

# LEGALFOXES LAW TIMES

## Global Economic Effects of COVID-19

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### **Abstract**

This paper talks about the Global Economic Effects of COVID-19. It includes an introduction which deals with the current scenario of the economy all over the globe. It deals with the private sector and the public sector as well as analyses and compares every country's economy as well as policies. The most important part of this paper is the impact of coronavirus on the Indian economy and the growth rate of the Indian economy. This paper relates to the impact of coronavirus on small industries. At the last, this paper has a neutral conclusion.

**Keyword-** Covid-19, Growth Rate, Public sector, Private Sector, Global Economy, Public Health, Policy.

### **Introduction**

Nowadays everywhere you are hearing only about one thing and that is the Novel Coronavirus. It is a newly discovered virus of the virus family. It first started in Wuhan city of China and infected 266 people. After hitting China, this disease has rapidly spread globally in the form of a pandemic especially in countries like Italy, Spain, Iran, and America as more than 1,00,000 people migrated to various countries of the world from China in December and January.

The Covid-19 virus is a pandemic now and has infected more than 28,536,426 and 916,995 people died till now. More than 82,000 cases were registered in China and most of the Covid-19 cases were found in a province of Hubei. The infected persons have suffered from high fever and coldness, this virus spread through droplets of saliva (Mouth) and discharge or out through the nose of the infected person while coughing or sneezing.

COVID-19 attacks the immune system resulting in the death of the Corona positive tested person in great number. To control the outbreak of COVID-19 in China many cities had been locked down. The virus has become a major threat to the whole world and is seriously hampering the global economy and its financial markets.

Recently in China, 3,213 deaths are recorded due to coronavirus and more terrible conditions are faced by two countries nowadays i.e. AMERICA is on a first rank where total cases are 164,266, new cases admitted in a single day are +422 and total deaths are 3,170. And the second rank is ITALY where total cases are 101,739.

In the month of January, WHO has officially declared a Global Health Emergency because the coronavirus cases were increasing day by day. Nearly about 16% of the total World's GDP is shared by China. China is known as the 2nd biggest economic country all over the world whose

worth is net income of around \$13 Trillion. Its position comes just after the USA. By end of the February and March 2020 economic growth rate and financial markets sharply decreases 50% of their economy rate.

### **What is current impact of the coronavirus on the global economy?<sup>1</sup>**

Global Covid-19 shows the negative impact all over the world economy. Due to this impact, the world has lost at least 2.4 % of the value of Gross Domestic Product (GDP) in 2020, for this reason, the global growth rate goes down from around 3.0% - 2.4%. This also impacted Russia and its GDP fell by 4.8%, and United States GDP will come around 2.4% in 2020 due to coronavirus<sup>2</sup>.

High changes in global market stock index values during coronavirus outbreak in 2020 can be observed. Between March to April, 2020, all major stock market in all over the country lost their value. According to CSI 300 index in China has lost over 12.1% of its value during this period, whereas the FTSE MIB index in Italy lost 27.3% of its value. <sup>3</sup>

The IT department is the most important part of every country. It has a growth forecast worldwide 2020, to adjust or maintain for the Covid-19 impact. During the COVID-19, IT spending is projected to grow by 3.7% compared to the previous year (2019)<sup>4</sup>. The "pessimistic" scenario all over the world shows a growth of 1.3% in 2020.

It was also estimated that China has been suffering the loss of near about 1.7 million vehicles worth of production due to coronavirus-related work stoppages. Auto plants in the city of Wuhan are estimated to produce around 2.2 million Honda and Nissan vehicles.

Oxford Economics has warned a knock-out of \$1tn output. It would cause lower global GDP growth by 0.3% due to coronavirus. As many countries are suffering from the shortfall of supplies from China, the production has been continuous falling down resulting in slight inflation<sup>5</sup>.

### **Impact of corona virus on Indian economy<sup>6</sup>**

<sup>1</sup> Erin Duffin, *Impact of the coronavirus pandemic on the global economy - Statistics & Facts*, STATISTA, 3 April 2020.

<https://www.statista.com/topics/6139/covid-19-impact-on-the-global-economy/>

<sup>2</sup> Gaurav Noronha, *Coronavirus outbreak will set back India's growth recovery*, ECONOMIC TIMES, 17 Mar 2020, [https://economictimes.indiatimes.com/news/economy/policy/outbreak-will-set-back-indias-growth-recovery/articleshow/74663633.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://economictimes.indiatimes.com/news/economy/policy/outbreak-will-set-back-indias-growth-recovery/articleshow/74663633.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

<sup>3</sup> Travis Hartman, *Mad March: how the stock market is being hit by COVID-19*, THE WORLD ECONOMIC FORUM, 23 MAR 2020

<https://www.weforum.org/agenda/2020/03/stock-market-volatility-coronavirus/>

<sup>4</sup> Megha Mandavi &, Anandi Chandrashekhar, *Coronavirus attack to slow down IT growth*, ECONOMIC TIMES April 03 April 2020 <https://economictimes.indiatimes.com/tech/ites/virus-attack-to-slow-down-it-growth/articleshow/74956507.cms?from=mdr>

<sup>5</sup> Mahesh Kulkarni, *Auto sector to suffer loss of Rs 21kcr due to plant closures amidst COVID-19 lockdown*, DH DECCAN HERALD, 24 march 2020

<https://www.deccanherald.com/business/auto-sector-to-suffer-loss-of-rs-21k-cr-due-to-plant-closures-amidst-covid-19-lockdown-817410.html>

<sup>6</sup> Vasanthi Vara, *Coronavirus in India: how the COVID-19 could impact the fast-growing economy*, PHARMACEUTICAL-TECHNOLOGY, 16 APRIL 2020

According to the UN Conference on Trade and Development, the impact of coronavirus on the cost of the global economy is \$1-2 trillion in 2020. It impacts on the Indian economy also, but figures are not yet known, but the several sectors are already falling down including the private and public sector, where we found the most impact due to Coronavirus. Some of them are:

1. Aviation – In the field of Aviation, we found that more than 585 international flights were cancelled by private carriers on 6th March 2020, and in this field growth rate fall down 2.1% in the month of March.
2. Medical – Hospital is the most important part of India. Due to the lack of facilities i.e. medical kit, medicine, etc. in hospitals, the growth rate decreases very fast 3.35% in India.
3. Apparel – Most of the apparel export is to Europe and due to this panic situation Europe cancelled the orders. India has suffered many losses due to the cancellation of orders and growth rate declined by 35%.
4. Consumer Durables and Electronics- In the field of IT department, India has suffered more than 15% loss in the month of May 2020.
5. Poultry and Seafood- In the past few weeks, we found that over 30% fall in the demand for the Chicken.

#### **COVID-19 IS HARMING THE GLOBAL ECONOMY:**

The coronavirus impacts all over the world and is having a negative impact on the various sectors of the economy. It is probably the most difficult situation since World War II.

**Global Scenario-** According to the report of the Organisation for Economic Cooperation and Development (OECD) the world's economic growth rate is 2.9% in the month of November 2019 and it fell down 2.4% in the month of March 2020.

**Fall in customer demand:** - we can find that some people are avoiding the restaurants, shopping malls, thereby the economy falls down by 2.1% in 2020.

**Travel Industry:** In the field, the travel sector has faced more problems and its growth rate falls by 2.6% in 2020.

#### **Forecasted change in GDP due to coronavirus:**

Due to the impact of coronavirus (COVID-19) as the results in a global pandemic, we found that the Gross Domestic Production (GDP) of the United State of America has declined 2.4%, Russian's GD declined by 4.8%, China growth rate by 2.4%, Japan by 2.7%, Indonesia by 4.6%, Germany by 3.6% and Brazil by 3%.

#### **IMPACT ON WORLD ECONOMY-**

**GDP Growth Rate:** - Sector-wise impact on the industry

The Organisation for Economic Cooperation and Development (OECD) states that India's growth rate is 5.1%, because of the virus. So many businesses, financial markets, and the travel sector declined due to lack of supply chains.

#### **Pharmaceuticals:**

The pharmaceuticals industry has direct links with China and China had to supply raw materials of drugs all over the country, but the coronavirus directly hit this pharmaceutical sector. The large pharma hub of Asia has been situated in Himachal Pradesh to produce the medical kit as well as medicine in India. Active Pharma Ingredients (API) known as the bulk of drugs are significant in the manufacturer of drugs in India. India has imported API around \$3.5 billion per year, and around 70% or \$2.5 billion received from china.

**Chemical Industry:**

Most of the chemical industries have been shut down in China. Hence shipment and logistics are also banned. We found that over 20% of production had already been affected due to coronavirus and most of the supply of raw materials has been disturbed all over the world.

**Automobile Industry:**

China is known as the largest supplier of auto components in India. India's accounts to more than 27% of the total imports from China and the rest of the imports 63% all over the world. Due to the continued shutdown in China, the result is expected that around 8-10% growth rate goes down in December 2020.

**Electronics industry:**

Electronics are the most important part of our life. We use electronic day by day, and its demands are increasing every day. China is known as the major supplier of electronics in India as well as other countries also. India's electronic industries are facing so many problems and the lack of production-related to electronics products. Due to this panic situation, product prices are increasing very fast in the local manufacturing sectors.

**Foreign Trade:**

According to the Centre for Monitoring India Economy (CMIE) database, China has been contributing to India's largest source since 2004- 05. Recently 2018-2019 the latest annual data state that India has total imports of around 13.7%. Most of China's economy distributes this import and each country wants to increase to supply of consumer goods production in India as well as its process all over the country.

**Impact on Poultry:**

Most of the people think that the coronavirus started through animals and chicken. Due to this reason, the poultry industry has suffered so many losses. Many companies have shut down, and around 2 crore people left their jobs. People continued avoiding the consumption of eggs, meats, fish, etc. The price of chicken dropped nearly 70% due to a drop in demand.

**Global Trade:**

On April 8, 2020, the World trade organization (WTO) stated that the world trade rate decreased very fast at around 13%- 32% in 2020 due to coronavirus. WHO set up new terms and conditions for Global Trade to improve the trading system all over the globe and decided to make new trade policies. The WTO shared that most of the economy for every country is 12% - 20%<sup>7</sup>.

<sup>7</sup> Trade Set to Plunge as COVID-19 Pandemic Upends Global Economy, World Trade Organization, April 8, 2020. [https://www.wto.org/english/news\\_e/pres20\\_e/pr855\\_e.htm](https://www.wto.org/english/news_e/pres20_e/pr855_e.htm).

The USA all most shared the 25-30% marking in the different countries but the COVID-19 situation USA system has to fall approx. to 10% in July 2020. India, China, Japan, and another country also fell to 8-10% in the global trade.

### **Global Growth**

Federal Chairman Jay Powell stated that we need to support our economy use its “full range of tools” on April 29, 2020<sup>8</sup>. Last month, most of the economy was affected by COVID-19. On March 26, 2020, the OECD analysed the data and found that the global growth rate reduces GDP by 2.0% every month, and its annual global growth rate near about 24%<sup>9</sup>. IMF also stated that the global growth rate declined by 3.4% in 2020 and it could be increased by 5.8% in December 2020<sup>10</sup>. The oil price rate also increased around 11.0% in 2020 and the oil price rate is projected to fall by 42% at the end of 2020. IMF also warned that many countries are facing problems related to health crisis, economy crisis etc.<sup>11</sup>.

### **2.1 Travel Industry**

Many countries of the government had banned unnecessary travel from place to place due to the coronavirus. Due to this ban working field of traveling sectors is facing many problems related to work visas, tourism travel, and immigrant visas, etc. Most of the countries have been completely banned in travel and closed all the airports in the country. We found that most of the passengers were cancelling the tickets. The government has started imposing the restrictions on the travel industry<sup>12</sup>. The tourism industry suffered loss of more than \$200 billion globally. IATA announced that the aviation industry suffered \$ 113 billion loss in the March to July 2020<sup>13</sup>. According to the GTBA report the business traveling sectors could be lost approx. \$820 billion in their revenue in 2020<sup>14</sup>.

### **2.2 Hospitality Industry**

<sup>8</sup> Arnold, Martin, “Regulators Free up \$500bn Capital for Lenders to Fight Virus Storm,” *Financial Times*, April 7, 2020. <https://www.ft.com/content/9a677506-a44e-4f69-b852-4f34018bc45f>

<sup>9</sup> Bill Chappell, “COVID-19: COVID-19 Is Now Officially a Pandemic, WHO Says,” *National Public Radio*, March 11, 2020, <https://www.npr.org/sections/goatsandsoda/2020/03/11/814474930/COVID-19-COVID-19-is-now-officially-a-pandemic-who-says>

<sup>10</sup> Sly, Liz, Stirrings of Unrest Around the World Could Portend Turmoil as Economies Collapse, *The Washington Post*, April 19, 2020; Ingraham, Christopher, Coronavirus Recession Could Plunge Tens of Millions into Poverty, New Report Warns, *The Washington Post*, April 20, 2020. <https://www.washingtonpost.com/business/2020/04/20/coronavirus-recession-could-plunge-tens-millions-into-poverty-new-report-warns/>

<sup>11</sup> *Secretary-General's Remarks to the Security Council on the COVID-19 Pandemic*, United Nations, April 9, 2020. <https://www.un.org/sg/en/content/sg/statement/2020-04-09/secretary-generals-remarks-the-security-council-the-covid-19-pandemic-delivered>

<sup>12</sup> IATA Updates COVID-19 Financial Impacts -Relief Measures Needed, IATA, 5 March 2020 <https://www.iata.org/en/pressroom/pr/2020-03-05-01/>

<sup>13</sup> Alison Sider, Airlines Seek \$50 Billion Coronavirus Aid Package, *THE WALL STREET JOURNAL*, 16 March 2020 <https://www.wsj.com/articles/airlines-seek-up-to-50-billion-in-government-aid-amid-coronavirus-crisis-11584378242>

<sup>14</sup> Joann Muller, *Hotel industry seeks \$150 billion coronavirus relief*, *AXIOS*, 17 Mar 2020 <https://www.axios.com/hotel-industry-150-billion-coronavirus-relief-34910e41-2402-4260-b4b9-8f5b738db664.html>

Recently the government came up with the most important policy which is known as “Stay-at-home” and the government-imposed rest social distancing movement in many countries, due to this policy most of the restaurant business has been affected during the coronavirus. The government has started to shut down the cities and states to control the spread of coronavirus in the country.

Around \$ 150 billion loss is faced by the Cancellation of hotels all over the world. It also affects the employees where businesses shut down suddenly<sup>15</sup>.

Many workers left their job along with most of the customers living at home, and they started to prepare homemade food itself.

Most of the restaurant are enforcing to the government for the take-way such steps or implement the stay-at-home and social distance policy. They argued that the social distance policy or stay-at-home policy by the government banned the people from coming to hotels, pubs, and restaurants. It quickly destroyed the hospitality industry during coronavirus. UK, USA, and some other European countries have suffered a 3.9 million loss and it globally affected nearly about 24.3 million.

### **2.3 Sport Industry**

Recently, the European football league in England and Scotland announced that both countries decided to suspend football matches for 6 weeks till 30 April. And also, The Turkish Super League was announced that they are going to postpone European league. Monaco Grand Prix was also cancelled the Formula One car match. Tokyo decided to organize the Summer Olympic and Paralympic Game but due to the coronavirus situation to Tokyo is planning to postpone or close the event. Due to this postponed Tokyo has suffered so many losses in the economy.

England has postponed the hockey segment in 2020. FIH Pro league was cancelled which is usually held on 2 -3 May and 16-17 May 2020. The rugby game held in Cardiff city stadium on 20 June 2020 was shutdown. So many National or International games were cancelled due to coronavirus.

### **2.4 Oil dependent countries**

#### **2.4.1 Oli price rate decreases**

Russia and Saudi Arabia are known as the hub of oil distribution all over the globe. In 2020 both countries oil price rate fell. The travel industry has also started restricting the COVID-19 situation which led to a decrease in the supply of goods to the people, as a result, the oil price rate are falling day by day, and the demand of the oil decreases every month. Coronavirus affects energy markets like coal, gas, aviation fuel, and other energy products also. During the panic situation, Russia and Arabia's economic growth rate also affected and it suddenly fell because these two were not able to provide the oil in other countries.

#### **2.4.2 Loss of oil revenue in the world**

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<sup>15</sup> Larry Elliot, L, *Prepare for the coronavirus global recession*, THE GUARDIAN, 2020  
[HTTPS://WWW.THEGUARDIAN.COM/BUSINESS/2020/MAR/15/PREPARE-FOR-THE-CORONAVIRUS-GLOBAL-RECESSION](https://www.theguardian.com/business/2020/mar/15/prepare-for-the-coronavirus-global-recession)

The impact of coronavirus is all over the globe. The global significance that the oil price rate started declining is due to the lower demand in the international market and the revenue will be also decreasing day by day. Most of the country like Venezuela, Angola, and Nigeria did not afford the actual cost of oil price in the international market. These types of countries are also facing the problem related to increasing the pressure on their foreign exchange reserves. Most of the countries started saving or reserving the oil for the future generations. Some oil depends on the country to start taking a loan from the IMF and World Bank to pay the oil bill.

### **2.5 Import dependent countries**

China, Japan, and India are the countries that manually depend on imports the goods and consumption of essential commodities. Due to a shortage in global market imports were found difficult because many closed their borders and trade system. Most of the countries did not agree to share their goods with other countries and also did not agree to take apart to export the goods in the panic situation<sup>16</sup>.

### **2.6 Impact in the financial sector: bank and fintech<sup>17</sup>**

Non-farming loan companies did not agree to give loans to small and medium enterprises (SMEs) i.e. hotels, tours, restaurants, etc. during the panic situation most of the companies declined the transaction through the Cards. They started the demand for the charge by the banks, which has shown the negative effect on the companies. Fintech business companies were also affected due to coronavirus and some of the fintech companies went in to the loss. Due to the lockdown, most of the consumers are demanding online services such as online shopping, etc.

### **2.7 Impact in the health sector**

In most of the countries, the health facility is in the hands of private hospitals i.e. medical kit, medicine, etc. and public hospitals demand is increasing very fast. Iran and Singapore continue to struggle in relation to health facilities and workers. Recently Singapore's government and Ministry of Health announced that all doctors in public as well as private hospitals and including private clinics to stop coronavirus patients and also avoid foreign patients those who do not live in Singapore<sup>18</sup>.

Near about 60% of the world's Active Pharmaceutical Ingredients (APIs) are situated in China. A parametrical company does not have a sufficient number of APIs to distribute and help other countries. As the result, most of the health sectors are affected by the coronavirus.

### **Conclusion: -**

In my opinion, I would like to suggest that we have to also focus on these terms- the riskiest field to manage the commercial banks as well as the private sector also. We need to improve our system and Laws to regulate the country adequately. Because these are the basic parts of the world

<sup>16</sup> Allen, F., & Carletti, E, An overview of the crisis: Causes, consequences, and solutions. International Review of Finance, 10(1), 1-26.

<sup>17</sup>Coronavirus threatens India's banking recovery before it even starts, FINANCIAL TIMES, <https://www.ft.com/content/153f2922-6e15-11ea-89df-41bea055720b>

<sup>18</sup> Salma Khalik, Coronavirus: Singapore has sufficient healthcare facilities, THE STRAITSTIMES, 21 MARCH 2020 <https://www.straitstimes.com/singapore/spore-has-sufficient-healthcare-facilities>

economy. The world economy depends on these sectors. If the world fails to control the COVID-19 pandemic soon, the majority of the countries will experience a recession. If not worldwide, there will be a negative growth or low economic growth this year. Due to the outbreak of coronavirus Indian economy growth has slow down to 4.7% from the previous quarter's 5.1%, the full effects of which are still unfolding.

Policymakers need to make such kind of policy during the coronavirus situation to help the public at large and the government also needs to provide the basic necessity to everyone in the country. Most of the parts of all over the globe are affected by the coronavirus and due to this reason the general economy is also going down day by day. Many countries such as the UK, Spain, the USA, China the economic growth rate is very slow and these countries are known as the best health care facility in the world. But in this condition, these countries are failing to manage all these things such as the health sector, Policies, GDP, etc.

Most of the countries do not have a proper understanding of the health sector and policy to understand the governance system in its own country. We need to support our government to fight against this situation to boost the economy, and the government also needs to understand the public problems during the lockdown.



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