



# Economics Group

**Jay H. Bryson, Acting Chief Economist**  
[jay.bryson@wellsfargo.com](mailto:jay.bryson@wellsfargo.com) • (704) 410-3274  
**Hop Mathews, Economic Analyst**  
[hop.mathews@wellsfargo.com](mailto:hop.mathews@wellsfargo.com) • (704) 383-5312

## A New Coronavirus, Same Impact?

**Reports of a novel coronavirus have rattled financial markets. Evidence from the 2003 SARS epidemic suggests any effect on the Chinese economy is likely to be temporary and any effect on the U.S. economy minimal.**

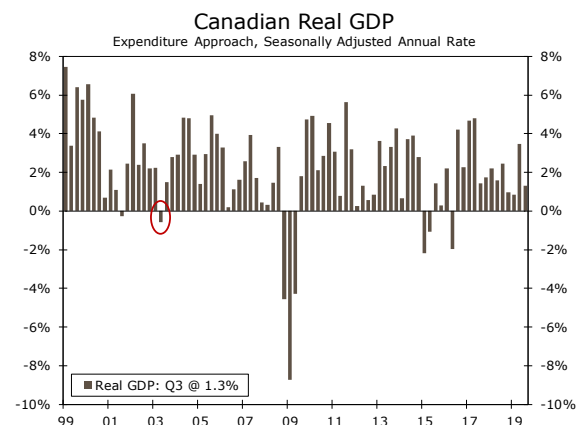
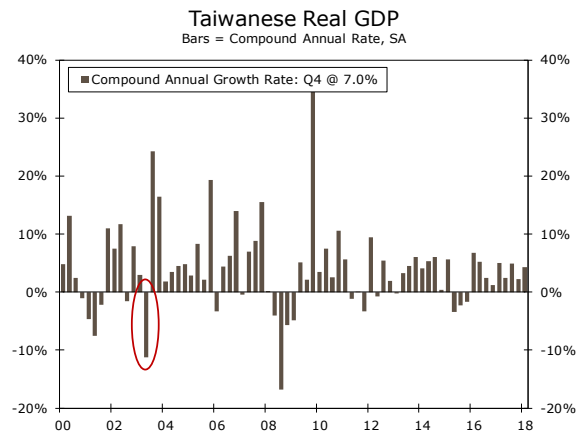
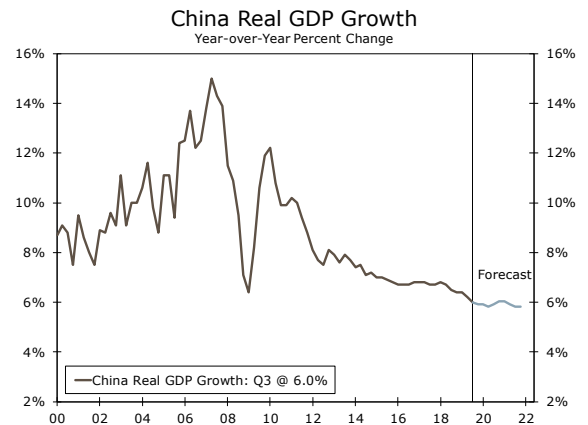
### Is the New Coronavirus Another SARS in Economic Impact?

A novel coronavirus outbreak originating in the Chinese city of Wuhan has now reached over 400 confirmed cases and nine fatalities, spread across six countries, including the United States. Three weeks after the first reported case, the outbreak is still in a relatively early stage, but the virus’s spread has already drawn comparisons to the SARS (severe acute respiratory syndrome) outbreak that originated in China in 2002. With fears of a new outbreak already roiling financial markets, it is worth considering the economic impact of a potential epidemic.

The number of people infected by recent viral outbreaks, like SARS or the more recent coronavirus, is often rather limited relative to major pandemics of the past or even common illnesses—for example, this year’s flu season has already claimed at least 6,600 lives in the U.S. according to the CDC. The cost of these outbreaks may appear small in terms of medical expenditures and lost wages, but the rapid manner in which they spread can create an outsized economic impact. Fears of a SARS pandemic in 2003 led to widespread flight cancellations and brought retail to a standstill in many parts of Asia, as fear of contagion began to outweigh the desire to travel or shop. Estimates of the true economic impact of the SARS outbreak vary, but one [report](#) from the Brookings Institution suggests the 2003 epidemic reduced annual GDP growth by roughly 1 percentage point in China. While this drag may seem small given that the Chinese economy grew 10% in 2003, it was still quite large considering there were only 5,327 cases in the country of 1.3 billion people. The SARS epidemic also took a considerable toll on other countries, Hong Kong, Taiwan and Singapore in particular, and spread across the Pacific. While the United States escaped relatively unscathed, Canada had 251 confirmed cases and 43 fatalities, coinciding with an outright decline in Q2-2003 GDP. The panic dissipated almost as quickly as it appeared, however. Canada’s economy bounced back in the next quarter and East Asia was a star performer in terms of economic growth in 2003.

### Could the Recent Outbreak Affect Our Outlook?

Though the SARS epidemic’s appearance in macroeconomic statistics was relatively short-lived, the outbreak resulted in hundreds of deaths and a loss of at least [\\$40 billion](#) for the global economy. We are not medical experts, but reports suggest that this virus is not as deadly as SARS. Furthermore, health officials appear much better equipped to prevent the disease’s spread. For the United States, it is unlikely that the current outbreak will have any material effect on the macroeconomy, at least not at this time. The outlook is not as clear for countries across Asia, particularly China. The upcoming Lunar New Year celebration—a peak time for travel and consumer spending—could accelerate the virus’s spread as well as its economic impact. If we use the SARS epidemic as a guide, however, any economic impact from the current coronavirus is likely to be temporary.



## Wells Fargo Securities Economics Group

Jay H. Bryson, Ph.D.	Acting Chief Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	Macro Strategist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Azhar Iqbal	Econometrician	(212) 214-2029	azhar.iqbal@wellsfargo.com
Sarah House	Senior Economist	(704) 410-3282	sarah.house@wellsfargo.com
Charlie Dougherty	Economist	(704) 410-6542	charles.dougherty@wellsfargo.com
Erik Nelson	Macro Strategist	(212) 214-5652	erik.f.nelson@wellsfargo.com
Michael Pugliese	Economist	(212) 214-5058	michael.d.pugliese@wellsfargo.com
Brendan McKenna	Macro Strategist	(212) 214-5637	brendan.mckenna@wellsfargo.com
Shannon Seery	Economic Analyst	(704) 410-1681	shannon.seery@wellsfargo.com
Matthew Honnold	Economic Analyst	(704) 410-3059	matthew.honnold@wellsfargo.com
Jen Licis	Economic Analyst	(704) 410-1309	jennifer.licis@wellsfargo.com
Hop Mathews	Economic Analyst	(704) 383-5312	hop.mathews@wellsfargo.com
Coren Burton	Administrative Assistant	(704) 410-6010	coren.burton@wellsfargo.com

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A., Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Canada, Ltd., Wells Fargo Securities Asia Limited and Wells Fargo Securities (Japan) Co. Limited. Wells Fargo Securities, LLC is registered with the Commodities Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. Wells Fargo Bank, N.A. is registered with the Commodities Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC and Wells Fargo Bank, N.A. are generally engaged in the trading of futures and derivative products, any of which may be discussed within this publication. Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm which includes, but is not limited to investment banking revenue. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2020 Wells Fargo Securities, LLC.

### Important Information for Non-U.S. Recipients

For recipients in the EEA, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority. For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 ("the Act"), the content of this report has been approved by WFSIL, an authorized person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE

