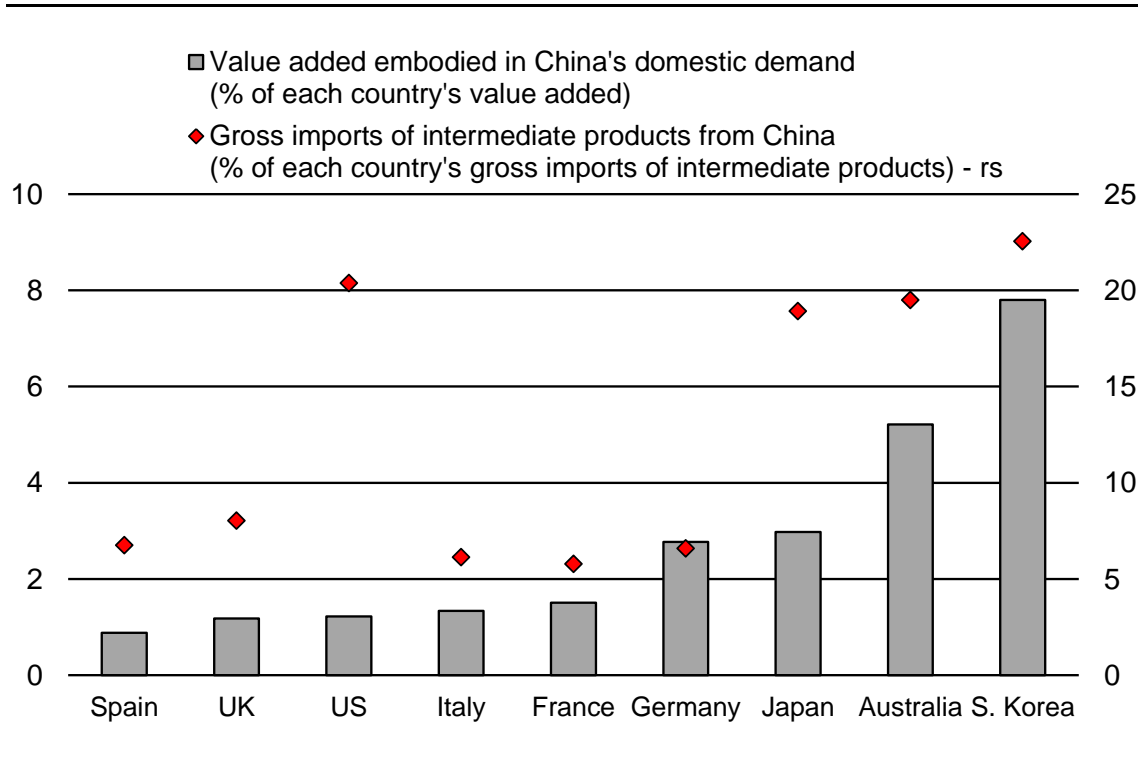


Mapping the global spillover of coronavirus



Source: OECD, UniCredit Research

- Our *Chart of the Week* aims to identify the exposure of selected countries to the economic shock in China caused by the new coronavirus. We look at two transmission channels: lower Chinese demand for goods and services, and potential supply-chain disruption. We measure exposure to China’s demand shock as the value added of each country that is embodied in Chinese domestic demand, in proportion to the total value added created by each country. In order to capture the supply-chain effect, we use each country’s gross imports of intermediate products from China in proportion to total imports of intermediate products. All data are from the OECD’s Trade in Value Added (TiVA) database and refer to 2015.
- According to both our metrics, the Asia-Pacific region appears most vulnerable, with South Korea being particularly exposed. About 8% of South Korea’s value added is embodied in Chinese domestic demand and 23% of all its imports of intermediate products come from China. Germany is about twice as vulnerable to a Chinese demand shock as other European countries in our sample, while the exposure to supply-chain disruption is fairly contained across Europe. The US economy appears to be well shielded from demand effects, but it is more exposed to potential damage through supply-chains.
- Clearly, our chart provides a simplified reading of a very complex reality in which several other transmission channels are at play, including confidence effects and second-round effects (here we only focus on direct effects). The flash PMIs for February, which are due for publication next Friday in a number of countries, will be closely scrutinized to get a first sense of the damage coronavirus might have inflicted on the global economy.

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