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Coronavirus and the End of Economics-A Big question!

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Abstract
Having markets locked, farmers truanting from fields and transit in cessation, is world economy likely to face a standstill? It can be the situation if synergistic steps are not taken to control the situation. The present study aims to unveil the repercussions of pandemics like COVID-19 on economy of developing countries like India. COVID-19 has not only imposed infrastructural demands on health care systems but also it is leading to escalation of economic costs in terms of suspended work schedules and disoriented productivity. It has been observed that regions which are having more economic integration with the world economy will be affected heavily as compared to regions which are less in integration with the outside world.

Keywords: Economy; COVID-19; Coronavirus; Impact

1. INTRODUCTION

COVID-19 is definitely causing incalculable human sufferings, but in addition to this, it is also posing a threat to the fragile economies. The direct cost can be very easily recognized but how to account for the indirect costs involved? How can one account for the opportunity costs? These issues can be clearly delineated under the present study. The study also highlights the fact that Coronavirus is infecting economies more swiftly than it does people. **"This virus is as economically contagious as it is medically contagious",** said Richard Baldwin, a professor of International Economics at the Graduate Institute in Geneva. The ramped up spending by the government is causing no economic gains and is just neutralizing the losses caused due to havoc of the pandemic.

According to a report, around 53% of total businesses in India are going to be effected due to this pandemic. Due to lockdowns around the world the most of the businesses like Hotels, Airlines, Manufacturing etc. have been closed thus fearing the losses, layoffs and in few cases closures. The might of farmers is also adversely affected in country like India which is an agrarian economy. With the harvesting season approaching nearer in the major parts of the country and a situation of ambiguity regarding the end of COVID-19, thus hampering the economic prospects of rural India as well. With the lockdown coming into place, the unorganized labor involved in various sectors is at the most risk.

According to a projection by ADB, it is said that the growth forecast in India for the financial year could be around 4% which is much below the expected target rate of 6%. However a large number of initiatives were undertaken by the various government around the world in terms of Economic packages, fiscal policy measures and health rollouts etc. The world is currently facing a battle against unseen enemy and need of the hours is to focus on the

2. REVIEW OF LITERATURE

There are many studies in the past which have reflected how pandemics have been affecting the economy in menacing ways. The Spanish influenza in history was considered to be the deadliest one and the terror of the same is present even in this era [1]. That fear and awareness gave a helping hand to the world's reciprocation to SARS – a kind of Coronavirus which was a new of its category [2], [3]. It is also affecting the retaliation to COVID-19 as countries have opted for lockdowns to get themselves shielded from the treacherous effects of the disastrous virus.

Not many contributions have been made to study the impact of disastrous pandemics on economy. The work of [4] analyses the macroeconomic impact of influenza. [5]has worked in the field of studying economic impacts keeping in view vaccination based interventions in US. [6]employed an economic forecasting model in the estimation of the possible macroeconomic aftermaths of a pandemic which was the result of a mutation of avian influenza strain.

According to an economic outlook report published by Organization for Economic Co-operation and Development (OECD) in March, 2020; it is predicted that world GDP growth forecast is expected to be around 2.5% which is less than the expected growth forecast of 2.9% before the Corona Pandemic. The report also presented the decline in GDP growth rates of major economies of the world including USA, CHINA, EUROPE and JAPAN. This trend shows the impact of this deadly decease on the economic situation of the world in the coming times.

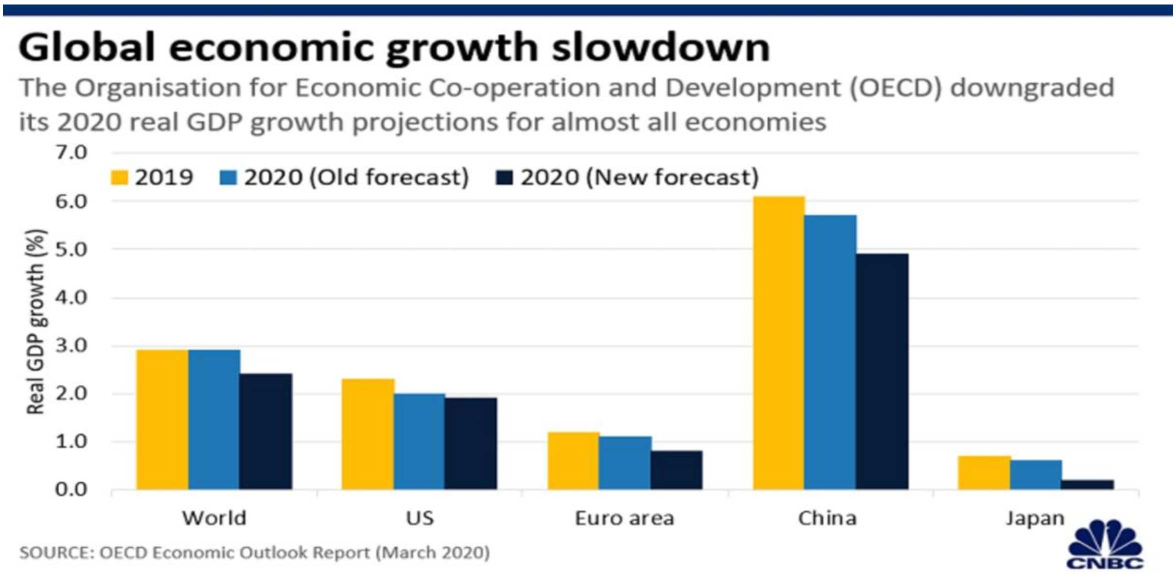

Figure 1: Real GDP growth Projections
Source: https://www.cnbc.com

On analyzing the trends in manufacturing activity of the major economies since Jan 19 to Feb. 20, it is visible that the manufacturing activity in China declined drastically Since Jan. 20 i.e. after the onset of the Corona disaster in Wuhan. The same downward drifting trend is observed in other economies like USA, Europe & Japan. As of latest updates till the writing of this research paper, the Corona has shifted its base from China to Europe & USA. The no. of Corona cases has increased tremendously in other countries. The nations have declared lockdowns in order to stop the spread of the disease resulting in closure of major Production & Service operations. This unfortunate state of affairs has almost put a break on everything in almost all the major economies of the world.

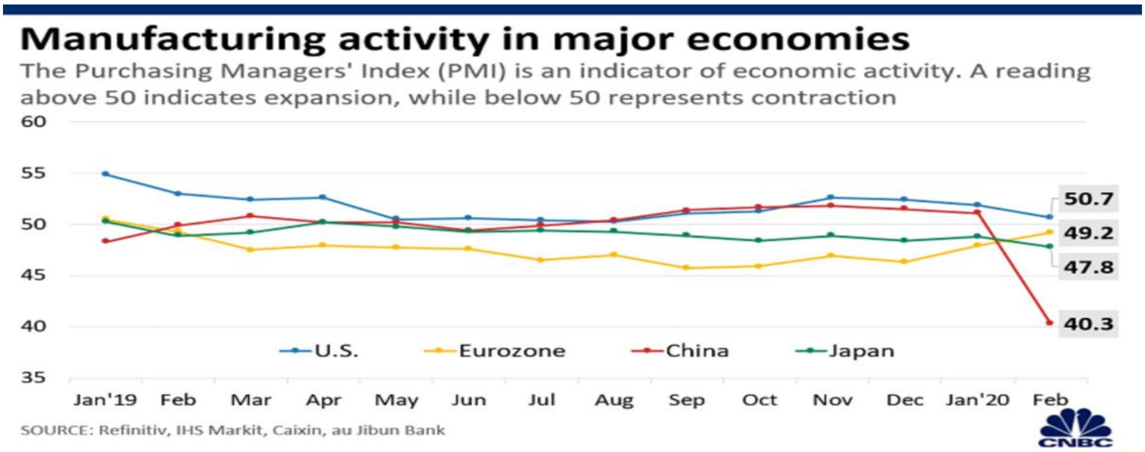

Figure 2: PMI Index of major Economies Jan. 19-Feb. 20
Source: https://www.cnbc.com

Another major indicator of the well being of the Business activities of the nations is Stock Market. The similar trends have been observed in these indices after 21st Feb., 2020. All the major stocks have recorded a negative growth trends in line with other indicators as discussed above.

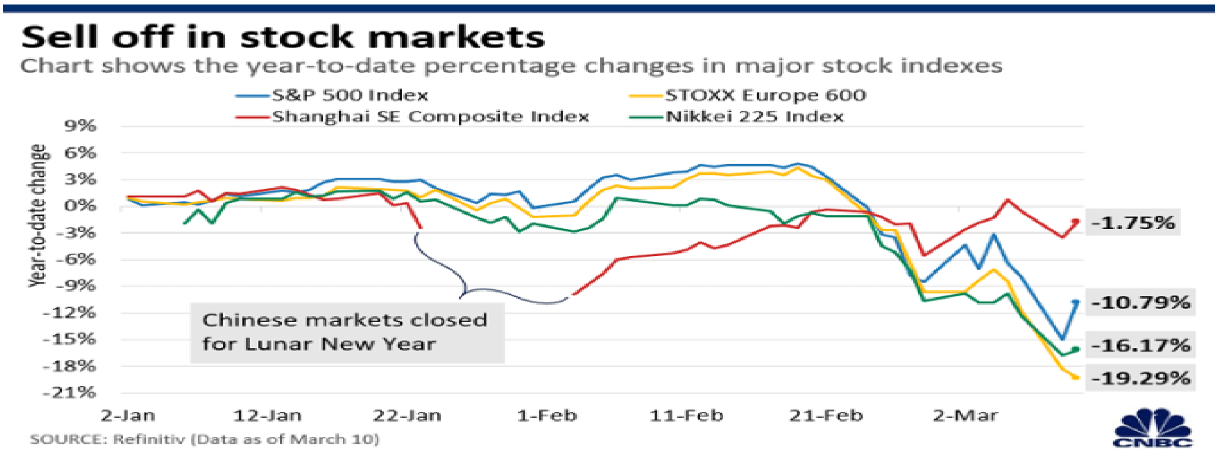

Figure 3: Major Stock Market Trends
Source: https://www.cnbc.com

The lessons derived from these studies can help to understand the grave situation and the economic implications of the catastrophic crisis of COVID-19. The present study aims to bring in light the updated information in regard to the virus outbreak.

3. OBJECTIVES & METHODOLOGY

The present study is focused on analyzing the impact of Coronavirus on the economy of major countries including India and suggesting actions to overcome the same. The study considers secondary data which has been extracted from various official websites, journals, newspapers, etc.

4. REPERCUSSIONS OF COVID-19

Even during the world wars, the machines kept humming around the world to supply necessary commodities to the warfront. But COVID-19 has led to such a situation where one can see empty streets, unoccupied educational and religious institutions and to make it worse, factories, the backbone of any economy, have stopped working.

Following ramifications have been observed:

- The *global airline industry* has received a *knock-back* that is worse than the terrorist attacks they have tackled years ago. “In this very difficult period, it will only be the survival of the fittest”, Qatar Airways CEO Akbar Al Baker said. As per the reports of International Air Transport Association, due to lockdowns all over the world, there can be a loss of about quarter of a trillion dollars in their annual revenue.

- The credibility and ability of global intelligence agencies with regards to understanding of the information and its consequences on the nations has hit very badly especially the role played by WHO & UNO.
- COVID-19 has drastically impacted *monetary policy* of the countries like India. Reserve Bank of India's Monetary Policy Committee reduced the repo rate by 75 basis points. Also, RBI decided to temporarily halt the Countercyclical Capital Buffer (CCyB). Though it may appear as a relief to a few, in essence it can harm the economic framework of the country. The money supply gets increased and so does *inflation.* It clearly brings into light the risks to the growth process.
- As we have seen that China has recovered from the lethal outbreak of Coronavirus, another consequence can be in the form of *lost international markets* which will give a hard blow to the economy of developing countries like India. It, therefore, stresses on the need for re-opening manufacturing units which were closed due to lockdown which is an ungovernable issue due to increasing toll of COVID-19 cases.
- To make the conditions worse, the world has been warned of the risk of worldwide food shortage by UN's FAO, WHO and WTO.
- Predictions are being made that India's fiscal deficit can be hiked from 3.5% (present) to 6.2% in FY2020-21. The credit for this again goes to the lockdowns in the economy and its ripple effects. It can also be due to the fact that the GST collections in March were below 1 lakh crores which is way behind the targets. In addition to this, Finance Minister Niramala Sitharaman has indicated to raise the gross borrowings to Rs. 7.8 Lakh Crores in the new financial year.
- The pandemic is also going to impact the imports of the country because China accounts as a significant exporter to India. It can put on hold the supply chains of the economy.
- Tourism will also be significantly affected due to this havoc as countries like India will lose the inflow of tourists from China and from other East Asian regions.
- In an economy hovered by the crisis, falling levels of employment, industrial outputs and corresponding demand levels can lead to a big blow to the GDP growth of India, the evidence of which can be revealed by the figures of the graph:

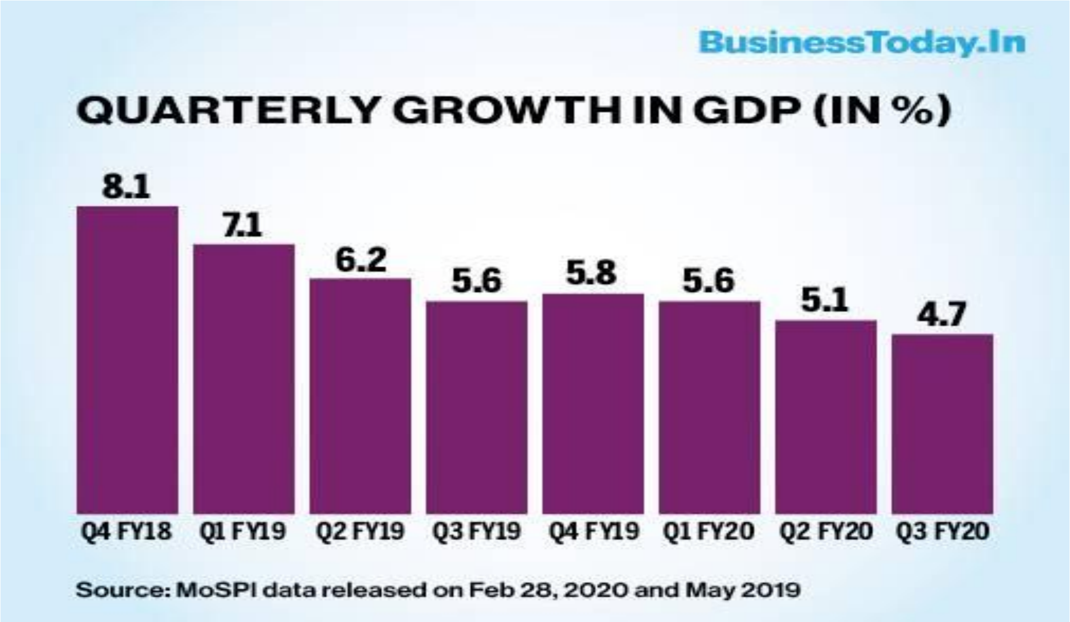

Figure 4: MoSPI data released on 28/02/20

Source: Business Today

- In just weeks, COVID-19 has shaken the investors' confidence due to which share markets are also being affected, so investors are not making risky decisions. The speed with which the markets are crashing has not been witnessed during the last 3 decades.

5. SUGGESTIONS & DISCUSSION

According to a latest UN Report, the experts are predicting that the world economy will go into recession, having suffered loss of trillions of dollars of global income due to the crisis.

- To counter, there is a call on the government to inject measures to strengthen aggregate demand. Otherwise there can be a huge danger of stagflation.
- Planned and coordinated interest rate cuts can offer a transient solution to the situation.
- There is a need for fiscal policy measures which can offer a sigh of relief either using tax cuts or compensations for underemployment of the workforce.
- The government needs to protect the wealth of the nation pacing it rightly, keeping an eye on the expenditure which is alleviating the loss of national income.
- The need to understand and respond to alternative mechanisms for the Employers and Employees in terms of current situation and similar situations in future need to be addressed on urgent basis.
- The dependency on the Internal Supply Chain has increased in this current crisis situation and ability to strengthen the same has been felt by all nations. Significant efforts need to done in this regard in future.
- There is a huge demand of e-tailers to deliver the no focused goods at customer doorsteps e.g. grocery, vegetables, medicines etc. thus opening up the new avenues for the companies and take benefits of the current event in the mankind history.

It is high time that a rational response to the pandemic is contrived to structure and indemnify the economy for the unusual dramatic disruptions.

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