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IMPACT OF COVID-19 ON ECONOMY

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Abstract

COVID-19 is not only a global pandemic and public health crisis; it has also severely affected the global economy and financial markets. Significant reductions in income, a rise in unemployment, and disruptions in the transportation, service, and manufacturing industries are among the consequences of the disease mitigation measures that have been implemented in many countries. It has become clear that most governments in the world underestimated the risks of rapid COVID-19 spread and were mostly reactive in their crisis response. On March 11, 2020, the World Health Organization (WHO) characterized COVID-19 as a pandemic, pointing to over 3 million cases and 207,973 deaths in 213 countries and territories. The impact of coronavirus pandemic on India has been largely disruptive in terms of economic activity as well as a loss of human lives. Almost all the sectors have been adversely affected as domestic demand and exports sharply decreased with some notable exceptions where high growth was observed. Global financial markets have been heavily impacted by the effects of COVID-19 spread. As the numbers of cases started to increase globally, mainly through the US, Italy, Spain, Germany, France, Iran, and South Korea, the world financial and oil markets significantly declined. During 2020, governments adopted a range of measures at both the national and international level to address the health and economic consequences of the COVID-19 pandemic. An attempt is made to analyze the impact and possible solutions for some key sectors.

Keywords: Covid-19, Pandemic, Disruptions, Consequences, Global Markets, Crisis.

Introduction

COVID-19 is not only a global pandemic and public health crisis; it has also severely affected the global economy and financial markets. Significant reductions in income, a rise in unemployment, and disruptions in the transportation, service, and manufacturing industries are among the consequences of the disease mitigation measures that have been implemented in many countries. It has become clear that most governments in the world underestimated the risks of rapid COVID-19 spread and were mostly reactive in their crisis response. On March 11, 2020, the World Health Organization (WHO) characterized COVID-19 as a pandemic, pointing to over 3 million cases and 207,973 deaths in 213 countries and territories. Due to the coronavirus pandemic global economics reduced in size up to 1% in 2020. it was predicted that it is about to face 2.5% growth, the United Nation has warned that if restriction will increase more then it will affect the economy. According to the analysis of the UN Department of Economic and social Affairs (DESA). All over the world around 100 countries' boundaries have been closed since the corona virus spread from one country to another country, the living style has changed and it has affected business, retail sector, tourism, education, industries etc. Millions of people are losing their jobs and facing problems. In the future 0%growth rate will fall in every sector. All countries' governments are trying to handle their economy should not fall. They are thinking about incentive packages that do not cause global economic recession. In bad situations the global economy would go down 0.9%. Before the epidemic of the Covid-19 the analysis of growth rate was 2.5% expected in 2020 by the analysis of World Economic circumstances and forecasting of 2020.

Objective

To show the Impact on the global economy as well as the Indian economy before and after the pandemic emphasizing on the global exports and imports.

Methodology

* The information and the graphs have been taken from the following sites:
  www.indianexpress.com
  www.wto.org
  www.oecd.org
  www.statista.com

Impact Of Covid-19 On Global Economy

The pandemic has pushed the global economy into a" recession", which means the economy starts shrinking and growth stops. In the US, Covid-19-related disruptions have led to millions filing for unemployment benefits. In April alone, the figures were

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at 20.5 million, and are expected to rise as the impact of the pandemic on the US labor market worsens. As per a Reuters report, since March 21, more than 36 million have filed for unemployment benefits, which is almost a quarter of the working-age population. Further, an early analysis by IMF (INTERNATIONAL MONETARY FUND) reveals that the manufacturing output in many countries has gone down, which reflects a fall in external demand and growing expectations of a fall in domestic demand.

Impact On Global Growth

* Advanced economies have been hit harder, and together they are expected to grow by -6 per cent in 2020. Emerging markets and developing economies are expected to contract by -1 per cent. If China is excluded from this pool of countries, the growth rate for 2020 is expected to be -2.2 per cent.
* China's GDP dropped by 36.6 per cent in the first quarter of 2020, while South Korea's output fell by 5.5 per cent, since the country didn't impose a lockdown but followed a strategy of aggressive testing, contact tracing and quarantining.
* In Europe, the GDPs of France, Spain and Italy fell by 21.3, 19.2 and 17.5 per cent respectively.

Effects On Goods

* **Oil and natural gas**

Due to the fall in travel, global industrial activity has been affected. Oil prices fell further in March as the transportation sector, which accounts for 60 per cent of the oil demand, was hit due to several countries imposing lockdowns. Not only oil, early this year in China, due to Covid-19-related containment measures, the demand for natural gas fell, as a result of which many Chinese LNG buyers halted their imports as storage tanks filled.

* **Industrial Metals**

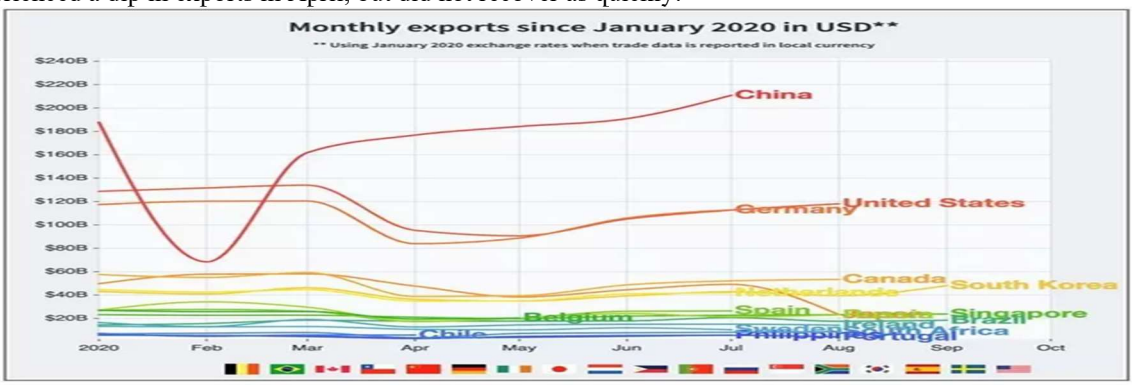
Due to lockdowns in China, followed by in the US and Europe, the demand for industrial metals reduced as factories shut down. As per IMF, China accounts for roughly half of the global demand for industrial metals**.**

* **Food and beverages**

The IMF projects a decrease in food prices by 2.6 per cent in 2020, caused by supply chain disruptions, border delays, food security concerns in regions affected by Covid-19 and export restrictions.

In the lockdown period, while the price of cereals, oranges, seafood and Arabica coffee has increased, prices of tea, meat, wool and cotton have declined. Further, the decline in oil prices has put a downward pressure on the prices for palm oil, soy oil, sugar and corn.

Let's begin by looking at total monthly exports for the world's largest export economies: China, the US and Germany. China experienced a sharp fall in exports during February, but recovered quickly and was back to normal by March. The US and Germany, however, experienced a dip in exports in April, but did not recover as quickly:



We can explore these differences more deeply by comparing the exports of a particular month in 2020 with the same month in 2019. This shows that in July this year, China was up by $40 billion in exports in the same month last year. The same calculation shows the US was still down in July by about $20 billion. This exercise also shows that the decline of US exports in May was comparable to that of China in February (about $50 billion). February is usually the slowest export month for China (it coincides with their New Year), so part of their dip in exports is explained by seasonal variation, which is accounted for in the year-over-year indicator:

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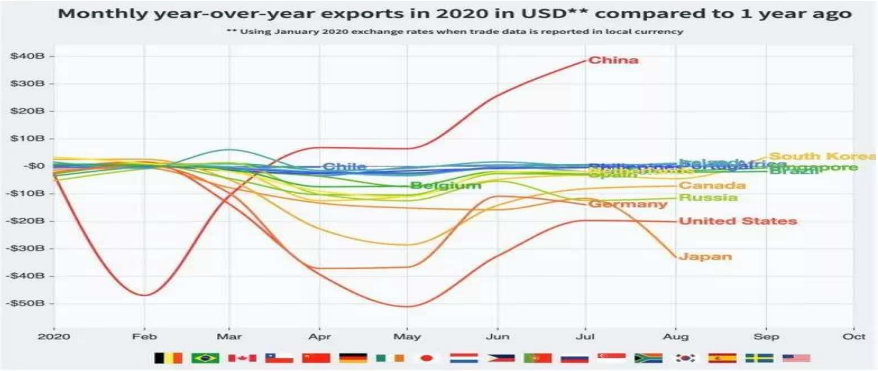

Impact Of Covid -19 On Indian Economy

* India was greatly affected by the coronavirus (COVID-19) pandemic in various sectors. Intending to get hold of the situation, India announced its first nation-wide lockdown in March, which led to the economic slowdown. Consequently, international trade took a huge hit as well. In August 2020, imported commodities, specifically oil, faced more than 50 percent decline as compared to previous year. By contrast, electronic goods were least affected.

* **India's economic loss due to COVID-19**
  The coronavirus (COVID-19) pandemic laid additional stress on the country's already struggling economy. With a GDP growth of just 5% between January and March 2020, a drop of more than nine percent in the next quarter came as a huge blow. The markets reacted differently to the crisis, which was reflected in their growth rate. The automotive market was hit the hardest by the lockdown, as it showed the maximum negative growth. While most industries were shaken to their core, financial, real estate, and professional services were estimated to incur huge losses.

  Sudden rise in unemployment
  owing to the lockdown, many Indians found themselves with no work. In May 2020, the unemployment levels reached a new high with more than 27 percent of the country's labor force unemployed. However, the effects within the different parts of society varied. In April 2020, small traders and laborers suffered the most due to the coronavirus, as nearly a hundred million lost their jobs. Contrary to this, the farmers saw an increase in employment.

How Did They Overcome This Situation?

* According to an assessment by the World Economic Forum (WEF), supporting SMEs and larger businesses is crucial for maintaining employment and financial stability.
* In India, Finance Minister Nirmala Sita Raman has announced some details of the Atmanirbhar Bharat Abhiyan package, to provide relief to Medium, Small and Micro Enterprises (MSMEs) in the form of an increase in credit guarantees.
* Many advanced economies in the world have rolled out support packages. While India's economic stimulus package is 10 percent of its GDP, Japan's is 21.1 per cent, followed by the US (13 per cent), Sweden (12 per cent), Germany (10.7 per cent), France (9.3 per cent), Spain (7.3 per cent) and Italy (5.7 per cent).
* However, the WEF notes, "…there is concern that the size of packages may prove insufficient for the duration of the crisis; that disbursement may be slower than is needed; that not all firms in need would be targeted; and that such programmes may be overly reliant on debt financing."
* In Asia, countries including India, China, Indonesia, Japan, Singapore and South Korea account for about 85 percent of all the Covid-19 cases on the continent.

South Korea stands out, since business and economic activities were not completely stopped and therefore, their economy was not severely affected.

China recently lifted its lockdown and has since then been gradually reopening its economy without an aggressive second wave of infections so far.

Further, even as economic activity resumes gradually, the situation will take time to normalize, as consumer behaviors change as a result of continued social distancing and uncertainty about how the pandemic will evolve.

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For instance, in its World Economic Outlook report for 2020, the IMF mentions that firms may start hiring more people and expanding their payroll only slowly, as they may not be clear about the demand for their output.

Therefore, along with clear and effective communication, broad monetary and fiscal stimuli will be required to be coordinated on an international scale for maximum impact, and, "would be most effective to boost spending in the recovery phase."

Conclusion

On March 11, 2020, the World Health Organization (WHO) characterized COVID-19 as a pandemic, pointing to over 3 million cases and 207,973 deaths in 213 countries and territories. Due to the coronavirus pandemic global economics reduced in size up to 1% in 2020. it was predicted that it is about to face 2.5% growth, the United Nation has warned that if recession continues it will affect the economy. According to the analysis of the UN Department of Economic and social Affairs (DESA). All over the world around 100 countries' boundaries have been closed since the corona virus spread from one country to another country, the living style has changed and it has affected business, retail sector, tourism, education, industries etc. Millions of people have lost their jobs and are facing financial problems. Industries and companies have been shut down due to the financial crisis, less availability of labor, delayed salary payments to the laborers. In the future 0%growth rate will fall in every sector. All countries' governments are trying to stabilize their economy, but are out of funds to create incentive packages to the people affected by the covid-19.

Almost all the sectors have been adversely affected as domestic demand and exports sharply decreased with some notable exceptions where high growth was observed. Global financial markets have been heavily impacted by the effects of COVID-19 spread. As the numbers of cases started to increase globally, mainly through the US, Italy, Spain, Germany, France, Iran, and South Korea, the world financial and oil markets significantly declined. During 2020, governments adopted a range of measures at both the national and international level to address the health and economic consequences of the COVID-19 pandemic.

Since March 21, more than 36 million have filed for unemployment benefits, which is almost a quarter of the working-age population. Advanced economies have been hit harder, and together they are expected to grow by -6 per cent in 2020. The business sectors like remote working tools and software, E- learning, entertainment, virtual reality (VR), pharmaceutical and medical devices, logistics, virtual health care, contactless technology, free-lancing/ gig-economy and electronic transfers were the most boosted sectors among them the health care sector is and always has been the most prominent especially during this covid times its role has become more colossal and influential on people's lives and economy. It is anticipated that drug sales might rise up to $1.8 trillion by 2024 and the healthcare market may reach upto $3.44 billion by 2027.

Major food commodities indicated that the wholesale and retail prices of pulses, wheat flour and milk was 1–5% higher a month post-lockdown; prices of edible oils and staple cereals (rice and wheat) were 4–9% lower because of removing import restrictions and government interventions like free distribution of food grains. Vegetable prices rose with tomato prices increasing by 77–78% in a week and 114–117% a month post lockdown. Markets saw increased arrivals in May owing to distress sale and market reforms insulated farmers from lower prices. Smaller cities and rural areas saw higher price rises than the urban areas.

More than 90% of consumers across all the regions have changed their shopping behaviour. As the pandemic continues to threaten the global food system, the role of state becomes much more pertinent. In order to protect and safeguard the livelihoods of millions of people associated with the agricultural system, the state should increase spending on social safety nets immediately and take up other short- and medium-term strategies. Raising revenue by offloading excess buffer stock and increased credit to the agriculture sector should be the top priority for post-pandemic economic restoration.

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