ORIGINAL RESEARCH PAPER

Social Work

IMPACT OF COVID-19 ON GLOBAL ECONOMY

KEY WORDS:

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ABSTRACT

The Globe had an unexpected and non-invited guest during the later part of 2019 which become the major concern for upcoming years. The guest COVID-19 became pandemic within a short time and took us almost 20 years back. The pandemic locked everyone within 4 walls which shut down every activity. This affected the global economy in large scale as the businesses were shut for almost a year. The present tries to throw a light on global economy post COVID-19.

INTRODUCTION

While there is no way to tell exactly what the economic damage from the global COVID-19 pandemic will be, there is widespread agreement among economists that it will have severe negative impacts on the global economy. Since the COVID-19 outbreak was first diagnosed, it has spread to over 190 countries. The pandemic is having a noticeable impact on global economic growth. Estimates so far indicate the virus could trim global economic growth by as much as 2.0% per month if current conditions persist. Global trade could also fall by 13% to 32%, depending on the depth and extent of the global economic downturn. The full impact will not be known until the effects of the pandemic peak. To put this number in perspective, global GDP was estimated at around 86.6 trillion U.S. dollars in 2019 – meaning that just a 0.4 percent drop in economic growth amounts to almost 3.5 trillion U.S. dollars in lost economic output. Since then, global stock markets have suffered dramatic falls due to the outbreak.

The World Health Organization (WHO) first declared COVID-19 a world health emergency in January 2020. Since the virus was first diagnosed in Wuhan, China, it has been detected in over 190 countries. In early March, the focal point of infections shifted from China to Europe, especially Italy, but by April 2020, the focus shifted to the United States, where the number of infections was accelerating. The infection has sickened over 2.1 million people, with thousands of fatalities. More than 80 countries have closed their borders to arrivals from countries with infections, ordered businesses to close, instructed their populations to self-quarantine, and closed schools to an estimated 1.5 billion children. In late January 2020, China was the first country to impose travel restrictions, followed by South Korea and Vietnam. After a delayed response, central banks are engaging in an ongoing series of interventions in financial markets and national governments are announcing spending initiatives to stimulate their economies. Similarly, international organizations are taking steps to provide loans and other financial assistance to countries in need. The International Monetary Fund (IMF) estimates that the increase in borrowing by governments globally will rise from 3.7% of global gross domestic product (GDP) in 2019 to 9.9% in 2020.

The economic damage caused by the COVID-19 pandemic is largely driven by a fall in demand, meaning that there are not consumers to purchase the goods and services available in the global economy. This dynamic can be clearly seen in heavily affected industries such as travel and tourism. As companies start cutting staff to make up for lost revenue, the worry is that this will create a downward economic spiral when these newly unemployed workers can no longer afford to purchase unaffected goods and services. To use retail as an example, an increase in unemployment will compound the reduction in sales that occurred from the closure of shop fronts, cascading the crisis over to the online retail segment (which has increased throughout the crisis). It is this dynamic that has economists contemplating whether the COVID-19 pandemic could lead to a global recession on the scale of the Great Depression.

On March 11, the WHO announced that the outbreak was officially a pandemic, the highest level of health emergency. A growing list of economic indicators makes it clear that the outbreak is having a significant negative impact on global economic growth. Global trade and GDP are forecast to decline sharply at least through the first half of 2020. The global pandemic is affecting a broad swath of international economic and trade activities, from services generally to tourism and hospitality, medical supplies and other global value chains, consumer electronics, and financial markets to energy, transportation, food, and a range of social activities, to name a few. The health and economic crises could have a particularly negative impact on the economies of developing countries that are constrained by limited financial resources and where health systems could quickly become overloaded. Without a clear understanding of when the global health and economic effects may peak and some understanding of the impact on economies, forecasts must necessarily be considered preliminary. Global trade, measured by trade volumes, slowed in the last quarter of 2019 and was expected to decline further in 2020, as a result of weaker global economic activity associated with the pandemic, which is negatively affecting economic activity in various sectors, including airlines, hospitality, ports, and the shipping industry.

Despite the clear danger that the global economy is in, there are also reasons to be hopeful that this worst-case scenario can be avoided. Governments have learned from previous crises that the effects of a demand-driven recession can be countered with government spending. Consequently, many governments are increasing their provision of monetary welfare to citizens, and ensuring businesses have access to the funds needed to keep their staff employed throughout the pandemic. In addition, the specific nature of this crisis means that some sectors may benefit, such as e-commerce, food retail, and the healthcare industry - providing at least some economic growth to offset the damage. Finally, there is the fact that the crisis may have a clear end date when all restrictions on movement can be lifted (for example, when a vaccine is developed).

CONCLUSION

It is at least possible the global economy could experience a sharp rebound once the pandemic is over. There are still many variables that could affect such an economic recovery – for example, a reduced supply of goods and services to meet lower demand could create mid-term shortages and price increases – but there are some reasons to think that, with the right mix of appropriate government responses and luck, some of the more apocalyptic predictions may not come to pass. The quickly evolving nature of the COVID-19 crisis creates a number of issues that make it difficult to estimate the full cost to global economic activity.

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