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MATRIC NUMBER : 18/SMS09/051

COURSE CODE:IRD 218

DEPARTMENT: INTERNATIONAL RELATIONS AND DIPLOMACY

ASSIGNMENT: 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 corona virus also known as COVID-19, The COVID-19 pandemic has affected the world's economy in many ways. The economic impact of the 2019–20 coronavirus pandemic has had far-reaching consequences beyond the spread of the COVID-19 disease itself and efforts to quarantine it. As the virus has spread around the globe, concerns have shifted from supply-side manufacturing issues to decreased business in the services sector.The coronavirus pandemic caused the largest global recession in history, with more than a third of the global population at the time being placed on lockdown. Supply shortages are expected to affect a number of sectors due to panic buying, increased usage of goods to fight the pandemic, and disruption to factories and logistics in mainland China, in addition, it also led to price gouging.There have been widespread reports of supply shortages of pharmaceuticals, 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. Global stock markets fell on 24 February 2020 due to a significant rise in the number of COVID-19 cases outside mainland China. By 28 February 2020, stock markets worldwide saw their largest single-week declines since the 2008 financial crisis.Global stock markets crashed in March 2020, with falls of several percent in the world's major indices. As the pandemic spreads, global conferences and events across technology, fashion, and sports are being cancelled or postponed. While the monetary impact on the travel and trade industry is yet to be estimated, it is likely to be in the billions and increasing. By 16 March, news reports emerged indicating that the effect on the United States economy would be worse than previously thought.

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 fall 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 coronavirus outbreak, which originated in China, has infected more than 550,000 people. Its spread has left businesses around the world counting costs. Big shifts in stock markets, where shares in companies are bought and sold, can affect many investments in pensions or individual savings accounts (ISAs).The FTSE, Dow Jones Industrial Average and the Nikkei have all seen huge falls since the outbreak began on 31 December. The Dow and the FTSE recently saw their biggest one day declines since 1987. Investors fear the spread of the coronavirus will destroy economic growth and that government action may not be enough to stop the decline. In response, central banks in many countries, including the United Kingdom, have slashed interest rates.That should, in theory, make borrowing cheaper and encourage spending to boost the economy. Global markets did also recover some ground after the US Senate passed a $2 trillion (£1.7tn) coronavirus aid bill to help workers and businesses.

The Unintended Consequences of Economic Shutdown. The bipartisan answer to the coronavirus pandemic seems to be: shutter the economy, then bail out everyone who is suffering economic pain. Of course, as RealClearMarkets editor John Tamny has observed, if we bail out everyone, we bail out no one. Instead of directly confronting the cause of the pandemic spread of COVID-19, we are inflicting vast damage on great swaths of the economy, likely bankrupting millions of small businesses, which we then seek to fix with massive fiscal and monetary stimulus. Stimulus can only bolster economic activity when slack resources – including the newly unemployed – can be put back to work in a timely way, to produce goods and services. 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. Direct and unambiguous. 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 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 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. RealClearPolitics - Opinion, News, Analysis, Video and Polls logo

COVID-19 and the Unintended Consequences of Economic Shutdown. The answer to the coronavirus pandemic seems to be: shutter the economy, then bail out everyone who is suffering economic pain. Of course, as RealClearMarkets editor John Tamny has observed, if we bail out everyone, we bail out no one. Instead of directly confronting the cause of the pandemic spread of COVID-19, we are inflicting vast damage on great swaths of the economy, likely bankrupting millions of small businesses, which we then seek to fix with massive fiscal and monetary stimulus. Stimulus can only bolster economic activity when slack resources – including the newly unemployed – can be put back to work in a timely way, to produce goods and services. 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. Direct and unambiguous. 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 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 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.

Monetary and Financial Stability During the Coronavirus Outbreak. The global spread of the coronavirus is a human tragedy unfolding across the world. Quantifying the economic impact is complex, giving rise to significant uncertainty about the economic outlook and the associated downside risks. Such an abrupt rise in uncertainty can put both economic growth and financial stability at risk. In addition to targeted economic policies and fiscal measures, the right monetary and financial stability policies will be vital to help buttress the global economy. Higher uncertainty and tighter financial conditions. Measures of economic uncertainty such as equity market volatility increased sharply in countries around the world. Stock markets in major economies, such as the United States, the Euro area, and Japan, all fell sharply and witnessed a surge in implied volatility as skittish investors tried to factor in the latest risks posed by the new virus. As a result of this sharp increase of uncertainty, credit spreads have widened broadly across markets as investors are reallocating from relatively risky to safer assets. High-yield and emerging-market bonds are hit particularly hard by these reallocations. As a result, the spreads of emerging- and frontier-market bonds denominated in U.S. dollars have widened sharply. Financial conditions have tightened significantly in recent weeks, which means that companies are facing higher funding costs when they tap equity and bond markets. Such a sudden, sharp tightening in financial conditions acts as a drag on the economy, because firms postpone investment decisions and because individuals delay consumption as they feel less financially secure. Monetary policy response, The sharp tightening in financial conditions, along with expectations of low inflation, means that monetary policy has a role to play at the current juncture. Central banks can act quickly to help ease the tightening of financial conditions by injecting liquidity and cutting interest rates, thus preventing a possible credit crunch. In fact, markets have been anticipating aggressive easing by central banks, as reflected in the sharp fall in sovereign bond yields in many countries around the world.

The COVID-19 pandemic is inflicting high and rising human costs worldwide, and the necessary protection measures are severely impacting economic activity. As a result of the pandemic, the global economy is projected to contract sharply by –3 percent in 2020, much worse than during the 2008–09 financial crisis. In a baseline scenario--which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound—the global economy is projected to grow by 5.8 percent in 2021 as economic activity normalizes, helped by policy support. The risks for even more severe outcomes, however, are substantial. Effective policies are essential to forestall the possibility of worse outcomes, and the necessary measures to reduce contagion and protect lives are an important investment in long-term human and economic health. Because the economic fallout is acute in specific sectors, policymakers will need to implement substantial targeted fiscal, monetary, and financial market measures to support affected households and businesses domestically. And internationally, strong multilateral cooperation is essential to overcome the effects of the pandemic, including to help financially constrained countries facing twin health and funding shocks, and for channeling aid to countries with weak health care systems.

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