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Covid-19 - Impact on Global Economy

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Abstract

Covid-19 pandemic has suddenly changed our lives. The impact of this pandemic on most of the sectors in the globe is negative or not stable. There are many policy measures tried by policy makers of the different countries to reduce the negative impact of this pandemic. But in the competition between saving human lives and saving the global economy, policy makers has to choose human lives only. Due to unpredictable nature of covid-19 there are many issues in implementing the policy measures, resolving which may take time.

Keywords: spread of covid-19, impact on various sectors, policy measures and issues

INTRODUCTION

Covid-19 pandemic is public is a major public health concern faced by all the countries. It is catastrophic and affects socio-economic as well as political aspects of the countries. Compared to, other earlier pandemics like H1N1, Ebola, Zika etc., covid-19, has witnessed, more fatalities and cost huge amount of money (Allocati et al., 2016; Fan et al., 2019). All the earlier pandemics have shown that human life is valuable, but at the same time, the action taken to save human lives like shutting down the industries, educational institutions, restricting the movement of people etc., have impacted the global economy in a negative way (Brahmbhatt and Dutta, 2008). Corona has upset the human life and also slowdown the world economy. The doctors, policy-makers and general public need to have unity and fight this pandemic together to save human lives and to uplift the economy.

LITERATURE REVIEW:

Corona Deaths on 8th June 2020 is 4,06,353 in the world (<https://www.worldometers.info/coronavirus/>). This shows the disastrous nature of pandemic and why there is need for strict measures to save human lives and at the same time to save the



industries. Most of the countries have closed their businesses and education sector along with their borders restricting the entry and exit for goods and persons to reduce spreading of pandemic (The Economist, March 17, 2020). One can see the impact of covid in a simple matter that during the period from March to May 2020, more than 40.8 million Americans have filed for unemployment insurance (Department of Labor, May 28, 2020). The Federal Reserve reported in its Beige Book analysis on 27th May that economic activity has fallen in each of the 12 Federal Reserve districts (The Beige Book, May 27, 2020). Global Economic Prospect (GEP) 2020 Report by World Bank on 'Emerging Market and Developing Economies (EMDEs)' says, EMDEs face health crisis, falling of businesses, fall in capital outflows and countries are expected to have a 3-8% output loss in the short term, based on studies of previous pandemics, as per the analysis and also growth is likely to slow more in commodity-exporting EMDEs than in commodity-importing ones (GEP-World Bank 2020). These researches show the country wise economic aspects. In this paper researcher has made attempt to consider the overall impact of covid on world economy.

Objectives of the Paper:

The main objectives of this paper are:

- To understand the spread of covid-19 in the world.
- To understand the impact of covid-19 on different sectors globally.
- To know the different policy measures adopted by the countries and issues in implementing the measures.

Scope and Limitation: The scope of the study is theoretical and for academic purpose. The limitation is that the study is not done on primary sources of data and inputs are taken from available reports.

Research Methodology:

The study is descriptive in nature. The study is done with secondary sources of data. Books, periodicals, reports and websites were consulted for understanding the relevant concepts, theoretical perspectives and previous research studies conducted on similar crisis.



ANALYSIS:

Spreading of Covid-19

Overall Spreading of Covid-19

The data in the table 1 below is taken from Worldometer 2020 on 8th June 2020. The table 1 gives information about data of total number of covid-19 cases, total number of deaths and total recoveries as on 8th June 2020. The USA shows more number of cases with most number of deaths too. India is in the 6th place for total number of cases of covid, but death rates are not more.

Table 1: No. of Covid-19 infected cases, total deaths and total recovered in top 6 countries as on 8th June 2020

#	Country, Other	Total Cases	Total Deaths	Total Recovered	Population
	World	7,109,040	406,461	3,468,412	
1	USA	2,007,449	112,469	761,708	330,880,530
2	Brazil	691,962	37,312	302,084	212,463,372
3	Russia	476,658	5,971	230,688	145,930,700
4	Spain	288,630	27,136	N/A	46,753,690
5	UK	286,194	40,542	N/A	67,863,688
6	India	258,090	7,207	124,095	1,379,122,578
7	Italy	234,998	33,899	165,837	60,467,085



Source: Worldometer 2020

Spread in World Regions

The regional report by WHO shows again highest spread of covid-19 in America, followed by Europe and Eastern Mediterranean, as shown in table 2 below.

Table 2: Region Situation in Numbers by WHO as on 8th June 2020

Situation in numbers (by WHO Region)		
Total (new cases in last 24 hours)		
Globally	6 931 000 cases (131 296)	400 857 deaths (3 469)
Africa	135 412 cases (4 088)	3 236 deaths (88)
Americas	3 311 387 cases (76 512)	181 804 deaths (2 410)
Eastern Mediterranean	641 429 cases (17 745)	14 602 deaths (276)
Europe	2 286 560 cases (18 258)	184 120 deaths (388)
South-East Asia	364 196 cases (13 654)	9 970 deaths (298)
Western Pacific	191 275 cases (1 039)	7 112 deaths (9)

Source: Situation Report – 140 by WHO

The Impact of Covid-19 on different Sectors Globally

Human lives and damage to economy cannot be compared. But as the whole world is integrated now on trade and culture, unfortunately there is a need to evaluate the impact of pandemic on the world economy. The previous pandemics like Ebola, SARS have affected the economy but not to this extent. The basic approach of considering the economic loss is connecting the deaths and sicknesses to the future income of those persons. But this is not the accurate evaluation as there are many other aspects in considering the country's economy. When it comes to covid-19 the evidence shows that there is no correlation between mortality rates and economic impact (Fernandes, 2020). The outbreak of covid-19 has created a huge chaos in the world and has affected all the sectors of business (El-Erian, 2020).

On Education

The chart published by UNESCO on 8th June 2020 shows that there are 1,109,020,109 affected learners worldwide and reported 129 country-wide closures (UNESCO, 2020). The medical emergency outbreak has made educational institutions to go online to impart education. When this is possible in technologically strong developed countries, the developing countries are still struggling to provide education to all through online mode. Moody's rating has predicted the economic collapse of higher education in America by giving two negative ratings continuously after the epidemic. This month Moody's upgraded



20 million barrels per day. Even USA may show a fall in demand from 12 to 8 million barrels per day (www.economictimes.com).

Most of the developed countries import essential commodities from India, Japan and China. Due to pandemic these countries production is stopped and not able to maintain the supply chain.

Impact on Agricultural Products

Agricultural products prices have declined post covid-19 to 20%. The restriction on movement of labourers in the countries, problem of transportation is the major causes in disruption of the supply chain worldwide. The lack of production and availability of pesticides lead into pest attacks to the farms and fields, the current example is locust outbreak in East Africa (worldbank.com). Lockdowns and social distancing have reduced the demand for meat. Implementing safety measures is difficult in livestock sectors. The transportation problem is severely affected the fresh fruits, vegetables and flowers market. It is said in a report that Kenya's exports of fresh flowers reduced by 80% and also its export to Western European markets reduced by three-quarters (outlook.org).

Hospitality, Entertainment and Event Sectors

The social distancing policy of the government has affected the hotels and restaurants to the extent of 150 billion dollars (axios.com). Many hotels in U K, U S and other European countries have suspended the basic operations of hotels resulting in the loss of jobs to 24.3 million in the world and 3.9 million sharp in the US alone (www.ahla.com).

Global film industry is huge resource for employment. In U K, 50000 film industry free lancers have lost their jobs (theguardian.com). Several Hollywood and bollywood artists have lost their jobs and on roads as there is no film production. Most of them have no job security and any kind of insurance to protect them from the pandemic crisis. The overall rate of loss in film industry is estimated as 5 billion dollars globally (Hollywoodreporter.com).

The event sector worldwide generated more than 1.07 trillion dollars income, is now showing a loss more than 1 billion dollars, as several big shows were cancelled due to the global crisis of pandemic (evenscouncil.org).



On Travel Sector

As there is complete ban on any kind of non-essential travel worldwide, most passenger airlines had to cancel their flights. All forms of rail, water and road travelling also reduced drastically due to border restriction. This affected the tourism sector to the extent 200 billion dollars globally. The aviation industry loss is estimated to be 113 billion dollars (nytimes.com).

On Sports Sector

World sport has come to complete stop. Due to the cancellation of test series Cricket Australia loses 174 million dollars. The 5 categories of Olympic Sports International Federation gets money from International Olympic Committee (IOC) around 40 million dollars and now these payments have at freeze (indiaexpress.com). The major European football league, the hockey games in England, the rugby game, baseball of Mexico and motorsport of Portugal also either cancelled or postponed uncertainly (indianexpress.com). Snooker, swimming and golf also seen the same effect. These all incurred a huge loss.

Policy Decisions by the Countries

As the covid-19 pandemic has created a blank in the world because of its unpredictable nature, the policy-makers worldwide, based on the suggestions of expert committees and international organisations, have tried to develop some policy measures on trial and error method as there is no past evidence of this kind of major crisis to rely on.

The policy decision across the world has developed 4 categories of policy measures: Monetary measures, Fiscal measures, World Public Health measures, Human Control Measures.



Table 3: Showing policy measures by policy-makers

Countries	Different Measures	Category of Measures
Ireland, China, Nigeria and Italy	Granting (i) regulatory forbearance to banks, and (ii) principal or interest moratorium to debtors affected by COVID-19	Monetary Policy Measures
China and US	Central banks' provision of liquidity to financial (bond and equity) markets	
Australia, EU and Canada	Central banks' purchase of bonds and securities that were plunging in value rapidly	
Turkey, US, New Zealand, Japan and UK, Nigeria, South Korea and Canada	Lowering interest rates by Central banks	
Australia, Nigeria, US and UK	Sustained flow of credit to banks, SMSEs, public health sector, individuals and essential businesses	
UK, US, Australia and Nigeria	Governments approving a large federal stimulus package for sectors and industries most affected by the COVID-19 pandemic	
Australia, US, UK and India	Provision of income support for individuals	
Australia, US	Social welfare payments to support each household	



India, US, UK and almost every country	Public quarantine	Public Health Policy Measures
Poland, Vietnam, India, UK, US, Pakistan, Australia and Colombia	Border quarantine	
Italy, Iran, Nigeria and UK	Issuing a stay-at-home policy	
South Africa, US, UK, UAE, Singapore, Nigeria, Japan, China, India, Germany, Pakistan, Australia, South Korea and Israel	Social distancing policy	
China, Italy, USA, India	Trying to develop a safe and stable covid-19 vaccine	
Iran and US	Temporary release of prisoners from overcrowded prisons	Human Control Policy Measures
Taiwan, India, Mexico, US., Germany, Serbia and Nigeria	Shut-down of air, land and sea borders	
UK, Spain, Italy, South Africa, Nigeria and US	Shutdown of schools	
Malaysia, Italy, US, Israel, South Africa and Spain	Using the military to enforce a coronavirus stay-at-home lockdown	
EU, US, Argentina, Austria, Australia, Bolivia, Cambodia, Canada, China, Cape Verde, Cambodia, Colombia, Croatia, Denmark, Egypt, Germany, Greece and Haiti	Travel ban	
South Africa, Canada, Singapore, China, Nigeria, Ghana, Kenya, Bolivia and	Visa denial and suspension	



Brazil		
All over the world	Controlling human population growth	Related Policy measures
	Forestation	
	Global ban on wildlife trade	
	Developing the vaccine for covid-9	

Source: Peterson and Thankom (2020)

Issues of Policy Decisions

As covid-19 pandemic crisis is leading to unpredictable results in different polls and surveys regarding the trade and business and other fields, policy-makers are left with no choice but to implement some policy measures to attend the pandemic. But there are few issues in its success:

- Should policies give more importance in saving human lives or in saving the economy?
- Global, country wise, state wise, region wise policies cannot be same due to the diversities, even though the health effect of pandemic is the similar for human beings.
- Situation is not stable, it is fluctuating on day to day basis making it difficult for the policy makers to analyse any sector to make suitable policies.
- Is there a necessity to give monetary support or subsidies to all the sectors or on selective basis, and if on selective basis, what are the criteria?
- When monetary support is given to essential services sectors like health, pharmaceutical, essential commodities production and transportation etc., the other sectors like banking, manufacturing, education, aviation, entertainment etc., started protesting as their contribution to the global economy is huge.
- Other national, international issues like flood, difference between countries, country and state border issues, some outrages based on culture and race, also bother the policy-makers equally distracting them from completely focusing on pandemic.
- How to decide the temporary and emergency measures and permanent, long term, precautionary measures?



We do not have the answers for any of these, as each day is uncertain and not predictable due to pandemic. Policy-makers need to go as the days guide them.

CONCLUSION

The covid-19 pandemic crisis has created negative impact on all the sectors globally. WHO (2020) has suggested that mainly the global strategy for dealing with this pandemic need to be the surveillance, prevention and control at all the stages of dealing. There is a need for effective clear communication, monetary and fiscal policies to reach all the needy sectors and coordination between the nations to minimise the overall negative impact of covid-19 disaster. Human beings need to take the crisis as challenge and continue the positive habits like simple lifestyle, spending only on necessities, developing immunity by keeping fitness and eating nutritious food and most importantly being kind to fellow human beings, in post covid-19 also.

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