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**Assignment Title:** COVID-19 and the Global Economy  
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**Question:**  
The COVID-19 pandemic continues to ravage the world. Briefly assess the pandemic's impacts on the global economy between December 2019 and April 2020. Basically explain both the intended and unintended consequences of the shutdowns, looking at the statistics of global financial institutions, for example, the IMF.

The socio-economic impact of the 2019–20 coronavirus pandemic has had consequences beyond the spread of the  [disease](https://en.wikipedia.org/wiki/Coronavirus_disease_2019).The [coronavirus pandemic](https://en.wikipedia.org/wiki/2019%E2%80%9320_coronavirus_pandemic" \o "2019–20 coronavirus pandemic) caused the [largest global recession in history](https://en.wikipedia.org/wiki/Coronavirus_recession), with more than a third of the global population at the time being placed on [lockdown](https://en.wikipedia.org/wiki/Lockdown). Supply shortages are expected to affect a number of sectors due to [panic buying](https://en.wikipedia.org/wiki/Panic_buying), increased usage of goods to fight the pandemic, and disruption to factories and logistics in [mainland China](https://en.wikipedia.org/wiki/Mainland_China), in addition, it also led to [price gouging](https://en.wikipedia.org/wiki/Price_gouging).There have been widespread reports of supply shortages of pharmaceuticals,[[4]](https://en.wikipedia.org/wiki/Socio-economic_impact_of_the_2019%E2%80%9320_coronavirus_pandemic#cite_note-4) with many areas seeing panic buying and consequent shortages of food and other essential grocery items.The technology industry, in particular, has been warning about delays to shipments of electronic goods.

Globally, reported cases of the coronavirus (COVID-19) outbreak passed one million late Thursday, with more than 50,000 deaths. Within a week, the number of infections has doubled, from over 500,000 a week ago, as the virus spread further across Europe and North America while expanding mildly in Africa. COVID-19 has now infected at least 1,018,920 people around the world and killed at least 53,292 people, according to data published by [Worldometer](http://www.worldometers.info/coronavirus/), a statistics website operated by Dadax. Meanwhile, more than 213,000 people have recovered from the virus so far.

Since the new coronavirus broke out in China late December, it has spread to nearly every country in the world – 204 countries and territories – and disrupted daily life for millions and several businesses under lockdown measures aimed at curbing the rapid outbreak.

“Over the past five weeks, we have witnessed a near exponential growth in the number of new cases, reaching almost every country, territory, and area,” said Tedros Ghebreyesus, World Health Organization Director-General, at a press briefing this week.

The United States has since surpassed China as the country with the most reported infections of COVID-19 in the world, accounting for more than 20 percent of cases globally and recording over 6,000 deaths. Italy and Spain follow America, having recorded over 100,000 cases apiece with at least 13,915 and 10,348 respectively.

Across Africa, the virus threatens to spread widely, as a number of countries have seen hundreds of positive tests. South Africa leads the pack with at least 1,462 of the total 6,000+ confirmed cases across the region. The pandemic could have a devastating impact on the continent, the WHO and experts have repeatedly warned, based on regional ill-equipped health systems that would struggle to care for what could be an overwhelming number of critical patients.

Beyond the region, the global economic toll of the pandemic, as people abide by stay-at-home orders and avoid restaurants, stores and movie theaters, could be massive. The cost could reach [$4.1 trillion](http://link.mail.bloombergbusiness.com/click/19915694.5302/aHR0cHM6Ly93d3cuYmxvb21iZXJnLmNvbS9uZXdzL2FydGljbGVzLzIwMjAtMDQtMDMvZ2xvYmFsLWNvc3Qtb2YtY29yb25hdmlydXMtY291bGQtcmVhY2gtNC0xLXRyaWxsaW9uLWFkYi1zYXlzP2NtcGlkPUJCRDA0MDMyMF9SRUFETElTVCZ1dG1fbWVkaXVtPWVtYWlsJnV0bV9zb3VyY2U9bmV3c2xldHRlciZ1dG1fdGVybT0yMDA0MDMmdXRtX2NhbXBhaWduPXRoZXJlYWRpbmdsaXN0/5d8616d5bec7c3144e0c9916B5f13b6e9) – equal to about 5 percent of global GDP – and cause the global economy to shrink [almost 2 percent](http://link.mail.bloombergbusiness.com/click/19915694.5302/aHR0cHM6Ly93d3cuYmxvb21iZXJnLmNvbS9uZXdzL2FydGljbGVzLzIwMjAtMDMtMTYvd2hhdC10by1rbm93LWFib3V0LXJlY2Vzc2lvbnMtYXMtdmlydXMtdGhyZWF0ZW5zLW9uZS1xdWlja3Rha2U_Y21waWQ9QkJEMDQwMzIwX1JFQURMSVNUJnV0bV9tZWRpdW09ZW1haWwmdXRtX3NvdXJjZT1uZXdzbGV0dGVyJnV0bV90ZXJtPTIwMDQwMyZ1dG1fY2FtcGFpZ249dGhlcmVhZGluZ2xpc3Q/5d8616d5bec7c3144e0c9916B3944b857) in the first half of 2020, Bloomberg notes.

While there is no way to tell exactly what the economic damage from the global COVID-19 novel coronavirus pandemic will be, there is widespread agreement among economists that it will have severe negative impacts on the global economy. Early estimates predicated that, should the virus become a global pandemic, most major economies will lose at least 2.4 percent of the value their gross domestic product (GDP) over 2020, leading economists to already reduce their 2020 forecasts of

global economic growth down from [around 3.0 percent](https://www.statista.com/statistics/273951/growth-of-the-global-gross-domestic-product-gdp/) to [2.4 percent](https://www.statista.com/statistics/1102889/covid-19-forecasted-global-real-gdp-growth/). 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. However, these predictions were made prior to COVID-19 becoming a global pandemic, and before the implementation of widespread restrictions on social contact to stop the spread of the virus. Since then, global stock markets have [suffered dramatic falls due to the outbreak](https://www.statista.com/statistics/1105021/coronavirus-outbreak-stock-market-change/), and the [Dow Jones reported its largest-ever single day fall](https://www.statista.com/statistics/1104278/weekly-performance-of-djia-index/) of almost 3,000 points on March 16, 2020 – beating its previous record of 2,300 points that was set only four days earlier.

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](https://www.statista.com/statistics/1103426/covid-19-revenue-travel-tourism-industry-forecast/). To slow the spread of the virus, countries placed restrictions on travel, meaning that many people cannot purchase flights for holidays or business trips. This reduction in consumer demand causes airlines to lose planned revenue, meaning they then need to cut their expenses by [reducing the number of flights they operate](https://www.statista.com/statistics/1104036/novel-coronavirus-weekly-flights-change-airlines-region/). Without government assistance, eventually airlines will also need to reduce lay off staff to further cut costs. The same dynamic applies to other industries, for example with [falling demand for oil](https://www.statista.com/statistics/332291/global-oil-demand-outlook-following-covid-19/) and [new cars](https://www.statista.com/statistics/1104015/worldwide-auto-industry-gross-value-added-growth-covid-19/) as daily commutes, social events and holidays are no longer possible. 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 shopfronts](https://www.statista.com/statistics/1102658/coronavirus-lost-sales-impact-for-retailers-europe/), 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.  
 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](https://www.statista.com/statistics/1105059/industries-experiencing-an-increase-in-revenues-due-to-the-impact-of-coronavirus/), 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). Taken together, this means 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 unintended consequences of current policies are vast, in both human and economic terms. The governments of Taiwan, Japan, and South Korea seem to have shown that even a democracy can manage a health crisis directly, by seeking to minimize spread of the disease, in ways that won’t cripple the economy. Rules vary by country and jurisdiction, but – especially in urban centers – the following generally apply. On leaving home, you must wear a mask. On entering an office building or store, your temperature is taken. If it’s elevated, you will be tested. Apart from that, if you are not feeling well, you can get tested at a convenient location. If you test positive, they will ask about whomever you’ve seen in the past week, and will test them, too. You are then placed on mandatory home quarantine, as are those who live with you. Hospitalization is reserved for serious cases.

The health of the economy is not as important as the health of the citizenry. However, the two are interconnected. You can’t crush the economy without exacting a human toll. In a 2018 academic article, Taiwanese researchers Yu-Hui Lin and Wen-Yi Chen [showed](https://econpapers.repec.org/article/sprsoinre/v_3a135_3ay_3a2018_3ai_3a2_3ad_3a10.1007_5fs11205-016-1492-1.htm) a link between unemployment and suicide, one that may linger for two to three years after the job market has improved. These findings suggest that even a short, sharp recession has lasting consequences. In rough terms, they postulate that each 1% rise in unemployment leads to one additional suicide per 100,000 people, and a rise in divorces of up to 1%. If unemployment jumps by 5% in the current shutdown of the U.S. economy, that would translate into some 16,500 additional suicides and up to 3 million divorces. The human toll is very real.

Robert Zoellick and others [have noted](https://www.wsj.com/articles/trumps-tariffs-leave-the-u-s-short-on-vital-medical-supplies-11584551602) that supply chain disruptions are jeopardizing the health and lives of patients facing much more serious health risks than coronavirus. There are 23 million Americans with cancer or who have had cancer, another 30 million with heart disease, 34 million with diabetes, and 35 million with chronic lung disease. Given the overlap between these groups, around 70-80 million Americans are being treated for one or more of these ailments. If one in a hundred of them die because they can’t get their medicine, or the hospitals can’t take them, there’s another 750,000 deaths.

How likely is death from COVID-19, for the millions who will be exposed? It’s too early to know, and it varies widely by age and health. Because many cases are asymptomatic or are mild enough that the carrier doesn’t get tested, the number of cases is likely understated by far more than the number of deaths. Countries like South Korea, which have done widespread testing, will have far fewer unreported cases.

On the Diamond Princess cruise ship, with 3,000 aboard, everyone was tested. For both the Diamond Princess and South Korea, the mortality rate is about 1%. Those who are over 60 years old with other risk factors (the aforementioned heart or lung disease, cancer or diabetes) comprise roughly 80% of that total. This means that, for most age groups, a COVID-19 victim faces mortality risk that very roughly matches one’s risk of dying from all other causes in 2020. Why are we shuttering the global macroeconomy for a threat that temporarily doubles our risk of dying, and only for those of us who are infected? While a muscular national response is both expected and necessary, the old saying of "first do no harm" rates prominent consideration. In a noble effort to save lives, let's please be careful to not crush people’s careers, plans and dreams in the process.