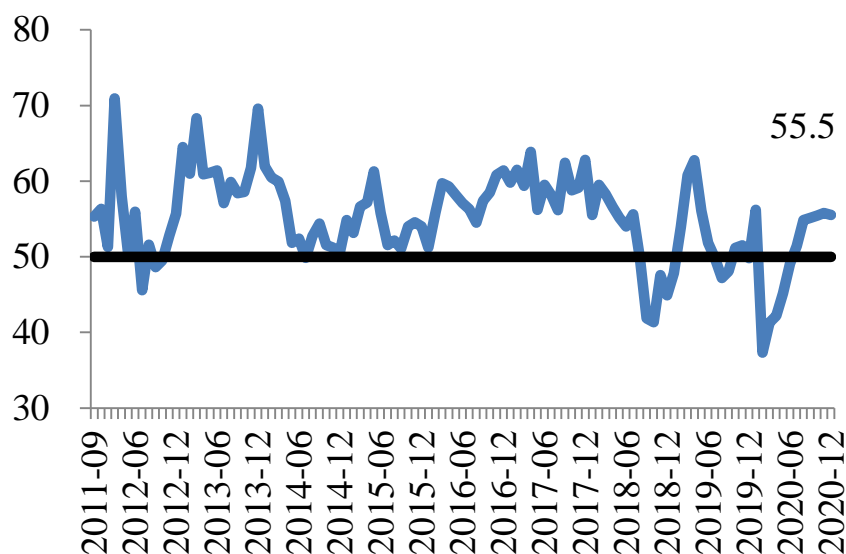


Commentary on the December 2020 CKGSB Business Conditions Index

Professor Li Wei

The CKGSB Business Conditions Index (BCI) reported a slight fall from 55.8 in November to 55.5 in December (Figure 1). It is important to note that with confidence still above 50.0, it appears economic relief policies are having an impact on private business.

Figure 1 Business Conditions Index (BCI)



Source: CKGSB Case Center and Center for Economic Research

The data has not altered significantly in overall terms, but there are some points to take note of, notably the fall in confidence regarding financing conditions and inventory levels, which shows that there is still a certain degree of uncertainty in business conditions and operations. Fortunately, this month's corporate profit index has risen significantly, which compensates for the fall in the financing conditions and inventory indices.

Another thing worth noting is the producer price index, which dropped sharply in December, from 58.8 to 49.7, a total of 9.1 percentage points. This wiped out last month's gain, and left the index below the confidence threshold of 50.0, showing that China's industrial sector still has a series of problems, and overcapacity may be far from over.

After touching on aspects of this month's BCI index, the author wants to address the current pandemic situation. As the first country to have the COVID-19 epidemic, China employed its strong organizational capabilities to control the outbreak by isolating areas of infection and infected people, limiting crowd sizes, and popularizing the wearing of masks. Now, as winter descends, the disease sporadically rises across China, showing that epidemic prevention remains an arduous task for us in the coming year.

It should be noted that many of China's current COVID-19 cases are imports from countries with far more complicated and severe outbreaks than China. The epidemic situation is still out of control in the developed countries of Europe and North America. Moreover, the new coronavirus variant discovered in Britain is 50%-70% more infectious, which not only accelerates its spread but also presents a new challenge to the vaccine roll-out.

In terms of basic principles, there are three main ways to control an infectious disease. The first, track and trace, is a form of post-infection control. The advantage is that the target of the measures is clear, and medical resources are not wasted, but the disadvantage is that post-infection control is a remedy imposed once the virus has already wrecked damage and a chain reaction is inevitable. For example, after SARS broke out in China in 2003, the Chinese authorities took effective measures in a relatively short period of time, tracked cases and treated them consequentially. Although SARS put significant pressure on the public health system in the short run, as patients recovered, the risk of SARS diminished.

The second way is isolation. The history of human encounters with infectious disease can be traced back to the ancient times, while modern medicine is only a few hundred years old. In other words, throughout history, infectious diseases have beaten us. In the long-term struggle against infectious diseases, humans have discovered that if the chain of infection is blocked, the spread of infectious diseases can be controlled. A typical example of this is the plague. The plague has turned into a pandemic in many countries around the world. Even today, when people deal with the plague, isolation is an essential step.

The third way is vaccination. Relatively speaking, vaccines are a recent phenomenon. Vaccines made from elements including bacteria, viruses, and tumor cells, produce specific forms of immunity in the body. Through vaccination, the recipient may gain immunity. Vaccinations may be preventive or therapeutic. A representative preventative vaccine is vaccinia, and a representative therapeutic vaccine is the rabies vaccine. Take cowpox as an example, an infectious disease that occurs in cattle. Its symptoms are usually ulcers on a cow's udders. Cowpox is caused by the vaccinia virus, which is a close relative of the smallpox virus. If there is a wound on the milker's skin, the disease may be transmitted to humans through contact with cows. Papules appear on the patient's skin, which slowly develop into blisters, pustules, and other symptoms, including fever, lymphadenitis and lymphangitis. Generally, a person who is infected with cowpox will heal in about 3 to 4 weeks. After the 18th century, vaccinia was used as an immunization to prevent the highly infectious smallpox, becoming the first successful form of medical immunization.

This method of treatment is currently used in countries all over the world, but it targets the problem rather than the source. Isolation, or quarantine, is another method of disease control used by all countries, and China has a huge quarantine program in place. It is a good method and works in practice, but has two shortcomings. One is that over time, people's enthusiasm for isolation will

diminish and its impact will decline. Second, it causes economic damage, and many sectors including dining out and shopping will be impacted. It seems therefore that the best way to control the spread of infectious diseases while pursuing a normal social order is to use vaccines. Many countries have developed vaccines and some have already been authorized for emergency use by regulatory authorities, which has led European and North American countries to already begin a vaccination program for high-risk groups. China is also at the forefront of the world in this regard. In the UAE, China's Sinopharm vaccine has been approved, and is now one of several on their way to being approved for use in China.

The author believes that with the deepening of virus research, effective vaccines against the new coronavirus will reach all parts of society, and we will at long last be able to bring back a normal social life no longer troubled by this infectious disease.

This is a commentary on the CKGSB BCI report for December 2020 to which you are welcome to refer for detailed statistics. Do not hesitate to contact the BCI team by email for the accompanying BCI data report.

CKGSB Professor Li Wei

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