



THE COVID-19 PANDEMIC AND THE GLOBAL ECONOMY :A SYNOPSIS

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ABSTRACT

Several countries are affected by the coronavirus, causing panic across the globe. The coronavirus originated during late December, 2019 and spread across borders in few months. The pandemic caused by the virus has resulted in intense social and economic disruptions. It has caused a severe global recession. Social distancing measures are undertaken to reduce the spread of the virus. According to the recent Global Financial Stability Report, further aggravation of the virus will affect global financial security and if financial conditions are tightened even further, the global financial system will suffer more "cracks". The prices of commodities and risk assets have begun to fall sharply, volatility of assets has increased, corporate credit markets are crumbling, and market liquidity is seen to be deteriorating. Country authorities are taking several fiscal measures, implementing social distancing and self-quarantine, supporting the corporate sector and providing unemployment benefits for those affected. Few countries that have been hugely affected by the crisis are USA, Spain, Italy, Germany, France, United Kingdom, Turkey, Iran and China. The countries have been implementing various policies for the same. The following article briefs on the measures taken by countries to minimize the spread of the virus and its economic repercussions, the countries most affected and policies implemented in order to tackle COVID-19 repercussions.

KEYWORDS : Corona virus, COVID-19, Economic repercussions, Global Economy, Pandemic, Policies

WHAT IS CORONAVIRUS?

COVID-19 is a disease caused by the coronavirus that originated in China and spread across globe affecting thousands of people across the globe. (Thorson, 2020) It is a respiratory disease like severe pneumonia. When patients go into serious conditions with breathing difficulties, they are hospitalised and put on ventilators. (Schumaker, 2020) 2,471,136 people were affected with 169,006 deaths were reported due to COVID-19 as of April 22, 2020. (WHO, 2020) Risk of mortality due to COVID-19 increases with older age. (Zhou et. al, 2020) Currently, there are no treatments for COVID-19 and the development of a vaccine is an urgent need. (Xiao et. al, 2020)

MEASURES TAKEN BY COUNTRIES TO MINIMIZE THE SPREADING OF THE VIRUS AND ITS ECONOMIC REPERCUSSIONS

WHO member states have taken various measures like flight suspensions, denial of entry of passengers from countries experiencing the outbreak, visas are restricted, borders are closed. (WHO, 2020) In order to restrict the spread of coronavirus, countries are using mitigation and containment measures. These measures depend on the national risk assessment. The most common strategies used include-tracing physical contact, self-isolation, preparing health systems for patients requiring isolation, promoting public health measures. (Bedford et. al, 2020) According to an estimate by Organization for Economic Cooperation and Development (OECD) as of March 26, 2020; the containment measures could reduce global GDP by 24% annually, or 2% per month. This level of economic decline has not occurred since the Great Depression in 1930s. (Congressional Research Service, 2020) Due to widespread credit defaults, market volatility has spiked and borrowing costs have increased. The risk that the borrowers will not be able to service their debts would cause credit markets to freeze up. Central banks have eased monetary policies to provide economic and financial stability, ensuring free flow of credit into the economy. Banks are asked by supervisors to negotiate loan terms with those having difficulty in servicing their debt during this period of economic inactivity. Country authorities are implementing targeted fiscal measures to limit defaults of households using payment moratoriums [A moratorium period refers to the time when the borrowers do not have to make any repayments. After this waiting period, EMI repayments can begin. (Times News Network, 2003)] and guaranteed credit. (International Monetary Fund, 2020). Unemployment is

increasing more rapidly than the 2008 recession in the USA. (Miller, 2020) 4.4 million Americans have filed for unemployment as of April, 2020. For the first time after 1992, China's economy contracted in the first quarter of 2020. Nationwide lockdowns in Asia have resulted in the deepest economic shocks. (Hutt, 2020)

MOST AFFECTED COUNTRIES AND THEIR POLICIES TO TACKLE COVID-19 REPERCUSSIONS

The few countries presented in the table have had a high number of coronavirus-positive patients. Table. 1 represents the policies taken by these countries to revitalize their economy.

Table.1: Countries highly affected by coronavirus and their respective policy timeline.

COUNTRIES	POLICY TIMELINE	REFERENCES
United States of America	<p><i>March 6, 2020:</i> Trump signed the Coronavirus Preparedness and Response Supplemental Appropriations Act of 2020, for telehealth services and \$8.3 billion for vaccine development, grants, preparedness activities.</p> <p><i>March 13:</i> National emergency was declared with social distancing measures.</p> <p><i>March 15:</i> Cut its key interest rate to nearly zero.</p> <p><i>March 18:</i> Trump signed the Families First Coronavirus Response Act of 2020, for free testing, unemployment benefits, protection for health-care workers.</p> <p><i>April 9:</i> \$2.3 billion worth of loans to businesses and states. The US central bank expanded its corporate lending programme.</p>	Chowell et. al, 2020; Hutt, 2020; Wallach et. al, 2020
Spain	<p><i>April:</i> Approved direct aids worth 21 billion euros for firms, workers and households; guarantees worth 100 billion euros for</p>	Domènech, 2020

	companies and self employed workers to maintain liquidity; ERTes or temporary lay-offs(temporary employment contract suspension or reduction in their working hours as a result of force majeure- in the case of COVID-19)		Turkey	<p><i>March 17:</i> Reduce reserve ratios, extending the maturity period of the rediscount loan repayments.</p> <p><i>March 18:</i> "Economic Stability Shield" for postponing interest and capital payments, increasing the credit guarantee fund.</p>	Doğan et. al,2020
Italy	<p><i>March 11:</i> Two packages worth 25 billion euros were announced: 12 billion euros put into use for: extra health systems funding and to aid companies, households. The remainder would be used in the future.</p> <p><i>April 6:</i> New emergency decree was announced for liquidity and bank loans worth more than 400 billion euros</p>	Congressional Research Service,2020	Iran	<p><i>April 15:</i> Biggest initial public offering to generate income in the period of outbreak.</p> <p><i>April 16:</i> Moratorium on loans, subsidized taxes, extra funding for the health sector, fund allocation for import of medicines.</p>	International Monetary Fund, 2020
Germany	<p><i>March 27:</i> Economy Stabilization Fund(ESF) of 600 billion euros has been assigned for public guarantees to secure credit from local banks, recapitalization measures and refinancing of special programs.</p> <p><i>April 1:</i> The German government launched the "Special Start-up Support Program" worth 2 billion euros targeted at start-ups and young companies.</p> <p><i>April 6:</i> German government launched the "KfW Special Program 2020", to address financial needs in the economy resulting from the pandemic.</p>	Pappalardo et. al, 2020	China	<p><i>February 3,2020:</i> Reverse repo rate operations were expanded by \$174 billion.</p> <p><i>March 4:</i> Ministry of Finance assigned 110.48 billion yuan as special funds for epidemic prevention and control</p> <p><i>March 12:</i> 1.4 trillion yuan as credit to the economy</p> <p><i>March 13:</i> Bank reserve requirements were lowered. \$79 billion was loaned out</p> <p><i>March 19:</i> Fiscal stimulus package of trillions of yuan being considered</p> <p><i>April 23:</i> 2.5% of the GDP of fiscal measures are announced, delay of loan payments, credit support to be provided for households and SMEs.</p>	Congressional Research Service, 2020; Huang et. al, 2020; International Monetary Fund, 2020
France	<p><i>March 12:</i> Loan guarantees for small companies, solidarity fund help companies recover from any losses due to the outbreak, cash for firms having difficulties in withholding employees.</p> <p><i>March 16:</i> 300 billion euros as credit for small and medium-sized businesses.</p> <p><i>March 17:</i> 45 billion euros for employees and small business encountering struggles due to the pandemic.</p>	Congressional Research Service,2020			
United Kingdom	<p><i>March 20:</i> Fiscal spending measures such as paying up to 80% of employee wages for those who are unable to work</p> <p><i>April 23:</i> Support for businesses, social safety net for vulnerable people, property tax holidays to be provided, the joint HM treasury is launched providing 330 billion euros worth credit for businesses.</p>	Hutt,2020; International Monetary Fund,2020			

CONCLUSION

Policymakers and central banks are coming up with aggressive measures to minimize the spread of the virus and reduce shocks caused to various industries and households. These measures are crucial.

In order to ease the economic situation, ensure that the virus does not spread further and to relax social distancing, a coronavirus vaccine could be crucial. Tremendous efforts are invested in making a coronavirus vaccine: the first human trial for a coronavirus vaccine was announced by scientists in Seattle, ferrets are injected with two potential vaccines in Australia, Sanofi and GSK(pharmaceutical companies) have teamed up to come up with a vaccine, Europe's first human trial has begun. Although the process of finding a vaccine can take years. However, experts say it is likely to be available by mid-2021.(Gallagher). Cooperation of countries across the globe is critical in tackling this global pandemic. (International Monetary Fund,2020).

CONFLICT OF INTEREST:

The author denies any conflict of interest.

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