

Impact of Pandemic on World economy

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Abstract

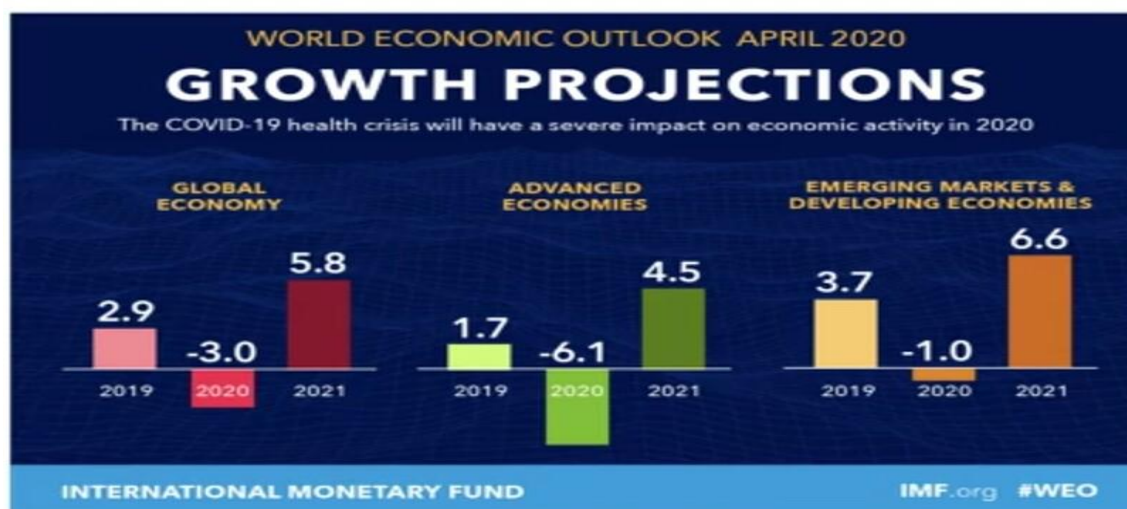
The corona virus which is communal disease spread in the year 2019 due to this there was a world wide lock down. This article is about how the COVID-19 cause lock down is going to impact the world economy.

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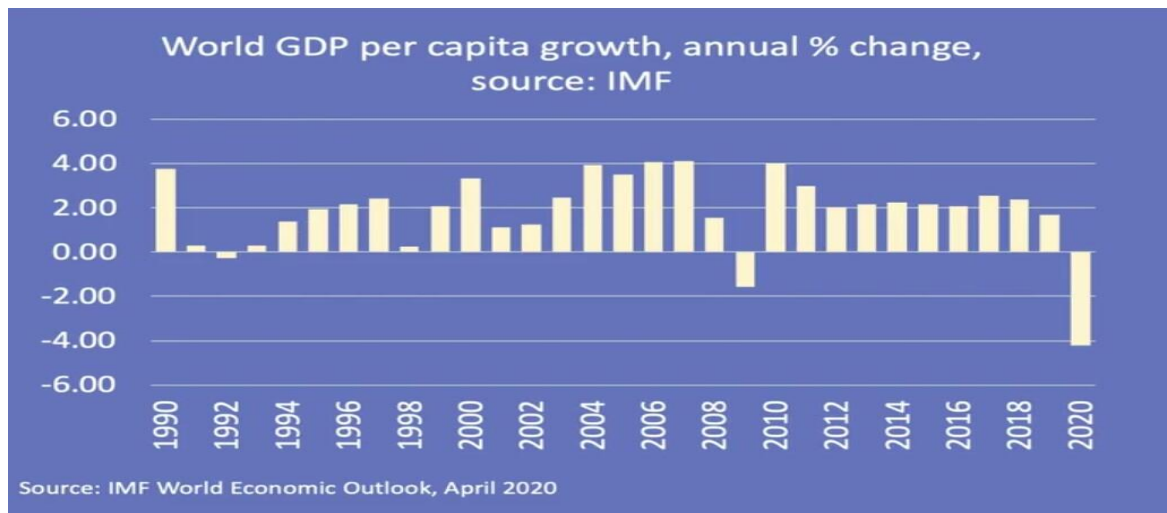
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I. Introduction

Due to the lockdown almost every economic activity has affected. There is no transport at all. The oil prices are at there lowest since last 30 years and they are sliding down further. There is complete shut down on almost on 90% economic activities. In this kind of circumstances the economic condition of every country,(it may be under developed, developing or developed) is very bad. There is economic crisis kind situation. According to an estimate the world economy is going to shrink by 9 trillion dollars. This pandemic caused lockdown is going to impact the every section of the society. According to a report published by IMF (World Outlook Report) the world economy is going to shrink at about 3%. The advance economies will have more bad affect than the emerging or developing economies. According to this report the advance economies will shrink by 6.1% and the developing economies will slight affect as they will shrink only by 1%.of there respective GDP(Gross Domestic Product).



Along with that the per capita income of almost every country is going to decrease. This decrease will more than the decrease with was faced in 2008-09. This is show in the following graphic. The per capita income of World will be less by 4 % in 2020 if we compare it with the privious year 2019.



There are two kind of economics :- Micro and Macro
 So there will impact on both we will it differently.

Impact on Micro level :- When we talk about the impact on the individual, one firm or one particular industry there it's is called micro level contact.

The demand of the particular consumer goods and services will increase :- Due to this lockdown the demand of the consumer goods that are used on the daily bases is going to increase. Consumable items like long life milk, hygiene items, masks, Hand wash, sanitizers, pet foods, rice and fruits will have rightward shift in there demand curve. Service life internet, online subscription apps like Netflix's, amazon prime, meeting apps like zoom, online coaching classes, educational apps Byjus, cold storage facilities will face increase in there demand. There is some data in its

Number of people who pay for a Netflix and subscription:

2020: 182.9 million
 2018: 139.3 million
 2016: 89.1 million
 2014: 54.5 million
 2012: 30.4 million
 2011: 21.6 million

Zoom expected annual revenue:

2025: \$3.6 billion
 2024: \$2.7 billion
 2023: \$1.8 billion
 2022: \$1.2 billion
 2021: \$917 million
 2020: \$623 million
 (based on average analyst estimates)

Price of the consumer goods and services will increase :- If the demand of the above mentioned items is going to increase then the prices will also have the upward shift. Due to high demand the supply side of the economy is going to shrink because there not any proper transport facility at the inter-state or international level.

Decrease in the demand of some goods and services: There are some items which are facing or will face the decrease in there demand like deodorant and perfume according to a news article there in 38% decrease in the sale of the deodorant in month of April because people are at there home and there don't need deodorant. The demand of the services like massage which have physical contact has gone to almost null.

Shift in the business pattern :- The business houses which are not having any kind of sale in this lockdown they have shifted there line of business like the hotel owners at many place have started making masks or the items of daily use.

Impact on Macro level : When we talk about the impact on the whole economy of one country or world economy or when we discuss the problem like unemployment, inflation then it is called macro level impact.

Recession in the world economy : Almost every economy of the world countries it may be capitalistic economy, socialistic economy or mixed it is going to suffer. There is recession kind situation right now as all the economic activities have been halted badly by the over all lock down. Recession is a situation when the country faces negative growth rate in GDP for consecutive two quarters. As mentioned above the world economy is going to shrink about 3% and advanced countries will have its more adverse effect.

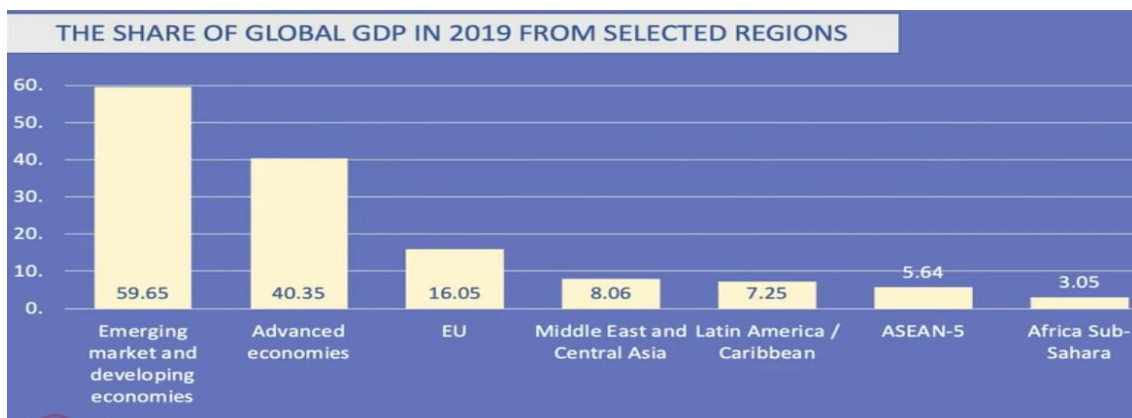
Increase in the unemployment :- Unemployment which is the major problem for every country nowadays is going shoot up. Every 6th person on the globe is going to get unemployed due to this pandemic

caused lockdown. The unemployment rate in USA is going to be around 15%. In UK 2 million more jobs will be gone till end of this pandemic and there will fall in the economy at around 35%. If we talk about India then around 3.2 million people are going to lose their job.

Increase in the NPA :- When there is no demand for certain products like airline services, Cinema theaters, Hotel, restaurant and tourism industry, construction companies so these business houses will not be able to repay their loan. According to an estimate the 25% loans of the MSME may turn bad. It will lead to increase in NPA (Non performing assets) so banks may suffer.

Industrial impact :- An economy comprises mainly three sectors Primary sector (which includes agriculture and its allied activities) secondary sector (which includes construction, manufacturing kind industries) and services sector. Agriculture sector is totally dependent on nature so it will have back effect because there are not sector like transport to support it. But most of the industries will have negative impact on their production. Construction companies, manufacturing companies, automobile sector are facing huge losses. For the first time the Indian automobile sector has recorded zero sale in the month of April.

Shift of the economic power to the emerging and developing economies :- The emerging and the developing economies of the world have almost 60% share in the world's total GDP and it will increase more. The reason behind this is the population of these countries.

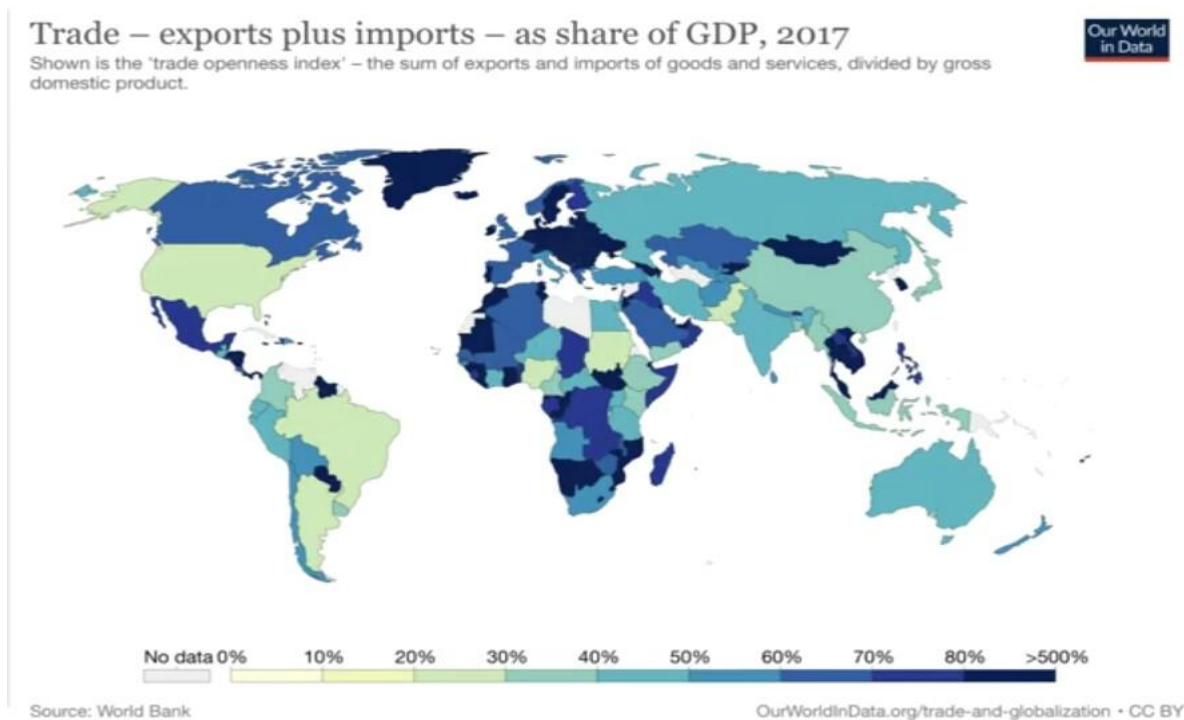


This is quite clear from the graphic that what is the share of different economies in the world's GDP. The economic focus of the world is shifting slightly towards middle Asia and south Asian countries. Here is data of report of a well known economist Danny Quah this pandemic will increase the pace of this shift.

CHANGING CENTRE OF GRAVITY IN WORLD ECONOMY

- Measures average location of the planet's economic activity**
- 1980: Somewhere in the mid Atlantic**
- 2008: East of Bucharest and Helsinki**
- 2050: Between India and China**
- Centre of gravity is moving east by more than 100km a year**

Threat to Globalization :- Globalization is a process by which economies around the world become more inter-connected and inter-state dependent. The main source of the globalization is the trade of goods and services. In 2018 there was around 25 trillion dollars of trade around the globe it is going to contract for sure because the most traded commodity in the world is crude oil and its demand is down by almost 100 million per day. Along with that service like education, Health care and pharma from the outside countries are on downward trend and will take time to get back to normal. Most of the countries in the world are dependent on their international trade. Here is the graphic of them these all will suffer if trade will not resume.



Globalization has threat for many others reasons also like there is no air travel, most of the countries has started make their in house supply chains because they think that there can be another pandemic so they should be self sufficient to face such kind of situation so they have started make things in there own country. Along with that there is since of nationalism in counties. All this will hinder the process of the globalization. According to WTO (World Trade Organization) the international trade is going to shrink from 13% to 32 %.

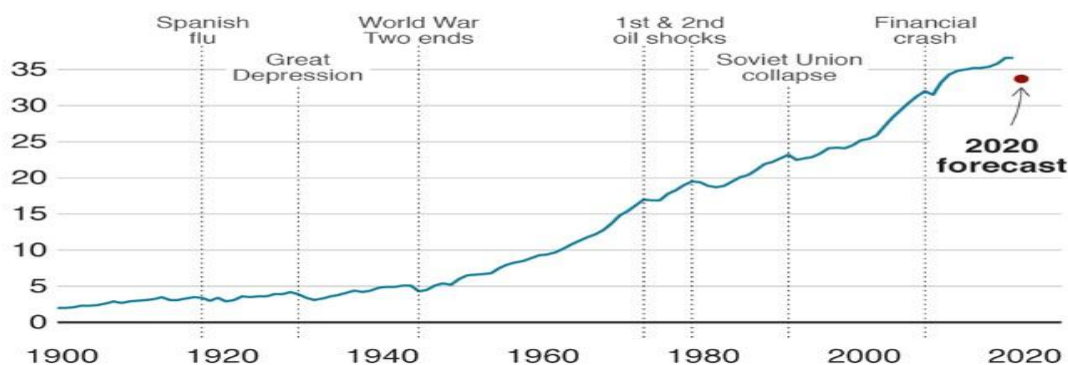
Now the most important question is that will this pandemic caused lockdown is going to increase the income inequities? The gap between rich and poor is going to increase or in will decrease? According to the study of the Nobel Prize winning Economist Sir Angus Deaton the pandemic is going to widen the gap between rich and poor. To understand this firstly we need to understand that what is inequality is. Inequities is not the gap between the income of the people, it is also the gap between the opportunities, gap between the educational attainment and health facility available for the person. Due to pandemic the lower income people , people who have less job opportunities and less healthcare facilities are going to suffer more than the people who have more income, larger job opportunities and better healthcare facilities available to them. Poor people or daily wage workers don't have any kind of savings, there earning is like hand to mouth. They have less job opportunities as well as they also lack healthcare. In this way the pandemic is going to widen the inequities in the society. Along with that young people who are the nation builders are loosing there jobs and there is senceof fear that they are going to get the job in future or not. There is huge wastage of talent of whose people and this is going to dent the every economy in world in long period.

Positive impact on the environment

We are ling through the biggest carbon crash ever recorded. No war, no recession, no precious pandemic has had such a dramatic impact on emission of CO₂ over the past century as COVID-19 has in few short months.

Global CO2 emissions, 1900-present

Billion tonnes of CO2 per year



Source: Global Carbon Project, CDIAC & IEA

BBC

Over the past 100 years the fall asleep in the CO2 emission in the biggest as shown in the graphic. Due to this Air quality index of many major cities around the world has improved. The reason behind that is there is complete shut down on the transport in many countries. Traffic has almost disappeared in many cities around the world. Ozone layer of the planet earth is also recovering. Rivers are getting cleaner. Electricity need in year is expected to decrease by 5%. Earth temperature in year is not expected to increase this year after a long period of time.

II. Conclusion

There can be mix kind of impact on the world economy of the pandemic but the negative effects are more and positive are very less. People are getting fresh air to breathe but lack of jobs people have to sleep empty stomach in many parts of the world. The inequality of every kind is going to increase in the short run. The potential lost in this short run is going to have a long run affect.

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