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In China, four decades of economic growth screeches to a halt

Authorities have long been buoyed by economic growth. But a recession sparked by COVID-19 is stoking fears of social instability, experts say.

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By Betsy Joles

BEIJING – For more than a generation, China – boasting the biggest manufacturing sector and the largest workforce in the world – has made economic growth seem easy.

Over the last four decades, its economy has grown by an average of 10 percent per year, according to the World Bank. But now that growth has screeched to a halt.



An employee works in a textile factory in Hubei in April. AFP - Getty Images file

China's two largest trading partners, the U.S. and the EU, accounted for approximately \$1.4 trillion trade in goods and services with China in 2018, the latest year for which figures are available. But both the U.S. and the EU have frozen their economies this year to stop the COVID-19 pandemic from growing still worse, at a cost to their economic well-being that can't yet be calculated.

Last month, it emerged that China, the world's second-largest economy, had suffered its [worst contraction since the 1970s](#).

[Full coverage of the coronavirus outbreak](#)

[None of this is good news for Chinese citizens](#) like Wang Yan, 29, who is looking for work.

About the time that reports of a mysterious virus began to emerge late last year, she was offered a job as a green financial consultant at a startup in Xiamen, on China's southeast coast.

As COVID-19 cases began to multiply in [Wuhan, the virus' center](#) in China, other Chinese cities emptied as people began to isolate out of fear.

Wang shut herself inside her home in Beijing, going online to read stories of infection and death and waiting for a sign that it was safe to travel. When she made it to Xiamen in mid-February, she was told by her prospective employer that she would have to delay her start date even further.

"I just waited and waited," Wang said. More than a month later, she was told that her position as a sustainable development consultant was being cut.



Men wearing masks wait in an employment agency for a car to take them to their new jobs in Shanghai in April. Hector Retamal / AFP - Getty Images file

Wang, now jobless and living in a new city, is among the millions of people in China whose

lives have been upended by the coronavirus outbreak and its economic impact.

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China's gross domestic product shrank in the three months that ended in March by 6.8 percent from a year ago after factories and shops closed to contain the infection, China's [National Bureau of Statistics announced last month](#).

The numbers, the worst since the country began keeping track, threaten China's status as an economic heavyweight. And crucially, China's strong economy has for years underpinned the political stability of the single-party state.

It has been, in essence, a social contract. And if the economy falls apart, millions of young Chinese workers like Wang may face unemployment.

For decades, the ruling Communist Party has put economic growth at the center of its model for success, experts say. "It's tangible evidence for the Communist Party that their system works for China, that their system delivers for Chinese people," said Richard McGregor, a senior fellow at the Lowy Institute, a think tank based in Australia.

A prolonged downturn would fray trust between the government and workers, he said, and increase the chance of unrest among those feeling the effects of the outbreak, with pay cuts and job losses.

"It makes people lose faith in the system," McGregor said.

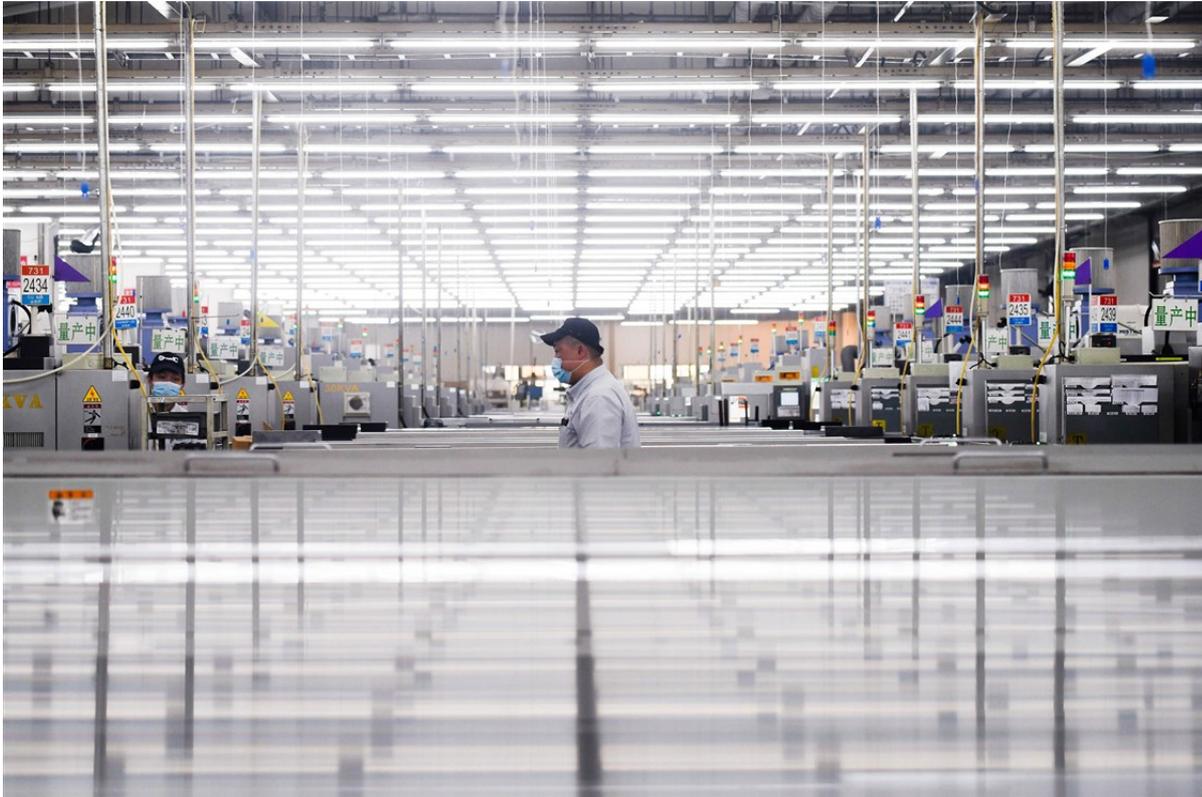
Although China is emerging from the despair of COVID-19, its economic health remains shaky.

Unemployment stood at 5.9 percent in March, down from 6.2 percent in February, but experts say the real number of jobless people is likely much higher.

The country's leadership must puzzle out how to kick-start the economy to maintain the grand bargain it has with its 1.4 billion people.

China's leadership recognizes that the economic threat of unemployment could translate into a political threat when it comes to maintaining public order.

"Employment is closely related to people's livelihood, economic development and social stability," Premier Li Keqiang said in a teleconference on epidemic control in March, China's state-run news agency, Xinhua, reported.



An employee wearing a mask works at an SMC plant during a media tour organized by the government in Beijing on Wednesday. Wang Zhao / AFP - Getty Images

Since the 2008 global financial crisis, the government has tried to prevent social instability by bolstering the safety net, said Albert Park, director of the Institute for Emerging Market Studies at Hong Kong University of Science and Technology.

"They don't want to have really serious urban unemployment problems," Park said.

The question for those in China who, like Wang, have lost jobs during the COVID-19 outbreak is whether the government's pledge to support workers will help them recoup what they've lost.

In February, Xia Yuxiang, 28, learned from her employer, a large hotel spa chain, that she wouldn't be paid for her work in January.

"We argued a bit, and the company fired me unilaterally. But without any compensation," Xia said in an online chat.

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Xia said she hasn't been given proof of separation from the company, which is required to apply for new jobs in China. And she said she isn't confident that after her case is settled, which could take months, she'll be able to get back to work right away.

Speaking at a State Council meeting last month, Li, the premier, said the government would extend unemployment benefits and other forms of assistance to China's migrant workers – millions of whom lost work contracts because of travel restrictions that left them stranded outside cities.

During the outbreak, Chinese provinces offered incentives – including refunds on social security payments – to encourage companies not to fire workers.

But for people in hard-hit industries, finding work in an uncertain economy remains a challenge. Wang, who is re-evaluating her job prospects now that she's without work, is freelancing from home.

Meanwhile, the port city of Xiamen, where the job she was offered is located, is slowly reopening. Tourist spots are filling up again, and barriers in front of businesses are coming down. Wang, a member of China's growing middle class, has her health and her family, she said, so she counts her blessings.

"I think I am the luckiest one among all the unlucky people," she said.

Betsy Joles



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