



Economics Group

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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.

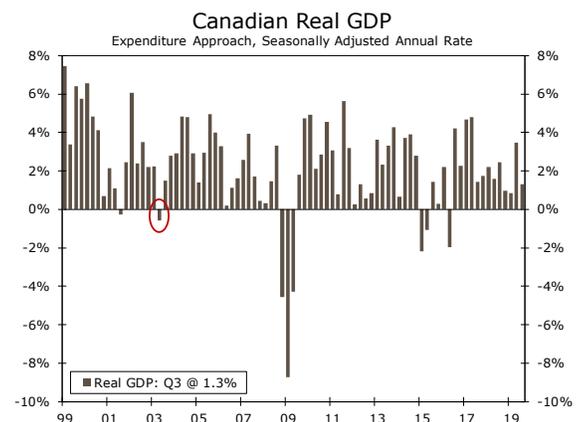
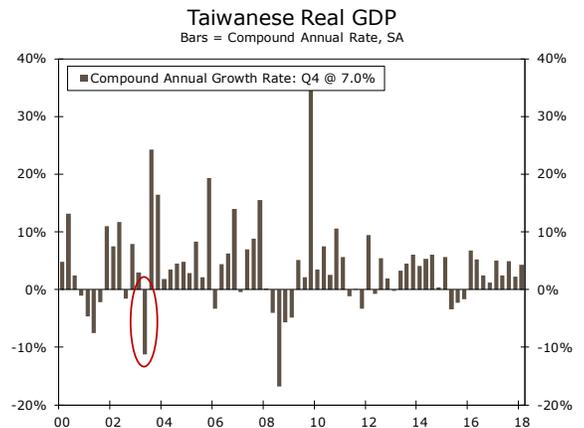
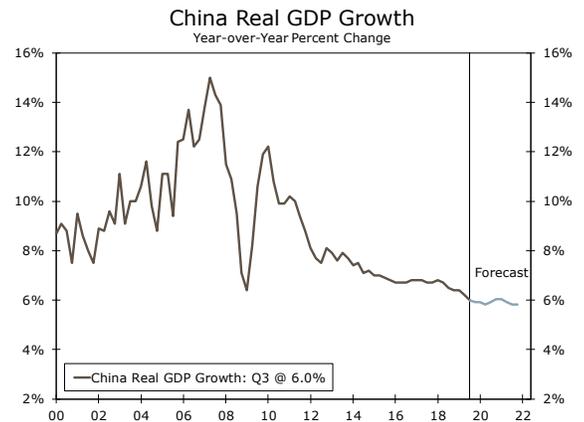
Is the New Coronavirus Another SARS in Economic Impact?

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.



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