

CORONA AND IMPACT ON GLOBAL ECONOMY

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Abstract: How does the pandemic situation impact on the Global economy? Why the spread of the coronavirus had a great impact on global economy? The answers to these questions are given by the situations which affected economic activities. The major situation where the authorities around the world implemented lock down measures that has brought much of global economic activity to a halt. This led to the shutdown of financial markets, corporate offices, commercial industries, business and events. The second situation, due to the effect of corona virus consumers are not coming out of home, hence in the heat of this situation, the consumption and the interaction trade partners had reduced. In this article we focus on the period from the start of 2020 through March, when the corona virus has already affected almost 139 countries and markets. We draw an attention on the economic sectors affected by the pandemic out break. The results conclude that the increase in lockdown days of economic activities and the level of economic activities and the closing, opening, lowest and highest stock price of major stock market indices.

1.Introduction:

A virus named severe acute respiratory syndrome corona virus 2 (SARS – CoV2) causes coronavirus disease (COVID- 19) It has spread from the Wuhan city in Hubei proulna of China. Till now 67,37,606 cases are been identified, out of which 3,93,775 death and the numbers of recovered cases is 32,73,795 with the death rate of almost 6 %.¹ The WHO in the mid January had declared Global Health Emergency because the situation was suspected of becoming a pandemic if it was not contained.

In this modern world all the economies of the world are closely integrated. That is if anything happens in any part of world it would have medium to high level of impact throughout the world. So effect on any of the biggest economics like USA and china are the 1st and 2nd biggest economies of the world worth \$ 37.59 trillion (combined).² About 41.6% of the total world's GDP is contributed by these countries. In 2019, due to the impact of USA – china trade was the US presidential elections and Brexit on the world economy, the IMF predicted the Global growth of 3.4 percent, but Covid- 19 the disease caused by SARS – CoV-2 changed the outlook unexpectedly. In one week of from 24th to 28th February, the Global stock moderates erased about US and 6 trillion in wealth. In the same week, the S&P 500 index lost over \$ 5 trillion in the US, while the S&P 500 largest 10 companies experienced a combined loss of over \$ 1.4 trillion,³ although some of these were recovered in the subsequent week

The International Air Transportation Association (IATA) stated that is the COVID-19 outbreak was not quickly contained; the air travel industry would lose US \$113 billion.⁴ As the travel opportunities for worldwide tourist were severely banned, the tourism industry got affected in terms of billions. The flight and lots booking cancellation and cancellation of local and international events were worth over \$200 billion. Millions of workers in the affected countries are facing the bleak prospect of losing jobs Governments are considering and enrolling out large stimulus packages to avert a sharp downturn of their economics which could potentially plunge the global economy into deep recession. In this paper, we show how the coronavirus outbreak has affected the major sectors of the global economies.

2.Coronavirus Outbreak and GDP: Real time data on the spread of the coronavirus is collected from worldometer. The data shows that the US has the highest number of infected individuals followed by Brazil. UK, Italy & India as at 05th June 2020. The statistic is reported in table 1.

Table 1: COVID-19 and GDP Statistics (As at 5th June 2020)

Countries	Confirmed cases (Total)	Confirmed death (Total)	Recovered (Total)	Annual GDP \$Billion	GDP Growth In 2019	Exp GDP Growth Jan2020	Exp GDP Growth April2020
Global	6737606	3933775	3273796				
US	1925267	110218	712436	22321.76	2.30	2.00	-5.90
China	83027	4634	78327	15269.94	6.00	6.00	1.20
Japan	17018	903	14867	5413.05	-0.70	0.70	-5.20
Germany	184923	8736	168500	3982.24	0.40	1.10	-7.00
India	229594	6381	109866	3202.18	4.70	5.80	1.90
France	152444	29065	69976	2771.62	0.90	1.30	-7.20
UK	281661	39904	N/A	2716.13	1.10	1.40	-6.50
Italy	234013	33689	166895	21013.07	0.09	0.50	-9.10
Brazil	618554	34072	274997	1893.01	1.67	2.20	-5.30
	Sources:			Source:	Source:		
	Worldometer ³			Statistic times ⁶	Indian Times ⁷		

3.Impact on Economic sectors: COVID-19 was first declared a world health emergency by the world health organization in January 2020. It has been detected in over 190 countries and all US state⁸ since the virus was first diagnosed in Wuhan, China, in early from china to Europe, particularly Italy, but by April 2020, the focus shifted to United states, where infection level were growing more than 3.7 million people have been sickened by the virus, almost on third in the United states with thousands of deaths more than 80 countries now closed their border to visitors from infected nations, forced businesses to close, intrueted their astizene to self quarantine and closed schools to estimate 1.5 billion children.⁹ As a result people were told to stay at home and the impact was felt in various sectors of the economy, with travel bans affecting aviation industry, cancelation of sporty events affecting the sports industries, a ban on public meeting affecting the event and entertainment industries.

3.1.Impact on Travel Industry:The coronavirus epidemic has forced governments in several countries to place bans on non-essential travel to COVID-19 infected nations, restricting tourist travel, work visas and immigrant visas indefinitely. Some countries have imposed a complete travel ban on all kinds of inward or outward travel, closing down all of the country's airports. The travel industry was severely damaged, with airlines cutting flights and consumers canceling business and holiday trips. At the peak of coronavirus pandemic, most aircraft flew almost empty because of mass cancellations of passengers. Governments around the world have placed restrictions on travel to try to contain the virus. Due to the coronavirus crisis in March, the EU banned travelers from outside the block for 30 days in an unprecedented move to seal their borders. In the US, the Trump administration has banned passengers from entering the US from European airports. These travel restrictions cost the tourism industry itself a global loss of over \$200 billion, excluding other sales losses for tourism travel, and a cumulative loss of \$113 billion according to IATA was estimated to cost the aviation industry.¹⁰ US airlines have pursued a \$50

billion rescue fund for the US Airline industry.¹¹ The GTBA estimated that due to the coronavirus pandemic the business travel industry will lose \$820 billion in revenue.¹²

3.2.Impact on Oil Prices: In early 2020 oil prices dropped as a result of the oil price war between Russia and Saudi Arabia. The coronavirus pandemic made the situation worse by reducing oil demand. During the pandemic, the imposed travel restrictions resulted in a reduction in the movement of people and goods, which in turn resulted in a drop in demand for aviation fuel, coal and other energy products, which subsequently led to a fall in the price of oil due to low demand. A wide range of energy markets such as the coal, gas and renewable energy markets were affected by corona crisis and its impact on oil markets was more severe because it stopped the movement of people and goods, leading to a drastic decline in demand for transport fuel. When Saudi Arabia subsequently delivered excess oil to the world, too much oil flooded the market, exceeding demand during the COVID-19 pandemic and resulting in a fall in oil prices.

3.3.Impact on Health Sector: Public hospital services grew in high demand in many countries but most of the test equipment was in private hospitals. All the hospitals in the central city of Wuhan, China were temporarily closed since the city was the epicenter of a coronavirus outbreak. Hospitals in Iran have been struggling to cope with coronavirus outbreak. The Spanish government nationalized all private hospitals and healthcare providers in Spain, as the virus spread very quickly. Singapore had enough healthcare facilities and staff to cope with the increasing number of COVID-19 patients, and private hospitals invited and accepted foreign COVID-19 patients. The Singapore Ministry of Health (MOH) then advised all doctors in public and private hospitals, as well as private specialist clinics, to immediately stop accepting new foreign patients who do not live in Singapore.

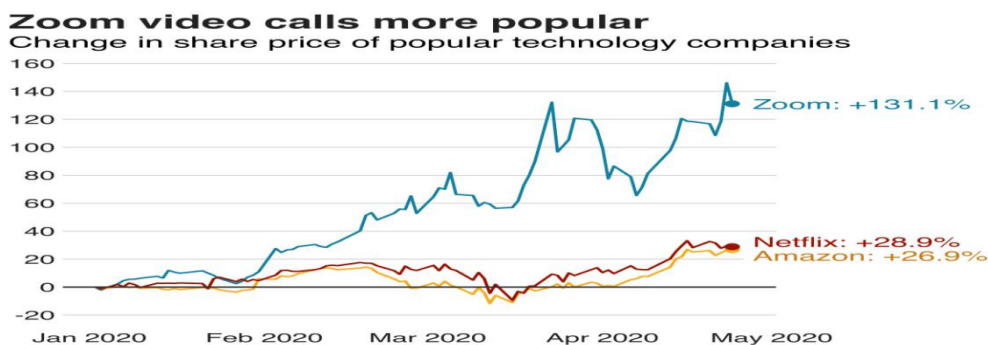
The coronavirus outbreak also impacted the supply chain of pharmaceuticals. Drug manufacturers around the world relied heavily on ingredients produced in factories made in China. Approximately 60 percent of the world's active pharmaceutical ingredients (APIs) were manufactured in China before the coronavirus outbreak, and the coronavirus outbreak caused significant supply problems as China shut down most of its factories including drug-producing factories. Before the coronavirus outbreak, many pharmaceutical companies did not store substantial amounts of APIs, and as a result, some essential drugs were in shortage. The pharmaceutical companies who had stored a considerable amount of APIs in their warehouse refused to sell them for fear of running out of stock while others were only able to sell at a very high price.

Health insurers have been affected too. Many health insurers in the US were unable to cope with hospital insurance premiums, and the insurers wanted to be included in the proposed federal relief stimulus package as the economic outlook for the health sector was poor. In February, the S&P 500 Managed Health Care index dropped to 7 percent showing that investors thought the healthcare sector would be hit hard. The effect of the outbreak on the health sector was the rise in deaths due to lack of medication supply, lack of vaccine to treat patients, insufficient number of hospital beds and insufficient isolation centers to account for the growing number of COVID-19 cases.

3.4.Impact on Education Sector: The coronavirus threatened the higher education market of \$600 billion.¹⁴ The ripple effect of coronavirus was felt by educators and students around the world as colleges and universities were ordered to shut down after the coronavirus was declared a public health emergency in many countries. In 44 countries on four continents, including Africa, school closures of some sort took place, with hundreds of millions of students around the world experiencing disruptions. The epidemic had a more serious effect on schools which had no online learning platform. UNESCO estimated that the outbreak of COVID-19 interrupted schooling for at least 290.5 million students worldwide.¹⁵ Public schools in the United States were closed, Australia shut down some schools, while countries like Israel, Nigeria, Egypt, Italy, France and Spain shut down all schools, causing some form of teacher unemployment. The Government of

Northern Ireland has suspended all exams in its colleges and universities. Multiple US-based universities running an overseas study program instructed students to return home from Italy, France and Spain as the coronavirus outbreak in those countries became severe. Positively, there have been suggestions that the coronavirus outbreak has increased the importance of online education and distance learning, but the reality is that only a small percentage of world education is taught online. According to eduventures, for example, about 2.4 million undergraduates in the US alone, which is equal to 15 percent of total undergraduate students in the US studied entirely online in fall 2019.¹⁶ This showed that the use of online education was already low for some reasons, even before the outbreak, and it was unlikely that the outbreak would result in a radical shift from classroom education to online education.

3.5. Impact on Technology Usage: Governments around the globe encouraged employees to operate from home however possible. Shares in technology companies like Zoom have shot up as more people rely on video conferencing calls and email to hold meetings or get tasks done. As people remain indoors the market for online shopping and entertainment has also soared. Amazon's share price has reached new heights, while streaming site Netflix was at one point more profitable than ExxonMobil, an oil giant.¹⁷

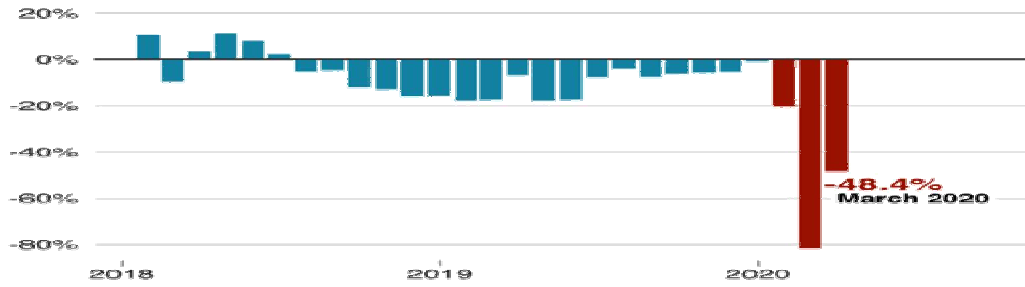


Source- Bloomberg, 27th April 2020, 07.00 GMT

3.6. Impact on Hospitality Industry: During the pandemic, restaurant businesses were affected mainly by the government's announced 'stay-at-home policy' and government-imposed 'social distancing' restriction of movement in many countries. This led to rapid shutdowns in cities and states to control the spread of coronavirus, which caused sudden shock to many restaurants and hotels across the country. Booking cancellations costing billions of dollars were endured by hotels around the world, and the hotel industry requested a \$150 billion bailout.¹⁸ Executives at restaurants laid off staff as they temporarily shut down their businesses. Many clients stayed at home, preferring to eat homemade cooked meals. Some executives of restaurants criticized the government for imposing the policy of stay-at-home and social distancing which destroyed many small restaurants and pub businesses in small towns. They claimed that the declaration by governments of stay-at-home policies or social distancing policies was an indirect way to warn people not to come to the bars, hotels, and restaurants, which was a way to secretly damage the hospitality industry during the pandemic.¹⁹ Multiple hotels in the United States, the United Kingdom and some European countries have announced a temporary suspension of normal operations, bringing estimated job losses to 24.3 million worldwide and 3.9 million in the United States alone²⁰ as a result of the decline in hotel occupancy during the pandemic period. The economic impact of the pandemic on the hotel industry was greater than the combined recessions of 9/11 and 2008.

Car sales in China have fallen sharply

Week-on-week percentage change

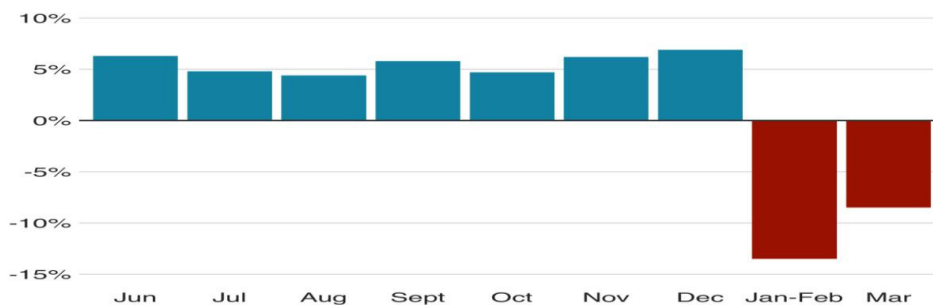


Source-China Passenger Car Association,27th April 2020, 07.00GMT

3.7.Impact on Sports Industry:During the coronavirus crisis the sports industry was heavily affected. In the football section, major European football leagues in England and Scotland announced that they would immediately suspend football matches for 6 weeks until April 30th. The last major European league to cancel its matches was the Turkish super league. The Monaco Grand Prix was cancelled in Formula One. Olympic and Paralympics summer games in Tokyo have also been postponed. In the hockey chapter, England's 2020 hockey games have been put off. England's FIH Pro League games were postponed scheduled for 2nd to 3rd and 16th to 17th May. The Pro14 final scheduled for June 20th at Cardiff City Stadium was cancelled in rugby games. For the remainder of the 2020 season the major league rugby (MLR) has been cancelled. All major season-league baseball games in Mexico and Puerto Rico have been called off in the baseball segment. The Portuguese Motorsport game was postponed after the Portuguese Government declared a state of emergency and suspended all sporting activities in Portugal. The World Snooker Championship, to be held in Sheffield from 18 April to 4 May, has been postponed in the snooker section. The 2020 European Aquatics Championship, scheduled in Hungary for 11th to 24th, was postponed until August in the swimming section. The LPGA tour in the golf segment was rescheduled for September 10th to 13th, 2020. The resulting sales loss for the cancelled games sponsors and promoters ran to billions of dollars.

3.8.Impact on Chinese Industrial Production:Industrial production, sales and investment all fell in China, where the coronavirus first appeared, in the first three months of the year compared to the same period in 2019; China accounts for a third of global manufacturing, and is the world's largest exporter of goods.

Chinese industrial production fell further in March



Source-China National Bureau of Statistics,27th April 2020, 07.00GMT

The supply chains of large companies such as industrial equipment maker JCB and carmaker Nissan have been affected by the restrictions. Shops and car dealerships both registered a fall in demand. For example , Chinese car sales fell in March by 48 per cent. When buyers stay away from showrooms, more carmakers like Tesla or Geely are now selling vehicles online

Conclusion:

1. We analyzed the coronavirus outbreak that caused the global recession in 2020 and its effects on the global economy.
2. In many countries, social distancing policies and restrictions on lockdowns are imposed, which affects the economy by reducing the level of general economic activity and adversely affecting stock prices.
3. Many countries had to make a difficult choice by choosing to save their economies before saving the people or saving people before saving the economy; many countries chose the latter.
4. The plus point is that the coronavirus caused a public health crisis that gave many governments the opportunity to implement effective public health improvements.
5. The pandemic also helped many countries in fixing public infrastructures such as online education, transportation systems and disease detection systems in public hospitals.
6. Across several countries, policy-makers are under pressure to respond to the coronavirus outbreak.

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