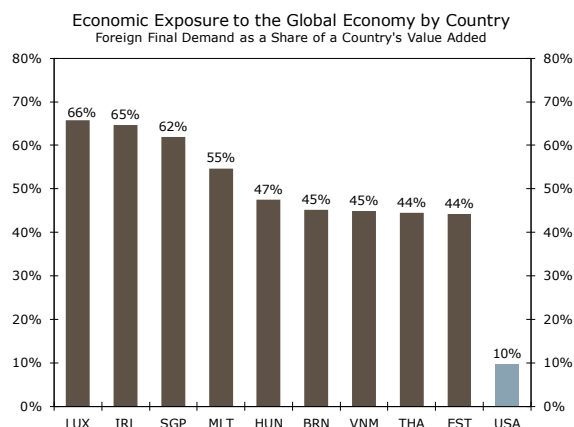
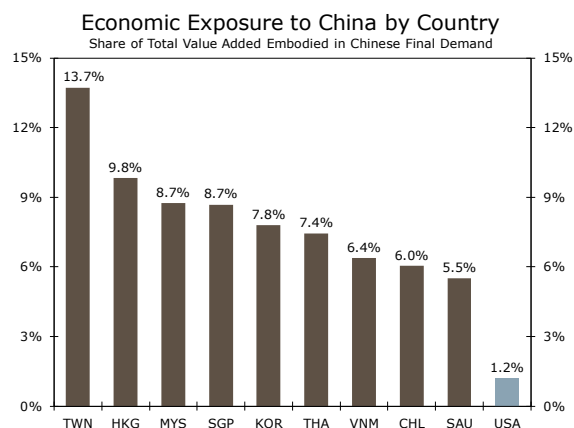
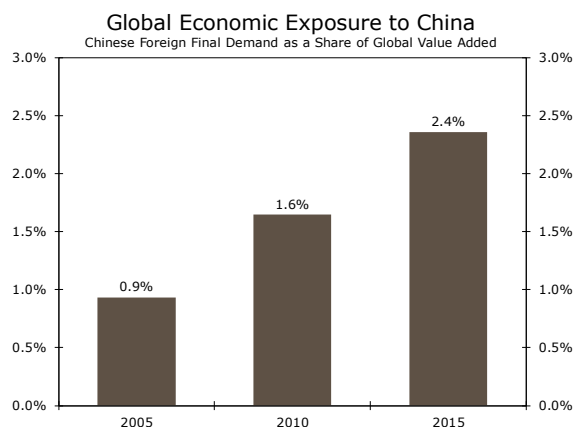
The outbreak of the 2019-nCoV coronavirus in central China has sparked concerns that an already fragile global economy could tilt even closer to a recession. The overwhelming share of infections have occurred in China up to this point, and we laid out revisions to our Chinese economic growth forecast in a [recent report](#). But, a slowdown in the world's second largest economy is unlikely to be solely contained to just that country. Indeed, one of the challenges in analyzing the current virus outbreak compared to the SARS epidemic in 2003 is that the Chinese economy plays a much bigger role in the global economy than it did nearly 20 years ago. Final demand in China accounts for 2.4% of the rest of the world's total value added, more than double what it was in 2005 (top chart).

Given the broadening scope of the outbreak, China as well as some countries with heightened exposure to China have already begun to experience the effects from the spread of the virus. Several countries have limited or banned travel into/from China, and industries like tourism could take a major hit. For example, Macau, one of the world's premier gambling locations, asked its 41 casinos, as well as cinemas and bars, to close for 15 days. So, which economies are most exposed to an economic slowdown in China?

To analyze this, we ranked the world's economies by how much of each country's total value added is derived from final demand in China. Unsurprisingly, most of the economies with the greatest economic exposure lie in Asia, with Taiwan, Hong Kong, Malaysia, Singapore and Korea comprising the top five (middle chart). Outside of Asia, Chile and Australia have relatively high exposure at 6.0% and 5.2%, respectively. Note that just 1.2% of U.S. total value added is accounted for by Chinese final demand, well below the unweighted global average of roughly 3%.

But there would be indirect effects as well. That is, an individual economy may not have much direct economic exposure to China, but it could experience some economic deceleration as growth rates in China's major trading partners downshift. Moreover, a pandemic scenario that entails the virus spreading to different parts of the world is likely to lead to a slowdown beyond just China and its closest trading partners.

To further analyze the impact of this scenario, we examined which economies have the greatest shares of foreign final demand in their total value added. This measure should provide a lens into which economies have the greatest exposure to the global economy more broadly. As the bottom chart illustrates, Luxembourg, Ireland, Singapore, Malta and Hungary comprise the top five, with Vietnam, Thailand and Estonia also possessing high degrees of global exposure. Once again, the United States comes in at a relatively low 10%, highlighting the relatively domestic nature of economic output in the United States. In short, smaller externally oriented economies should feel the biggest economic brunt of the current outbreak.



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