

Emerging Issues in

COMMERCE AND MANAGEMENT



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A Comprehensive Study on the Worldwide Effect on COVID - 19 with special reference to Indian Economy



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ABSTRACT

The Novel Corona virus outbreak has resulted in a public health emergency with severe consequences for the world Economy. It is an unprecedented shock to every economy. The outbreak of the Covid-19 pandemic is a severe attack world economy. Economists and Researchers stated that lockdown situation had badly impacted the countries worldwide. It had slowed down the growth rate. International rating agency Fitch has slashed GDP Growth of India for 2020-21 to 0.8 per cent. The world economy is expected to fall by 3.9 percent in 2020 and a recession would prevail. Due to prolonged country-wide lockdown which cause global economic downturn and associated disruption of demand and supply chains, Indian economy is likely to face a serious period of battle with its existence. Job losses and salary cuts are likely in the high-risk services sector, including airlines, hotels, malls, multiplexes, restaurants, and retailers, which have seen a sharp, fall in demand due to lockdowns across the country. Among the fastest growing economic nations India has responded very earlier in reply to the pandemic. In this paper tried to describe the state of the world economy in the pre-Covid-19 period, assess the potential impact of the various industries worldwide with a general view of Indian Economy.

Keywords: Covid - 19, Economic Slowdown, Supply Chain, Informal Sector, Industry etc.

I. INTRODUCTION

In 2019 there was anxiety about the effect of US-China trade war, the Us Presidential elections and brexit on the

world economy. According to these IMF have forecasted global growth of 3.4%. But due to the spread of the pandemic Corona virus the whole scenario was a nightmare. The WHO first declared this virus as a world health emergency in January 2020. Since this destructive virus was first diagnosed in Wuhan, China. Later on it was detected in 190 countries and also affected soon the World's biggest economy USA. In early March the core area of infections shifted from China to Europe especially Italy and later to the whole world. In late January 2020 China was the first nation to impose travel restrictions along with South Korea and Vietnam. The pandemic haven't left a single sector of the world's economy. Due to the fear and uncertainty the Global Stock market has lost US\$6 trillion in one week. The Standard and Poor index lost over US\$5 trillion in the same week. The International Air Transportation Association stated that air travel industry would lose US\$ 113 Billion if the Covid 19 pandemic was not controlled.

The IMF in its report has predicted that the pandemic will create a Global financial Crisis after 2007-8 crisis followed by a backup recovery in 2021. The function of Global supply chain was disrupted due to this. Most of the countries have stopped trade with one another. Among the fastest growing economic nations India has responded very earlier in reply to the pandemic. A long periodical lockdown was announced by the Prime Minister. But the nation alike other nations has faced a lot after the immediate response.

II. LITERATURE REVIEW

Li, Wang et al. (2020) showed in their study, increase of stress anxiety etc over the people of China. People are more concerned with health and hygiene of the family rather than any economic activity in the epidemic period. Sumner, Hoy and Juarez (2020) suggested the potential short-term economic impact of COVID-19 on global monetary poverty. Dev and Sengupta (2020) explained that COVID-19 created an unprecedented challenge for India especially of the sector like finance and industry. Lockdown social distancing difference concepts created a barrier in labour centric industry which affected Indian economy at large. Ubed and Sawai (2020) observed the pestilence can turn into a definitive driver of national tourism industry to the breakdown, as it influences every single human movement, similar to social, strict, athletic, creative and social. The Corona Virus has shaken the world tourism industry, with enormous lodging networks and advanced stages, for example, booking being compelled to drop reservations in the

Asian nation. Kumar and Gupta (2020) stated that lockdown situation had badly impacted the countries worldwide. It had slowed down the growth rate of economy worldwide.

III. OBJECTIVES OF THE STUDY

The objectives of the study are as follow-

- To examine the effect of Covid-19 in different sector in worldwide.
- To show the impact of Covid -19 in Indian Economy.

IV. RESEARCH METHODOLOGY

The paper performs an extensive research on the basis of the data and information obtained from secondary sources. It involves the use of journal, research paper, and various reports of WHO and authenticate finance website and online resources etc. for the collection of secondary data needed in the analysis.

V. ECONOMIC FORECASTS

◆ Global Growth

The financial situation of different nations remains highly fluid. Uncertainty about the length and depth of health care crisis related economic effects are influencing perceptions of risk and volatility in the global financial scenario. Compounding the economic situation is a historic drop in the price of crude oil that reflects the worldwide decline in economic activity. On April 29, 2020 Federal Reserve Chairman Jay Powell stated that the Federal Reserve would use it full range of tools to support economic activities as because the commerce department stated in a report that a 4.8% drop in US GDP in the first quarter of 2020-05-13.

The organization for Economic Cooperation and Development (OECD) on March 2, 2020 lowered its forecast of global economic growth by 0.5% for 2020 from 2.9% to 2.4% based on the contingent assumption that the impact of the novel virus will be seen from the first quarter.

Highlighting the projected decline in global economic activity as the 'Great Lockdown' the IMF reported and updated forecast on 14th April 2020. As per the report that the global economy would experience its 'Worst Recession since the Great Depression'. The Global trade is also projected

to fall in 2020 by 11.0% and crude oil prices are projected to fall by 42%. The IMF also reported that many nations are facing a multi layered crisis that includes health crisis, financial crisis, capital outflow and many more.

♦ **Impact of Global Lockdown on the Economy**

- i) The greatest impact of the containment restrictions will be on retail and wholesale trade and in professional and real estate services.
- ii) Business closures could reduce economic output in advanced and major emerging economies by 15% or more other emerging economies could experience a decline in output of 25%.
- iii) Countries dependent on tourism could be affected more severely while countries with large agricultural and mining sectors could experience less severe effects.
- iv) Economic effects likely will vary across countries reflecting differences in the timing and degree of containment, measures.

Table 1: Impact of the Novel Pandemic on the World Wide Economy via Transmission Routes

Supply Disruptions	
<ul style="list-style-type: none"> ➔ Dependence on china for imports of raw and intermediate materials ➔ Higher input prices and reduced profitability leading to decline in capacity building 	
Global and Domestic Demand	
<ul style="list-style-type: none"> ➔ Reduced wealth effects due to falling share prices ➔ Hospitality and aviation sectors are impacted the most at a short span of time. ➔ Low profitability and production disruptions impact business sentiments ➔ Consumer spending to take a hit due to movement restrictions and fear of falling sick 	
Stress on Banking and Financial Sector	
<ul style="list-style-type: none"> ➔ Exposure to stressed industries and MSMEs ➔ Rising consumer loan default due to high unemployment ➔ The global stock market has fallen 30% since pandemic started in the west ➔ Stress on banks impact credit growth 	

Falling Oil Prices

- ➔ Oil prices have fallen sharply
- ➔ Lower oil prices could be a boon for India's twin deficit
- ➔ Gives policymakers some headroom to act
- ➔ The rupee depreciation may partially offset the gains

◆ Impact of Novel Coronavirus on Global Trade

Based on the forecast by the World Trade Organisation(WTO) Global trade volumes are projected to decline between 13% and 32% in 2020 as a result of economic impact of covid-19 .Being in the light of positivity taking in account the optimistic scenario WTO assumes that trade volumes recover quickly in second half of 2020.

Table 2: Two forecast and merchandise trade volume (optimistic scenario)

EXPORTS	2020	2021
North America	-17.1	23.7
Asia	-13.5	24.9
Europe	-12.2	20.5
IMPORTS	2020	2021
North America	-14.5	27.3
Europe	-10.3	19.9
Asia	-11.8	23.1

Source: WTO

From the above data it can be concluded that North America and Asia could experience the steepest decline in the export volumes. The forecast also projects that sectors with extensive value chains such as automobile products and electronics could experience the steepest declines.

◆ Impact on the Global Financial Markets

The clearest outcome of the COVID-19 crisis on financial markets was the effect in global stock market. Global stock market almost lost US\$ 6 TRILLION in the first week. The S&P 500 INDEX fell by 28%(from 3373 to 2410) .In the same period large international banks witnessed a plunge in their share price for instance CITI groups share fell by 49% , JP Morgan's share fell by 38% and Barclays share fell by 52%. Although the oil price war in which Russia and Saudi Arabia were driving down oil market by increasing production played a major role in the fall in stock market indices.

♦ **Impact on the Global Entertainment Industry**

The global film industry incurred a US\$ 5 billion loss during the corona virus outbreak. Several movie productions were postponed. The pandemic shutdown resulted in loss of 120000 jobs held by its 150000 members and the IATSE advocated the entertainment industry should be included in the planned federal stimulus package. There were estimated losses of 7.3 million Euros globally. In Bollywood several film projection houses are shut down due to the pandemic situation. Many of the production houses in both Hollywood and Bollywood are cutting payouts of their employees

♦ **Impact on the Consumer Products and Retail Market**

In the immediate aftermath of announcing the lockdown, the demand and consumption of FMCG and household products increased massively owing to panic buying by consumers and companies had to increase production

In the immediate situation of announcing the lockdown, the demand and consumption of FMCG and household products increased massively owing to panic buying by consumers and companies had to increase production

Players may have already stocked inventory, so the impact is likely to be felt only towards the end of Q4 FY20.

♦ **Impact of COVID 19 on Global Fintech Industry**

As per estimates, digital payments are likely to slip by over 30%. According to Researchers, with China lockdown, the sales in that country were down by over 43%, and a similar impact is likely in the US, India, and other European markets. Reduced sales would also directly hurt digital payment players. Fin Tech experts believe that the effect in the Indian market could be ascertained in the next quarter, whether there has been a rise or fall in the digital payments given the fact that travel and tourism were down since the start of the year. A large part of the digital payments, both volume, and value-wise come from OTA (online travel aggregators), movie and event booking portals, and entertainment (that includes retail shops, food courts, bars, and restaurants). These categories together form around 40 % of the total digital payments universe. The rest comes from utility bills and financial services segments. The global contactless payment industry report is segmented based end-user including Retail, BFSI, Transportation, and others. The outbreak of COVID-19 had an impact on these segments due to the demand for retail stores across the globe. Moreover, the contactless payment in supermarkets and shopping malls were on the high demand however, the COVID-19 outbreak can push the people to contactless payment.

♦ Impact of the Pandemic on Global Energy Sector

The energy sector has affected due to COVID - 19 in a great extent. This outbreak reduced the demand of Oil and Gas. According to the IEA Oil Market Report - April 2020, global oil demand is expected to fall by a record 9.3 mb/d year-on-year in 2020. Demand in April is estimated to be 29 mb/d lower than a year ago, down to a level last seen in. Similar kind of picture can be noticed in electricity sector as well. Europe and some other country have observed a huge collapse in electric prices. Even in some countries power prices become negative. It can observe that the drops in consumption: 25% in Italy, 20% in France, 12% in the United Kingdom. Another concern is the impact of the reduced demand on energy. And this will lead to companies' cash flows as well.

VI. OVERALL IMPACT OF COVID-19 ON INDIAN ECONOMY

Analysts and Economists stated that lockdown situation had badly impacted the countries worldwide some of the major observations are cited below:

- ➔ There is a situation of worse Unemployment in the nation.
- ➔ Expecting biggest stock market crash .i.e Nifty will fall below 5000-7500 points
- ➔ No job security among all sectors , companies are laying off their employees
- ➔ Daily wage workers and skilled labourers faced a lot
- ➔ It is supposed to create a huge depression alike the Great Depression of 1929.
- ➔ Education of school going students has come to a standstill.
- ➔ Indian exports and imports are impacted a lot due to non availability of transport and labour.
- ➔ People's normal lifestyle has been impacted too.
- ➔ Indian companies selling their shares to foreign B players.
- ➔ Pandemic impact on Agricultural, MSME, travel and tourism etc are affected.
- ➔ International rating agency Fitch slashed GDP for 2020-21 to 0.8%.
- ➔ Cotton prices have been reduced by 3% In the nation

- ➔ Fresh equity investments into the countries real estate sector could slow down.
- ➔ Petrochemical price are likely to be low.
- ➔ Increased pressure on supply chain of India due to non availability of labour.
- ➔ There can a delay in investment sector as people have no money to invest in.
- ➔ Gold and silver prices showcased low during lockdown.
- ➔ Indian exports as well as imports have been impacted a lot.

CONCLUSION

The situation of Covid -19 is alarming and it disturbs all over the world economy. Topmost economy of the world like UK, US, France etc has gone through the crucial situation. Stock market of all over the world crashed and oil prices decreased day by day. Unemployment increases in a hurricane speed. In this situation all the country must work together so that they can protect human being as well as repair the economic damages. Only then the economy of whole world can be survived. Not only can't a single country survive until all the world joins their hand to fight with this great economic disaster. Govt of India together with all State Govt have already taken some steps for revive but it is not enough. We should come together and face these challenges to overcome it.

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