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IMPACT OF COVID 19 ON THE GLOBAL ECONOMY

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ABSTRACT

The chapter envisions the impact of COVID-19 on Global economy which has greatly influenced and disturbed owing to the sudden outbreak. This has suddenly fluctuated the economic flow across the globe with large number of companies are partial administrating and most of them are temporarily shut down. This economic crisis is one of the major global crisis of recent times. Based on these facts the present chapter is executed and briefly provides the information related to economy and its co relation to COVID-19.

1. Introduction

The human and health toll is on the rise as the economic damages are already more than evident. COVID-19 has delivered the biggest shock to the economy ever experienced by the world within decades of time [1]. As per the June 2020 edition of the Global Economic Prospects both the near-term and intermediate outlook in regards to the pandemic and its impact along with the long-wearing damages have stunted the growth prospects and this is being known as a massive setback already. The forecast of the baseline shows that there is a 5.2 per cent of contraction in regards to the global Gross Domestic Product or GDP as of 2020. The Governments are trying to salvage the immense mess by ways of monetary and fiscal policies for support however the crisis has used up the rate weights of a market exchange bringing forth the deepest of the global recession that has seen in decades. Over the horizon that is longer, this deep recession is triggered by that of the pandemic and is expected to be leaving lasting scars through that of lower investment. This is the erosion of capital that is human through that of loss of schooling and work, fragmentation of supply linkages and global trade. For the developing countries with emerging markets, they are being faced with daunting vulnerabilities and it is become critical to be strengthening the systems of public health, addressing the challenges being forced upon by informality along with the implementation of reforms which will be supporting sustainable and strong growth after the crisis in regards to health is abated. The economies that are advanced have been projected to be shrinking by that of 7 per cent. This kind of weakness will be spilling over for the outlook in emerging markets and economies which are developing. The developing economies have been forecasted to be contracted by that of 2.5 per cent as they are also coping with the outbreak of the virus that is domestic.

This has been representing the weakest showing by the group of economies within the last 60 years of time. Each of the regions is subject to growth downgrades that have been known to be substantial. The growth of the Pacific and East Asia is predicted to be as less as that of 0.5 per cent. It has also been foretold that South Asia should be contracting by that of 2.7 per cent, Sub-Saharan Africa at the rate of 2.8 per cent, North Africa and the Middle East by that of 4.2 per cent, Central Asia and Europe by 4.7 per cent along with that of Latin America at the rate of 7.2 per cent. This kind of downturn is expected to be reversing years of fulfilling progress towards the goals of development along with the tipping of the teeming millions back into that of extreme poverty [2]. An emergent market within a developing economy will be storm-tossed by that of economic headwinds coming from multiple areas such as pressures on a health care system that is weak, losses in tourism and trade, remittances being dwindled, capital flows that are hindered along with mounting debt and financial conditions which are bound to be tight.

The energy exporters or commodities of the industries are mainly hit very hard. The demand for metal along with that of commodities that are transport-related like platinum and rubber that are used for parts of vehicles have also tumbled [3]. As the markets for agriculture have been supplied well globally, the disruptions in supply chain and restrictions on trading may raise issues of food security in a few places. This outlook which is very bleak is subjected to that of risks of having a significant downside along with that of greater uncertainty. The forecast has assumed that this pandemic will be receding in such ways that measures of domestic mitigation may be lifted by the middle of the year in economies that are advanced along with later in countries which are developed. The adverse spillovers globally might ease as one comes to see the latter half of the year 2020 along with the worldwide financial crisis being avoided. This is the kind of scenario that would be envisioning revival of growth globally which will be at modest rates that is up to 4.2 per cent in 2021. This view has however been deemed as too optimistic. The businesses may be finding it very hard to be servicing debt and an increase in risk aversion can lead to the climbing of borrowing costs with that of defaults and bankruptcies resulting in a financial crisis within many of the countries of the world.

This scenario of downside in growth that is affecting countries globally may be shrinking by about 8 per cent in the year 2020. By looking at the rate at which the pandemic crisis has taken over the worldwide economy one may be provided with a clue in regards to that of the depth of the recession. The fast pace of forecast of global growth patterns has downgraded points towards the possibility of revisions that are further downwards along with the requirement for that of additional actions by the policymakers within the months to come so as to support the economic activity. A very concerning side of this outlook is that the economic and humanitarian toll from the worldwide recession will be taking on the economies with sectors that are extensively informal which are making up an assumed 33.33 per cent of Gross Domestic Product and about 70 per cent of the total employment in regards to developing economies and emerging markets. The policymakers must be considering measures which are innovative for the delivery of support of incomes to the workers along with that of credit support to the businesses. The Global Economic Prospects of June 2020 is looking beyond the outlook that is near-term to the things that may be indicative of lingering repercussions as pertains to the global recession that is severe [4,5].

There have been made setbacks to that of potential output and the output level is receding in an economy and may achieve full employment and capacity with labour productivity. Any efforts made to contain the pandemic in developing end emerging countries are including economies that are low in income having a limited capacity for health care which could be precipitating into longer and deeper recessions setting off a trend that will cross multi-decades, consisting of slow productivity and slower potential growth. An important feature in regards to the present landscape is a historic collapse of oil pricing and oil demands. Lower oil pricing is likely to be provided at its best a temporary support which is basic for the growth as soon as the restrictions to economic activities have been lifted. Even after the demand has recovered the negative impacts on exporters of energy may be outweighing any of the benefits to that of energy importers and their activities. Additionally, the recent oil pricing plunging may be providing even further momentum to be undertaking reforms of energy subsidies by deepening them as the present situation of health crisis has subsided. As one looks at the outlook which is disquieting, the ongoing priority for that of policymakers is in the addressing of the health crisis along with the containment of the short-term damage that is economic.

Over the longest term, there are authorities who are needing to be undertaking reform programs so as to be improving fundamental drivers in regards to the economic growth as the crisis will lift itself. This includes support for that of the sector which is private along with getting the money to people directly. During the period of mitigation, the countries should be focusing on the economic activities to be sustained with the support for that of firms, essential services and households. Global cooperation and coordination of the kinds of measures which are needed to be slowing of the spreading of this pandemic along with the economic measures that are needed to be alleviating economic damages. This includes any kind of international support providing a greater chance for the achievement of goals of public health which will help in the enabling of a global recovery which is robust. According to leading newspapers in India and the IMF or the International Monetary Fund, the worldwide economy will be expected to be shrinking by more than 3 per cent within the span of 2020 itself. This has been the steepest of the slowdowns post the Great Depression affecting the 1930s as being reported.

Within that of America which is a first-world continent, the pandemic has led to disruptions causing millions to be filing for benefits for unemployment. As of April itself, the figures showed to be 20.5 million which is expected to be rising as the aftereffect of this pandemic as the labour market in the U.S is dwindling. According to the report of the Reuters after March 21, there have been greater than 36 million who have filed for the benefits of unemployment and that is spanning almost 25 per cent of the population who have acquired the age of working. There is further early analysis by the IMF revealing that manufacturing of outputs within many countries has recorded a fall, depicting the receding figures of falling external demands along with that of growth expectations in the fall of domestic demand. The estimation of IMF is that worldwide economy is growing at a negative 3 per cent as of 2020 which is an outcome that is much worse than the financial crisis of 2009 that affected countries worldwide as well. The economies of Spain, Italy, France, Germany and the UK will be expected to be contracting in 2020 by 8, 9.1, 7.2, 6.5, 5.2 and 5.9 per cent in the first to last order as mentioned.

The advanced economies are being hit the hardest and they are together expected to be growing by that of a negative 6 per cent all within the year 2020. The emergent markets along with that of developing economies will be expected to be contracting by a negative 1 per cent. China alone being kept as separate will be having a growth rate of a negative 2.2 per cent in the year 2020. The GDP of China has fallen by that of 36.6 per cent within the first 3 months of 2020 and the output of South Korea has fallen by that of 5.5 per cent. This happened since South Korea did not take the path of imposing a lockdown but followed the path, rather the strategy of quarantining, contact tracing and aggressive testing. Within that of Europe, the Gross Domestic Product of that of Italy, Spain and France had fallen by that of 17.5, 19.2 and 21.3 per cent in order from first to last as mentioned. There has been a fall in the travel rates massively and the worldwide industrial activities have been affected. The prices of oil fell further as of March 2020 since the section of transport accounting for that of 60 per cent in the demand for oil has been hit while many countries have imposed a lockdown. Not just that of oils, early in the year of 2020 China due to their Coronavirus measures of containment, saw the fall in demand for that of natural gas which is the result of many of the Chinese buyers of LNG halting their imports by filling of storage tanks [4,5].

2. Conclusion

Amidst the worldwide pandemic, there are many countries all over the world that have resorted to putting the system under lockdown so as to flatten the infection curve. The lockdowns mean confinement of a million citizens inside their homes, shutting down of businesses along with a cessation of most of the economic activities. However, as some of the countries have lifted restrictions and are gradually restarting their economies there are many ways in which the economy has been hit very hard. This pandemic has been pushing the global economic condition into that of a recession and it means that the economy will start to shrink as the growth will stop.

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