

The Economic Impacts of Coronavirus on the Global Economy Case study India country

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Abstract

The so-called —Covid-19 shock will trigger a recession in some countries and a deceleration of global annual growth to below 2.5 per cent -- often taken as the recessionary threshold for the world economy. The on-going spread of the new coronavirus has become one of the biggest threats to the global economy and financial markets. It has become the biggest threat to global economy. The major bad impacts of Corona virus outbreak are slowdown in economic growth, slowdown in manufacturing activity, contraction in services activity, declining oil prices, sell off in stock markets, far fewer flights and rise in unemployment.

The so-called "Covid-19" shock will lead to stagnation in some countries and a slowdown in global annual growth to less than 2.5 percent -- often considered the threshold of stagnation for the global economy. The continued spread of the new coronavirus has become one of the greatest threats to the global economy and financial markets. It has become the greatest threat to the world economy.

In this modern world, all the world's economies are closely integrated. This is if anything happens in any part of the world will have an average to high impact around the world. The reform, the impact on one of the largest economies such as China will greatly affect all the world's economies. Because most companies that rely on international trade will suffer severe pressures. Global economic production is declining, and the entire economy is expected to stagnate.

Keywords: Corona virus, Outbreak, Global Economy, Economic Growth, Slowdown.

Objectives of the Study:

- 1) To study the global scenario of Corona virus outbreak.
- 2) To study the impact of Corona virus outbreak on the global

IMPACT OF THE CORONAVIRUS PANDEMIC ON THE GLOBAL ECONOMY

The widespread epidemic triggered by the highly contagious COVID-19 virus -- has led to unprecedented restrictions not only on the movement of people but also on a range of economic activities, and the declaration of national emergencies in most countries in Europe and North America. The growing demand for urgent health care and the rising death tolls are straining national health care systems. This epidemic disrupts global supply chains and international trade.

With nearly 100 countries closing national borders over the past month, people's movement and tourism flows have stopped screaming. Millions of workers in these countries face a bleak prospect of losing their jobs.¹

The important Economic impact of COVID-19 could affect the global economy through:

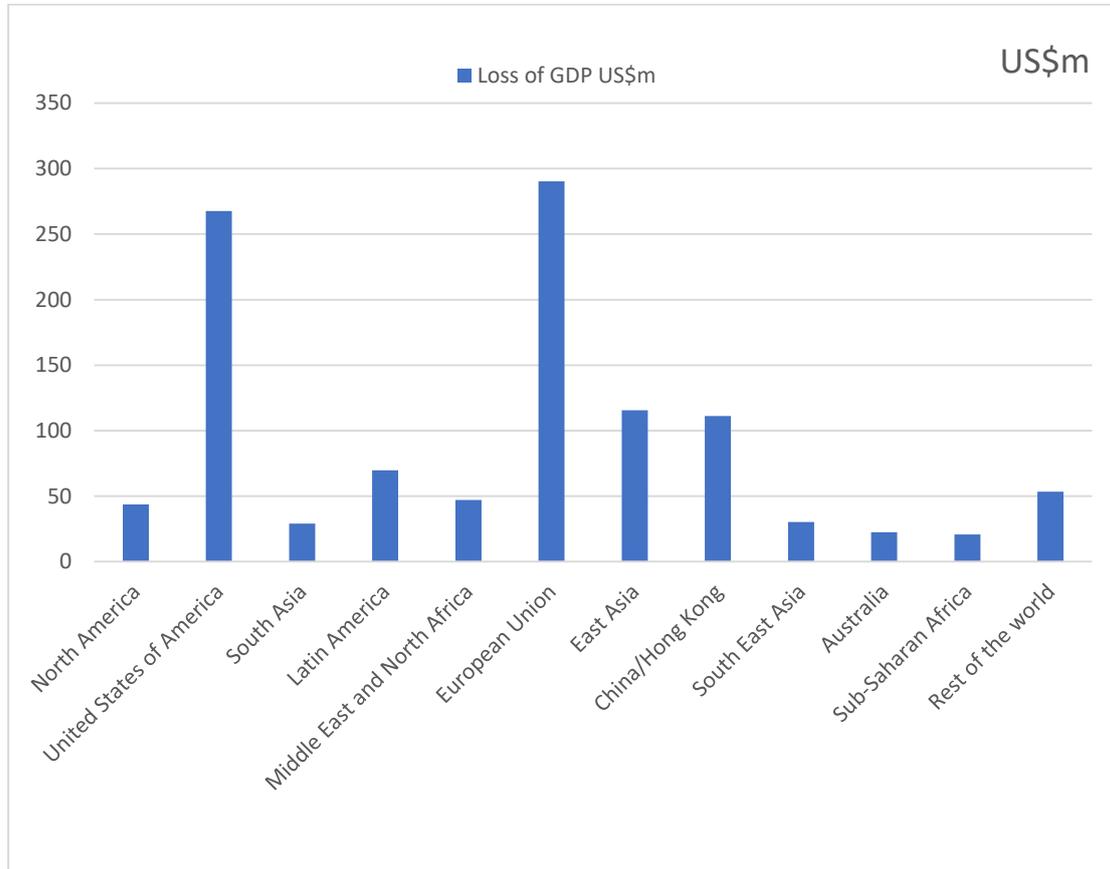
Table 1 Economic impact of COVID-19 on supply side

Production	Supply chain and market disruption.
<p>Direct impact on production. Production has already been substantially affected by the shutdown in global areas. Some other countries are also beginning to feel a direct impact as their authorities put in place similar measures. The slowdown or lockdown in many countries has effects on exporters to other countries. According to the World Bank even without new outbreaks of the disease, these areas will likely experience slow growth in the first half of 2020.²</p>	<p>Many manufacturing firms rely on imported intermediate inputs from China and other countries affected by the disease. Many companies also rely on sales in China to meet financial goals. The slowdown in economic activity—and transportation restrictions—in affected countries will likely have an impact on the production and profitability of specific global companies, particularly in manufacturing and in raw materials used in manufacturing.</p>

Source: Prepared by researcher.

As shown in the figure, the COVID-19 pandemic represents an unprecedented disruption in the global economy and trade, with production and consumption being curtailed worldwide.

Figure 1 Impact of Corona Virus on the Global Economy



Jeremy Thorpe et al , (2020) , The possible economic consequences of a global coronavirus pandemic , [pwc.com.au/coronavirus-impact](https://www.pwc.com/au/coronavirus-impact) , pp7.

The direct and indirect impact of the COVID-19 outbreak is the temporary closure of factories and companies in an affected country (as in China now) and therefore, resulting in a sharp and immediate decline in production in the economy. The shock can then be amplified by simultaneous supply chain disturbances of the necessary production inputs and an immediate decline in demand.

The simultaneous shock of production, demand, supply chain and human flows in the country is likely to lead to a significant reduction in international trade flows of goods and services (second wave) for example, reduced supply, closure of transport routes, reduced demand for imported goods, and reduced movement of people from one country to another.

Everyone can significantly reduce exports and imports of goods (such as manufactured products such as cars) and services (such as tourism and travel) for the economy. Furthermore, the movement of less people, economic uncertainty, intermittent transport and logistics - along with the high costs of options available due to interruptions - can force international investors to retreat from their ongoing activities and investment plans in the pandemic-affected country. In general, this can hit scarce developing economies with the greatest depending on trade and foreign direct investments flows for economic growth and development.

The most important sectors affected by the Corona crisis :

1-Energy sector.

All fuels except renewables are set to experience their greatest contractions in demand for decades. In some cases, annual declines will be stronger than those in the first quarter.³

Table 2 Energy sector affected by the Corona crisis

Oil demand	could drop by 9%, or 9 mb/d on average across the year, returning oil consumption to 2012 levels.
Coal	demand could decline by 8%, in large part due to a fall in electricity demand of nearly 5% over the course of the year, pushing down output from coal-fired generators by more than 10%. The recovery of coal demand for industry and electricity generation in China limits the global decline in coal demand.
Gas	demand across the full year could fall much further than in Q1 2020, because of reduced demand in power and industry applications.
Nuclear	power demand would also fall in response to lower electricity demand.
Renewables	demand is expected to increase because of low operating costs and preferential access to many power systems. Recent growth in capacity, with some new projects coming online in 2020, will also boost output. Biofuels however, are likely to see demand decline, directly impacted by lower transport activity.

Source: Prepared by researcher.

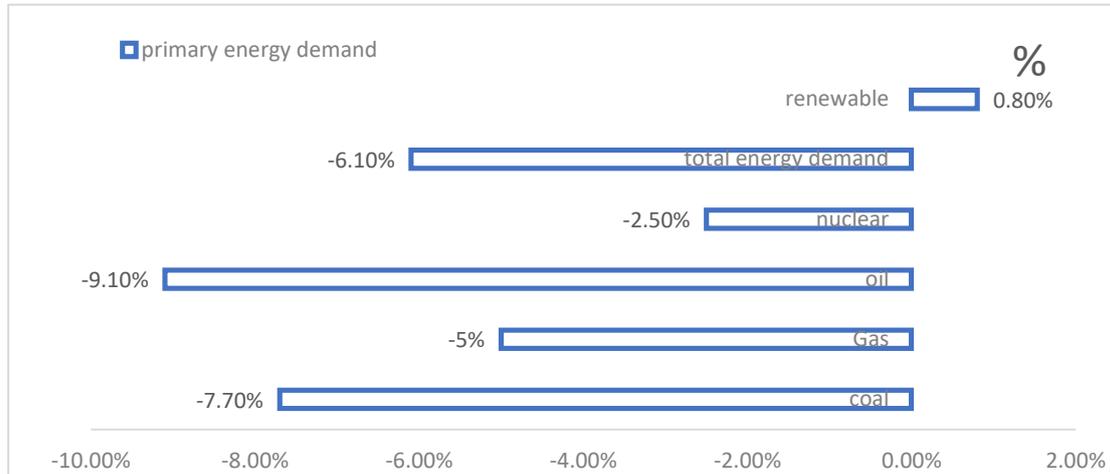


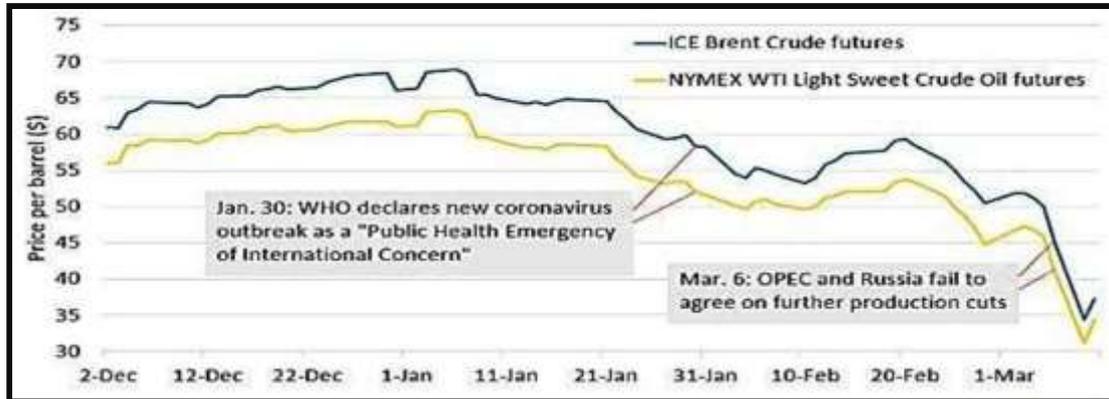
Figure 2 Projected change in primary energy demand by fuel in 2020

International Energy Agency , iea , (April 2020)

2-Declining Oil Prices:

Declining global economic activity has reduced oil demand and moved oil prices to several-year lows. China, the epicenter of the Coronavirus outbreak, is the world's largest importer of crude oil. According to DBS (Singaporean Bank) analysts, the spread of Corona virus in Italy and other parts of Europe is particularly worrying and is likely to weaken demand in OECD countries as well. Figure 3 shows that crude oil futures prices have fallen due to the announcement by the World Health Organization (WHO) of the Coronavirus outbreak as a public health emergency, as well as disagreement over production cuts between OPEC and its allies.⁴

Figure 3 : Slump in Oil Prices



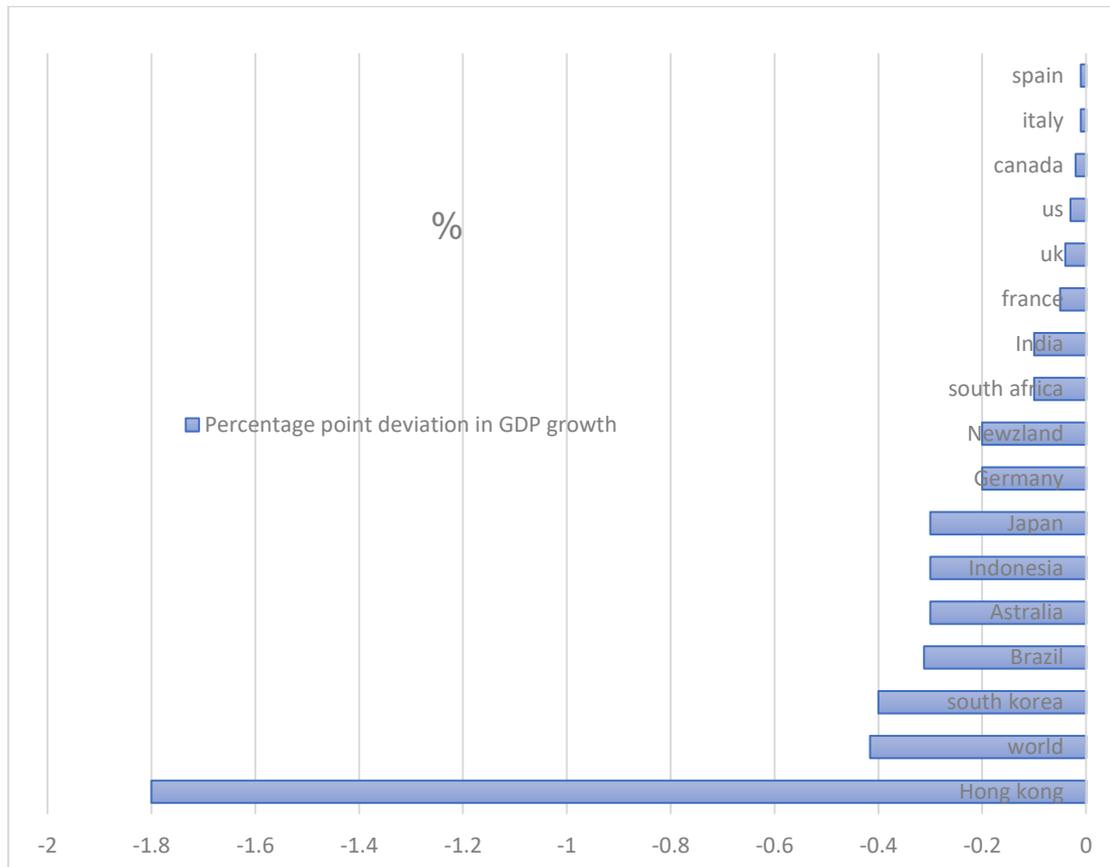
Source: Refinitive, IHS, Markit, Caixin, Au Jibun Bank

A market diagnosis completed by economists at Bloomberg concluded that China's first-quarter GDP growth could fall to 4.5% year-on-year. According to estimates by the same experts, to analyze the projected losses of various countries around the world, **global GDP is likely to decline** by about 0.42% in the first quarter of the year due to the outbreak. This is shown in Figure 3. However, economists at Bloomberg believe it is too early to know the full impact of the deadly disease because the infection has not yet peaked.

However, some capitalist economists estimate that without urgent global action to reduce the Wuhan 2019-nCoV in the shortest possible time, China is expected to lose up to \$62 billion in the first quarter of the year, while the world is likely to lose more than \$280 billion during the same period.

This conclusion compares closely to the World Banks estimation that even a weaker flu pandemic, such as the 2009 H1N1 viruses, could still wipe 0.5% off global GDP, which amounts to approximately \$300 billion.

Figure 4 Percentage point deviation in year-on-year growth from Q1 2020

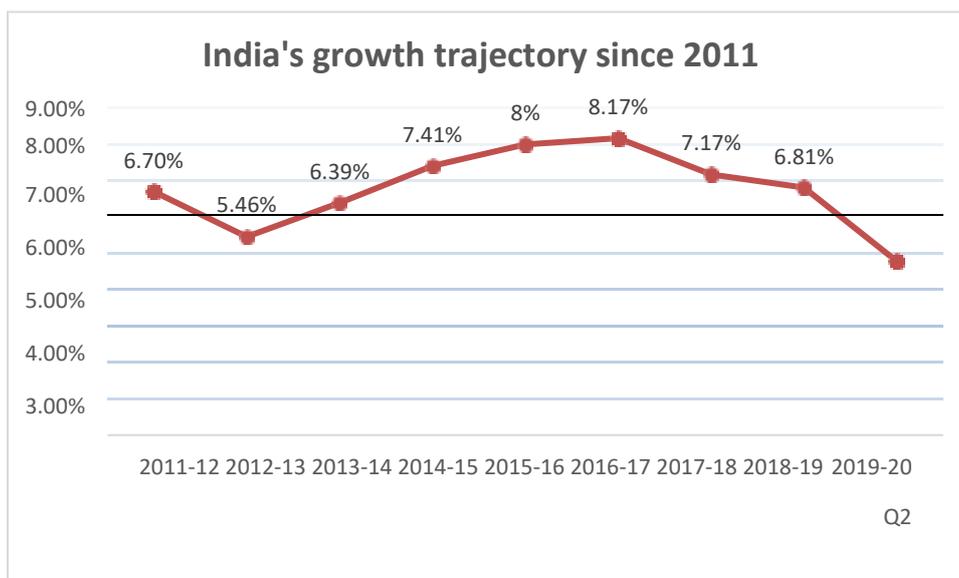


Source : Ayittey, F. K., Ayittey, M. K., Chiwero, N. B., Kamasah, J. S., & Dzuvor, C. (2020). Economic impacts of Wuhan 2019-nCoV on China and the world. *Journal of Medical Virology*.

The Economic Impacts of Coronavirus on India:

The Covid-19 pandemic led to the **closure of mass production and disruption of the supply chain**, causing successive global impacts across all economic sectors in a way that was never expected. The spread of the disease is expected to pose serious humanitarian challenges to the nations of the world, particularly India. Economically, the effects have already been felt as demand for **Indian raw materials and goods has declined** in the world market and hampered India's access to industrial components and manufactured goods from other parts of the world. This is causing more uncertainty on a continent already struggling with widespread geopolitical and economic instability.⁵

Figure 5 : India’s growth trajectory since 2011



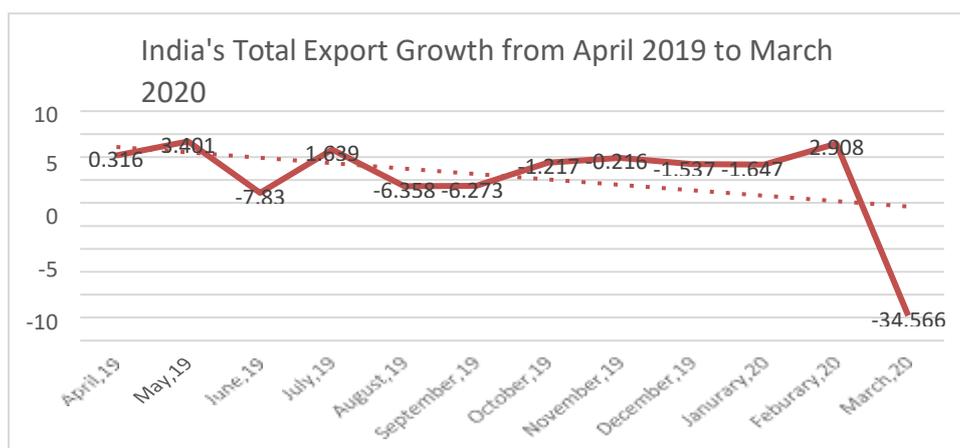
Source : Agrawal, S., Jamwal, A., & Gupta, S. (2020). Effect of COVID-19 on the Indian Economy and Supply Chain , pp1-12.

Demand side shock:

The enormous uncertainty and market fall have led to a doubling of businesses that are disrupting the entire production and demand chain. It includes various facilities and services provided by the Indian government and private sectors such as tourism, hospitality, and aviation, which are key sectors facing the greatest loss in the current crises.

India's trade balance showed a trade deficit of 9.8 US\$ billion in March 2020, and the **unexpected decline in trade and production had negative consequences for businesses and households.** The international government's trade side may look for action against domestic production and to reduce dependency to one country, which in one way or another will boost the production of local industries and reduce the trade deficit.

Figure 6 : India's total export growth from April 2019 to March 2020



Source : Agrawal, S., Jamwal, A., & Gupta, S. (2020). Effect of COVID-19 on the Indian Economy and Supply Chain pp1-12.

Challenges of Lockdown in India

Some critical observations and challenges which emerge from this mass viral epidemic as follows:

Table 3 India's economic growth decelerating

1. Unemployment Crisis:

India is facing a major unemployment crisis. Millions of migrant workers are the backbone of the big city's economy. Construction of buildings, cooking, service in restaurants, delivery, fast food, hair cutting in salons, auto industry, plumbing, toilets and newspapers, among others, **have lost their jobs due to the current closure of the virus containment.**

2. Agriculture Crisis:

Agriculture has been severely affected by the spread of COVID 19. The agricultural industry contributes about \$265 billion to GDP. An outbreak occurred at a critical planting time when the new crop is ready, waiting to be sold. The main challenge here is to move food from rural areas to cities in the middle of closure. Although food is abundant, where supply chains do not work properly, much food is wasted resulting in heavy losses for Indian farmers. Moreover, **prices in cities have risen** because of profitability, and we consumers end up paying more food prices.

3. Aviation:

After the Government of India suspended tourist visas indefinitely, airlines are said to be operating under pressure. Nearly 600 international flights to and from India have been cancelled for varying periods. About 90 domestic **flights were cancelled.** The Asia-Pacific Aviation Center (CAPA) estimated that India's aviation industry will record losses of \$3.6 billion this year. With flights suspended until mid-April, the closure is sure to put India's fast-growing aviation industry at risk.

4. Tourism:

The dwindling aviation sector is likely to have a cascading impact on the hospitality and tourism industries. **Hotel and restaurant chains across the country are empty** and are likely to remain so for months, raising fears of widespread layoffs. Moreover, India is great for cultural and historical tourism, attracting local and foreign citizens throughout the year. A large number of confirmed COVID-19 cases in India will not affect foreign tourists only as visas are suspended and attractions closed indefinitely, and the entire tourist value chain, which includes hotels, restaurants, attractions, agents and operators, is expected to face losses equal to thousands of crores.

5. Raw Materials and Spare Parts:

India relies heavily on China for imports as China is the focal point of global supply chains. Nearly 55 percent of the electronics imported by India come from China. However, these **imports have already fallen** to 40 per cent due to the outbreak of COVID-19 and after the closure. Moreover, India exports many raw materials such as organic chemicals, mineral fuels, cotton, etc. to China, which has also declined due to China's demand for these goods. **This will lead to a large trade deficit for India.**

Source : Moon Moon HussainRashmi Rekha Borah , June 2020 , IMPACT OF COVID-19 ON INDIAN ECONOMY: A STUDY , pp1-12.

Required Key Policies

Urgent and bold political measures are needed, not only to contain the epidemic and save lives, but also to protect the most vulnerable in our societies from economic destruction and to maintain economic growth and financial stability. Rich countries have introduced massive health and public spending programs to counter the economic effects of the COVID-19 epidemic.⁶

Conclusion

The results of the study reveal that covid-19 already exacerbates unemployment in the country, leading to a significant loss of government revenues, and an increase in the incidence of poverty, among others.

Reference:

¹ Sakib Mahmud , (February 2020) , Impact of Corona Virus on the Global Economy , pp1-3.

² Mishra, M. K. (2020). The World after COVID-19 and its impact on Global Economy.

³ International Energy Agency , iea , (April 2020) , The impacts of the COVID-19 crisis on global energy demand and CO2 emissions , site https://www.iea.org/reports/global-energy-review-2020/global-energy-and-co2-emissions-in-2020?utm_campaign=IEA%20newsletters&utm_source=SendGrid&utm_medium=Email#co2-emissions

⁴ Bholane, K. P. (2020). Impact of Corona Outbreak on Global Economy. Purakala with ISSN 0971-2143 is an UGC CARE Journal, 31(9), 126-133.

⁵ Yudaken, M., Bell, J., & van Rensburg, M. (2020). The Impact of COVID-19 on Key African Sectors. Global Compliance News online.

⁶ Mishra, M. K. (2020). The World after COVID-19 and its impact on Global Economy.