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ASSIGNMENT; 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.

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 to 2.4 percent. 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, and the Dow Jones reported its largest-ever single day fallof 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. 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. 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 and new cars 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, 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, 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 COVID-19 pandemic has pushed the world into a recession. For 2020 it will be worse than the global financial crisis. The economic damage is mounting across all countries, tracking the sharp rise in new infections and containment measures put in place by governments.

China was the first country to experience the full force of the disease, with confirmed active cases at over 60,000 by mid-February. European countries such as Italy, Spain, and France are now in acute phases of the epidemic, followed by the United States where the number of active cases is growing rapidly. In many emerging market and developing economies, the epidemic appears to be just beginning.

In Italy, the first country in Europe to be severely hit, the government imposed a national lockdown on March 9 to contain the spread of the virus. As a result, attendance in public places and electricity use have declined dramatically, especially in the northern regions where infection rates have been considerably higher. The economic consequences of the pandemic are already impacting the United States with unprecedented speed and severity. In the last two weeks in March almost 10 million people applied for unemployment benefits. Such a sharp and staggering increase has never been seen before, not even at the peak of the global financial crisis in 2009. Disruptions caused by the virus are starting to ripple through emerging markets. After showing little movement early in the year, the latest indices from purchasing manager surveys (PMIs) are pointing to sharp slowdowns in manufacturing output in many countries, reflecting drops in external demand and growing expectations of declining domestic demand. On a positive note, China is seeing a modest improvement in its PMI after sharp declines early in the year, despite weak external demand.

The modest improvement in economic activity in China is reflected in daily satellite data on nitrogen dioxide concentrations in the local atmosphere—a proxy for industrial and transport activity (but also the density of pollution as a by-product of fossil fuel consumption). After a steep decline from January to February during the acute phase of the pandemic, concentrations have increased as new infections have fallen, allowing China to gradually relax its strict containment measures. The recovery in China, albeit limited, is encouraging, suggesting that containment measures can succeed in controlling the epidemic and pave the way for a resumption of economic activity. But there is huge uncertainty about the future path of the pandemic and a resurgence of its spread in China and other countries cannot be ruled out. To overcome this pandemic, we need a global, coordinated health and economic policy effort.

The IMF—in collaboration with other partners—is doing everything it can to ensure rapid support is available to impacted countries through emergency financing, policy advice, and technical assistance.

The world no doubt has suffered a fall in economy dues to the pandemic both foreseen and unforeseen effects, countries strive to feed their citizens during a time of state lockdowns (which has caused business to be on a pause). Resources and capital has all been directed to the health sector of every country in order to provide the basic facilities that are needed for the curb of the corona virus. Due to this other sectors of the economy tend to suffer a loss. The IMF and other financial institutions (world bank etc.) and international organizations do their best to provide the financing needed to aid the betterment of the country.